

Sustainability

Facts and figures on the economic,
ecological and social development
of the Coop Group



Reporting system limits

Sales regions (Coop sales outlets)

Suisse Romande	Bern	Nordwestschweiz	Zentralschweiz–Zürich	Ostschweiz–Ticino
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Centres relevant for this report

National administration	Distribution centres	Logistics	Training centres	Quality centre
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Production plants

Swissmill	Panofina	Chocolats Halba	Nutrex	CWK
Pasta Gala	Steinfels Cleaning Systems	Rice Mill Brunnen	Argo	

Department stores and speciality markets

Coop City department stores	Building and hobby supplies	Toptip, Lumimart	Interdiscount	Import Parfumerie
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Subsidiaries

Bell Holding AG	Coop Vitality AG	Coop Mineraloel AG (incl. Pronto)	Other holdings
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Validity of data

Unless otherwise indicated, the data in this report refer to supermarkets, building and hobby supplies and Coop City department stores, as well as production plants and distribution centres (coloured dark green). To ensure comparability with the Coop Group Annual Report, the employee figures and financial data given here refer to the entire Coop Group. Wherever possible figures for the five years 1999–2003 are given. Current figures given in the text generally refer to the year 2003.

Reporting in accordance to GRI

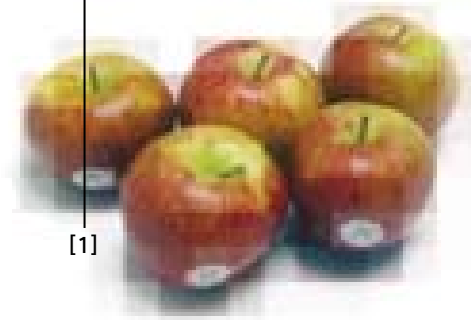
This sustainability report presents for the first time detailed facts and figures on Coop contributions not only to the environment but also to society. Since a Global Reporting Initiative (GRI) trade criteria listing is not yet ready, Coop has applied the existing, more production oriented criteria listing. The GRI is an international organization drawing up generally recognized guidelines for sustainability reporting. To make this publication more reader-friendly and underline Coop's priorities, Coop contributions are listed here by main areas and expectations. In some key areas, this report goes beyond the GRI criteria. The annex contains a detailed overview of areas in which the report provides information according to GRI criteria.

Long-term market success is only possible with sustainable products and services. For Coop, sustainability goes without saying. Thanks to the personal commitment of our staff and business partners, we have an outstanding track record and achieve sustainable results – economically, ecologically and socially.

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ANNEX 99

PROFILE AND VISION
 The fruits of a merger.
 Coop is on a sustainable
 profitability course.

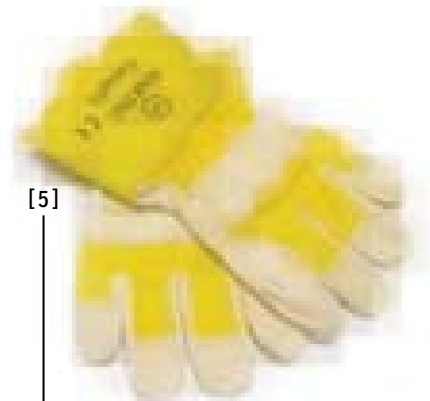
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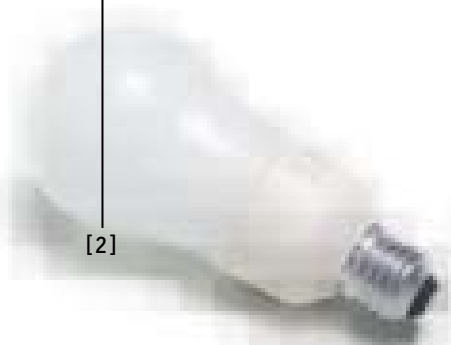
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BUSINESS PARTNERS
 Coop works hand in
 hand with its business
 partners. Close and
 sustainable cooperation
 continuously improves
 products and working
 conditions.

**SUSTAINABILITY
POLICY**

Bright ideas for the world we live in. Environmental and social concerns always get a green light at Coop.

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[2]

CUSTOMERS

Something for every taste. Meeting customers' wishes is a must for Coop.

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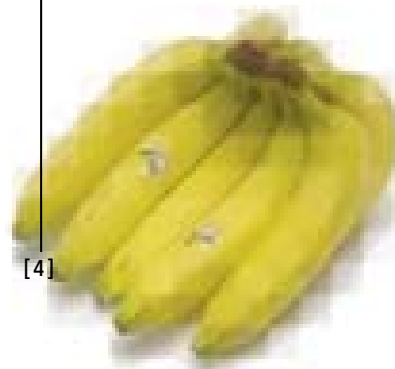


[3]

PRODUCTS

Environment-friendly, fair, better. Coop market leadership with an outstanding offering of high-quality products.

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[4]

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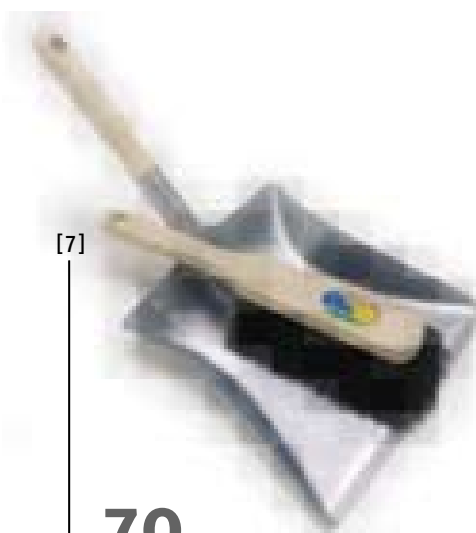


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EMPLOYEES

Coop builds sustainable profitability on good working conditions and transparent relations with social partners.

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**PRODUCTION, LOGISTICS
AND SALES OUTLETS**

Coop has cleaned up its own doorstep and taken numerous measures to clean up the environment as well.

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SOCIAL COMMITMENT

Giving delicate creations a chance. Coop supports people and organizations working for a good cause.

Setting standards

The Coop Board of Directors and Executive Committee are deeply committed to sustainability and to conduct that takes account of both economic and environmental and ethical factors.

With its four flagship labels, Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar, Coop has been demonstrating its commitment to environmentally sound, animal-friendly and socially compatible products for over ten years. Coop is the market leader in this field. Our customers have also done their part towards making these labels a success and in doing so have lent our company renewed dynamism – turning it into a sustainable success story.

Being able to offer our customers a sustainable range in a dense sales outlet network is very important to us and is in fact our core business. As an organization, however, we aspire to sustainability in other areas too – as a cooperative society vis-à-vis our members, as an employer vis-à-vis our employees, as a corporation vis-à-vis our business partners, as an active member of society vis-à-vis the public at large and as an open system vis-à-vis the natural environment.

When it comes to sustainability, Coop is widely perceived as a company that sets standards – and not just in retailing here in Switzerland, but in other areas too. What we have so far lacked, however, is a comprehensive account of all that we have done and are still doing in the interests of sustainability.

The purpose of this first Coop Sustainability Report, therefore, is to show just how seriously we take our responsibilities to our various stakeholders. We do this by providing facts and figures, a review of the past five years, an analysis of the current situation and a definition of the targets we have set ourselves for the foreseeable future. But we also do it with portraits of people at Coop and our partners who, by bringing their expertise, commitment and circumspection to bear in their daily work, all help further the cause of sustainability.

Because ultimately, only people can make sustainability a success – by making their ideas a reality and putting their theories into practice. Thinking in the long term, environmental and ethical awareness are not delegated to a staff unit here at Coop. They are, rather, standard practice throughout the company – whether in range planning or procurement, in logistics or at the sales outlets. Our business partners are also crucial to our success. Much of what we do would be impossible without their commitment and innovative drive, which is why the cultivation of solid partnerships is so essential to sustain-



Anton Felder

Being able to offer our customers a sustainable range is important to us and is our core business. As an organization, however, we aspire to sustainability in other areas too – vis-à-vis our employees and our business partners, vis-à-vis the public at large and vis-à-vis the natural environment.



Hansueli Loosli

able performance. Only by keeping the lines open and by facilitating an ongoing exchange of ideas can suppliers and customers become partners.

The Sustainability Report is divided into two sections. The first section contains a presentation of Coop's corporate profile, vision and strategies. It also sheds light on how we apprehend sustainability and how we put these ideas into practice and integrate them in our corporate operations.

The second section provides facts and background information on some of Coop's sustainability success stories, organized according to the following themes and areas of interest: "Customers", "Products", "Business Partners", "Employees", "Production/Logistics/Sales Outlets" and "Social Responsibilities".

We would like to thank all those employees and partners who made this Sustainability Report possible and who will continue to contribute to Coop's pursuit of sustainability in future years as well.

Handwritten signature of Anton Felder in black ink.

ANTON FELDER
Chairman of the
Board of Directors

Handwritten signature of Hansueli Loosli in black ink.

HANSUELI LOOSLI
Chief Executive
Officer

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[1]



A clear vision, mission, corporate profile and strategies
 A clear focus on customers' needs and long-term planning
 A strong position on the market with steady growth in market share and sales revenues

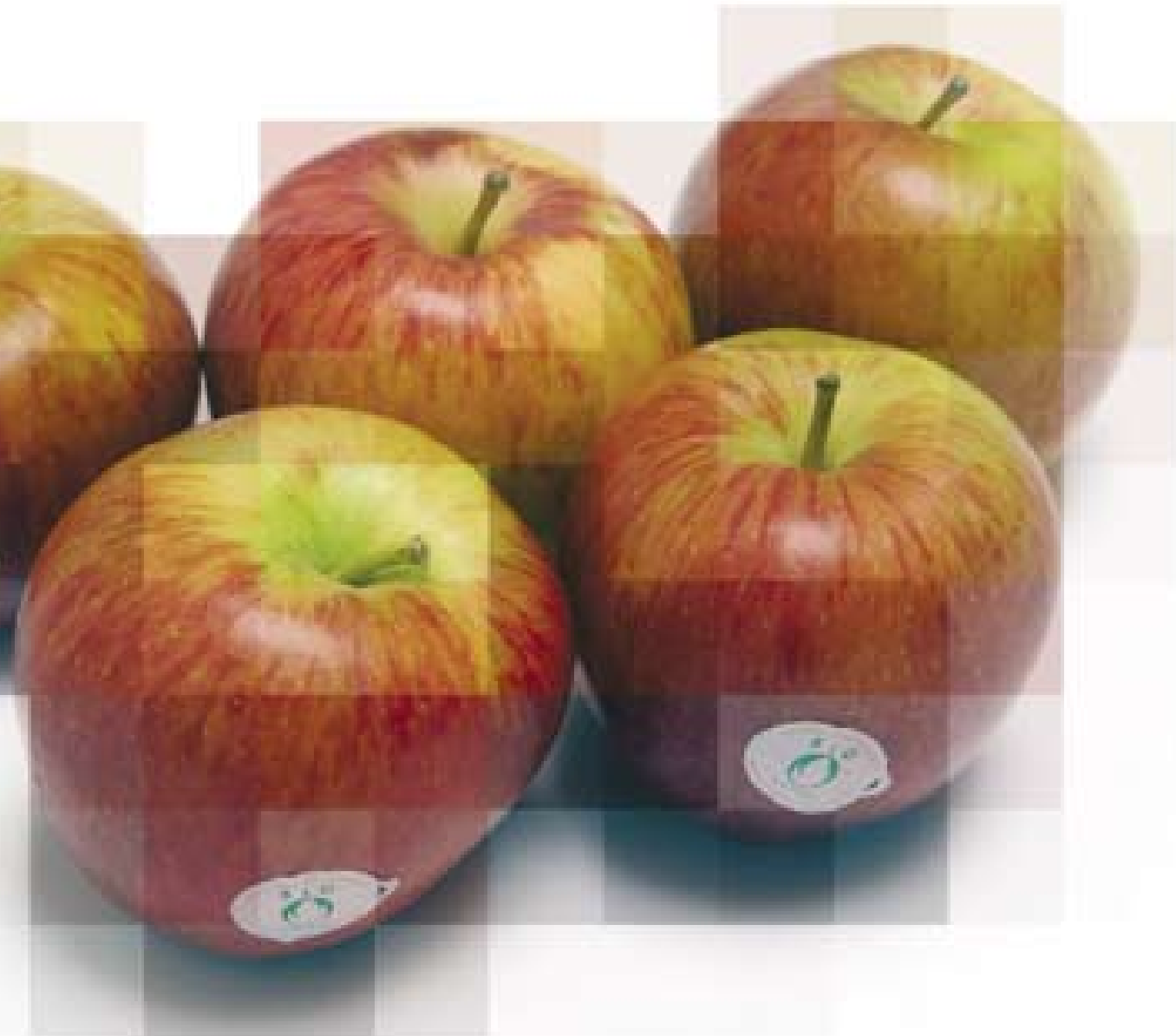


Limited potential for growth on the domestic market, Switzerland



Consistent implementation of the CoopForte strategies by 2005
 Drafting of new Coop strategies for 2010
 Consolidation of Coop's leadership in environmentally and socially compatible products

PROFILE AND VISION



The fruits of a merger. Coop is on a sustainable profitability course.

Successful through commitment

Coop is a cooperative society with over 2.2 million members. Its core business is retailing in Switzerland. Coop has various sales formats in the food, non-food and services sectors, including not only classic supermarkets, but also building and hobby supplies and Coop City department stores. In 2003, Coop had a total sales space of nearly 1.5 million square metres spread among 1,500 sales outlets all over Switzerland. The past five years have seen a slight drop in the number of outlets, but an increase in the total sales space, indicating that the trend these days is towards larger stores. Coop has Switzerland's most comprehensive network of sales outlets and is therefore the retailer that is closest to its customers.

Financial facts and figures

With net sales of CHF 14.43 billion in 2003, Coop is Switzerland's second largest retailer. Both sales revenues and market share have risen steadily during the past five years: In 2003, Coop had a 16.7% share of retail trade in Switzerland (based on the BAK market volume). Whereas its market share in food is 23.0%, in the non-food sector it has a share of 10.7%. The equity ratio at year's end 2003 was 34.5%. All Coop's major investments of the past few years – meaning not just the modernization of its sales outlets, but also the acquisition of the Waro consumer goods chain and EPA chain of department stores – were financed using the company's own funds.

The annual result and share capital have both increased steadily during the past five years. The only exception was the year 2000, when extraordinary provisions had to be made in connection with the sale of Bank Coop. These figures show that Coop today has a healthy financial base, which in turn means that it can plan and act according to long-term considerations and hence in the interests of corporate sustainability.

Coop as a cooperative society

Coop has its origins in the *Verband schweizerischer Konsumvereine (VSK)*, an association of Swiss consumer societies founded in 1890. This association was at its largest in the early 1950s, when it had a membership of 572 cooperative societies. While a series of mergers caused the number of societies to fall in subsequent years, the number of individual members continued to climb. In 1969, the VSK was renamed "Coop Switzerland". Whereas the various mergers had certainly led to gains in efficiency, it was not until 2001 and the "CoopForte" project that significant progress was made. It was then that the 14 remaining regional societies and Coop Switzerland merged to form a single national cooperative society. Coop was at last able to exploit the potential synergies to the full, to simplify its processes and eliminate duplication. Not surprisingly, the merger set in motion a period of sustained dynamism.

By the end of 2003, Coop had 2,250,740 member households. As this represents more than 60% of all Swiss households, the old distinction between customers and members now plays much less of a role than is the case among smaller cooperative societies. All members have the right to vote and to stand for election and through the regional boards can exert an indirect influence on both the articles of association and on the election of the Board of Directors. It is then the job of the Board of Directors and the Executive Committee it appoints to manage the Coop cooperative society in compliance with the law and the articles of association.

The success or otherwise of a retailing business, however, will always depend not so much on its legal status as on its customers, who after all have several different retailers to choose from for every purchase they make. This constant pressure to perform, however, also ensures that Coop is and remains both efficient and innovative.

The economic environment

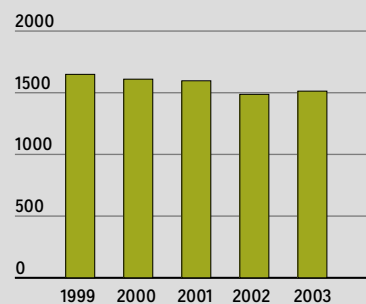
Coop operates in a dynamic market environment and has to adapt to the prevailing economic and political circumstances. The company is surrounded by powerful international groups in both the food and consumer goods industries, which have undergone a clear process of concentration in recent years. In Switzerland, Coop also has to deal with countless small and medium-sized businesses, all of whom it treats with both respect and fairness. Statutory regulations also have an influence on the environment in which Coop operates. Relations between suppliers and retailers, for example, have changed radically since the laws governing product information and traceability were tightened up. New types of cooperation have emerged as a result, as have joint product and market development projects, which are similarly conducive to supplier-retailer partnerships. Mutual dependency can also arise in some cases, however. Switzerland's new and much stricter anti-trust laws that came into effect in 2004 make it illegal for manufacturers and the trade to enter into gentlemen's agreements.

Concentration is still the predominant trend in Swiss retailing, however, especially in the food sector. Yet the situation is no different in any of the other low-population countries of Western Europe, the main reason for this being the high overheads incurred for product procurement, logistics, advertising and IT. Despite its strong tendency towards concentration, the Swiss market is actually a very competitive one, as is evident from the large number of foreign companies that have entered the market in recent years. After all, shopping across the border for food and near-food products worth over CHF1.5 billion a year constitutes very serious competition indeed. One especially big challenge for Coop is German retailers' aggressive and heavily price-based sales policies.

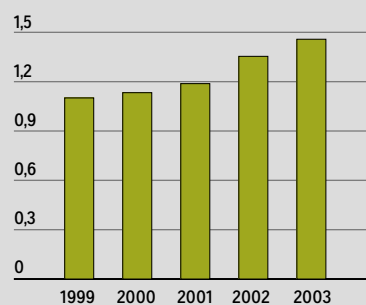
With net sales of CHF 14.43 billion in 2003, Coop is Switzerland's second largest retailer. Coop has Switzerland's most comprehensive network of sales outlets.

Sales outlets and product range

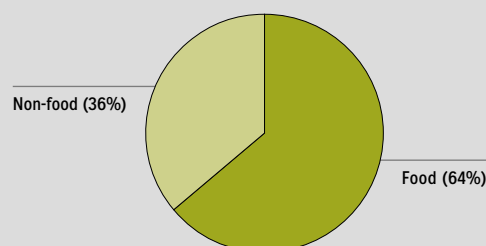
NUMBER OF COOP GROUP SALES OUTLETS



SALES SPACE (MILLION SQUARE METRES)



PRODUCT RANGE DISTRIBUTION 2003 BY TURNOVER



As Coop operates only in Switzerland, it is subject to a number of competitive constraints: Switzerland's high wage levels are bound to impact negatively on a business as labour-intensive as retailing. High customs tariffs on agricultural products and the much tighter laws governing farming in Switzerland mean that the procurement costs for important food groups are almost twice as high as they are in neighbouring countries. The fact that Switzerland's urban planning, environmental and food laws are also more exacting and hence more restrictive than elsewhere also translates into higher prices. Despite these disadvantages, Coop welcomes Switzerland's high standards in environmental protection, animal husbandry and food safety.

After all, consumers these days are interested not just in the price of a product, but also in the manner in which it was produced. Since the end of the 1980s, Coop has pushed for reforms in Swiss farming, calling for both "more environment" and "more market". Its clear commitment to organic farming, to an upgrading of products made in Switzerland and an uncompromising focus on quality have always been – and indeed still are – fundamental to its lobbying work in this field. Rather than always buying the cheapest products on offer, Coop seeks to offer its customers an optimum price-performance ratio at a very high quality standard.

Coop's commitment has long since extended far beyond product- and company-related environmental protection, however. Coop understands that its responsibility does not end with product quality, but rather must take account of the social circumstances of its production as well.

Yet Coop cannot afford to lose sight of the third dimension of sustainability either, meaning its economic goals: Living up to social and environmental expectations must not be allowed to jeopardize Coop's long-term competitiveness. The challenge now facing Coop is to strengthen its opportunities for setting itself apart from its competitors through sustainable action and products produced in a sustainable manner.

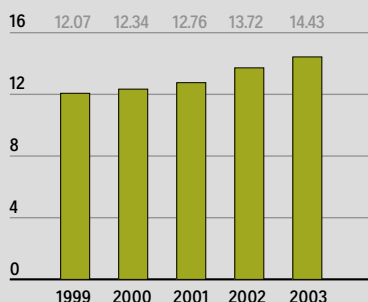
Corporate profile and strategies

The "CoopForte" merger of 2001 entailed not only organizational changes, but a strategic reorientation as well. This was based on the missions enshrined in the Coop corporate profile: zest for life, convenience, health, dynamism and freshness. Derived from our consumers' long-term needs, these missions continue to influence Coop's business activities at all levels. The corporate profile provides all Coop's employees and business partners with a shared vision for the company's future. The corporate profile also provides the framework for Coop's three central strategies:

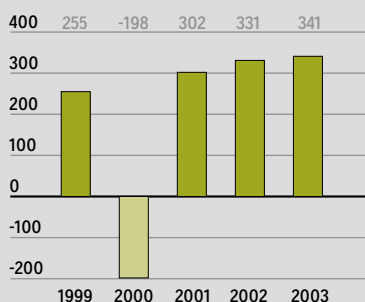
- The aim of the Sales Market Strategy 2005 is to put Coop in a much clearer position on the market. To achieve this, all Coop supermarkets are being redesigned and new sales outlet formats developed. The flexible opening hours of Coop's Pronto Shops make them ideal for last-minute purchases, while the main advantage of the megastores is of course their size. Another new format is remote ordering, meaning an online shop with home delivery service. Last, but not least, the Coop City department store

Financial results

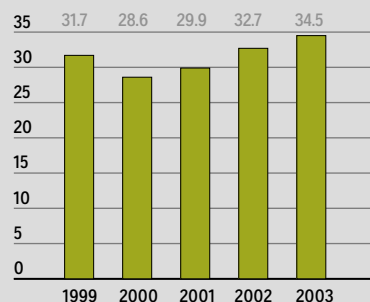
NET SALES (BILLION CHF)



PROFIT/LOSS FOR THE FINANCIAL YEAR (CHF M)



EQUITY RATIO IN PERCENT



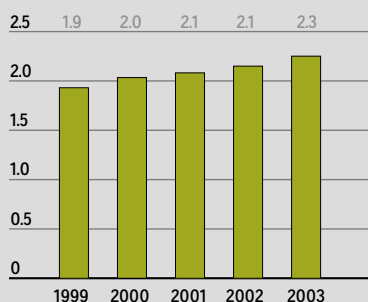
format has been further strengthened by the acquisition of EPA. The Sales Market Strategy also involves a clear positioning of Coop's brand products and the definition of an attractive brand mix: In addition to the other brand articles it sells, Coop's own flagship labels (Coop Naturaplan, Coop Naturaline, Coop Oecoplan, Max Havelaar plus Betty Bossi and Coop Lifestyle) and a new standard own brand also help shoppers to get their bearings.

- The purpose of the Communications Strategy 2005 is to give Coop a distinct, but standardized image in its dealings with the public. The new Coop label is to be publicized not only in the sales outlets themselves, but in the media too. New promotional programmes such as the Supercard customer loyalty programme, the new TV vehicle Telescoop and revamped Coop Press were all launched in pursuit of this goal.
- The Logistics Strategy 2005 aims to enhance the efficiency of Coop's logistics by concentrating its material flows on just a few large distribution centres. General merchandise is to be consolidated at two national distribution centres, fresh goods at seven regional distribution centres/hubs and frozen food and building and hobby supplies at two national distribution centres each.

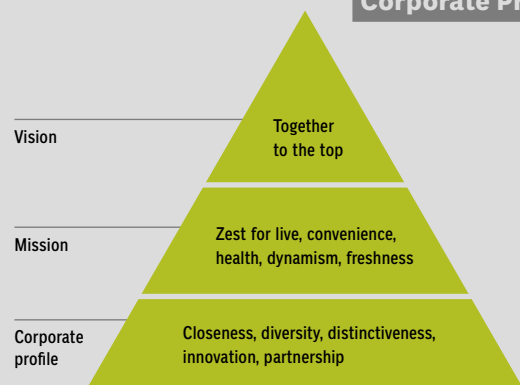
In year three of the "CoopForte" merger, the realization of these strategies is already far advanced.

Cooperative Structure

NUMBER OF MEMBER HOUSEHOLDS (MILLIONS)



Corporate Profile



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[2]



A high level of commitment to sustainability on the part of the Executive Committee and the Board of Directors

Extensive integration of sustainability-related issues in the general management tools

Intensive dialogue with stakeholders in a spirit of partnership

A high level of employee identification with Coop's environmental and ethical flagship labels



Communications relating to sustainability have so far been focused on to the economic aspects and to the environmental and ethical flagship labels



Improvements in the internal and external communication of the efforts being made in relation to sustainability

The reinforcement of sustainability as an aspect of quality assurance

SUSTAINABILITY POLICY



Bright ideas for the world we live in. Environmental and social concerns always get a green light at Coop.

Sustainability as a core competence

A pioneer in environmental protection

Once reports on pollution and on the finiteness of the world's resources began to accumulate in the early 1970s, Coop felt it was time to begin a serious discussion of this topic. Environmental protection as a cause worthy of support was therefore enshrined in Coop's articles of association as early as 1973 and one year later an interdepartmental working group was set up to address environmental issues. The priorities to emerge were determined partly by the environmental laws then being passed and partly by Coop's determination to do even more than was required of it by law, which is why it became involved in various environmental bodies as well.

The main focus of attention in those early days was on waste management and the sparing use of packaging materials. Yet it did not take long before energy management also became an issue, leading to the publication of the first binding energy conservation directives. The first group-wide Energy Conservation and Environmental Protection Concept came into effect in 1982.

Environmental compatibility as a criterion for inclusion in the range gained steadily in importance from 1986 onwards. Low-phosphate soap powder and CFC-free aerosols were among the first environmentally motivated changes in the existing range, although packaging was still a big issue. It was this that induced Coop in 1986 to become the first big distributor to systematically mark its product packaging with disposal symbols. The Oecoplan label launched in 1989 was Coop's first environmental label and would henceforth be used to mark all its environmental products and packaging right up until 1993.

In 1991, with 20 years of experience in environmental protection to draw on, the Board of Directors approved Coop's Environmental Protection Policy, in which the protection of the environment is enshrined as a strategic goal. Seven thematic subgroups were set up to draft decision-making criteria and to oversee the imple-

mentation of various environmental projects. What had formerly been the Coordination Centre for Environmental Protection was elevated to the status of a Staff Unit.

From environmental protection to sustainability

The introduction of Coop's flagship label Naturaplan in 1993 marked an important step towards sustainability. The Naturaplan label was used to identify meat from animal-friendly sources, as also milk, bread, fruit and vegetables with the Bio bud logo. While this caused the limits of the system to shift from the purely operational perspective to responsibility for each product and the methods used to produce it, Coop's concerns at the same time extended beyond environmental protection in the narrowest sense of the term and came to include animal welfare and ethical factors too. Fair trade also became an issue: Coop's first fair trade products were launched in 1993 in cooperation with the Max Havelaar Foundation under the Cooperación label. Naturaline textiles made of cotton produced in an environmentally and ethically acceptable manner were then added to the range.

The success of these flagship labels meant that environmental and social factors became an ever more integral part of the daily job of product procurement. This in turn led to the 1997 decision to transfer the aims and responsibilities of the Staff Unit for Environmental Protection to the regular business processes. Environmental protection and social responsibility have been standard responsibilities of all Coop's line managers ever since. What this means in practice is not just maintaining the high environmental and ethical standards of Coop's products, but in-house environmental protection too. These days, the interdepartmental coordination of these endeavours is the responsibility of the "Economic Policy/Sustainability" unit.

Integration in the company

The merger of the regional Coop societies and Coop Switzerland into a single cooperative society in 2001 (“CoopForte”) provided additional impetus for its endeavours in the environmental and social spheres. Resolutions can now be implemented much faster and the measures required to promote sustainable development put into practice more easily and with greater consistency.

Coop's environmental policy is based now on 10 environmental principles. In addition to these, there are innumerable product-related guidelines to cover both environmental and socio-ethical aspects as well as various concepts in the operational-technical sphere aimed at improving Coop's environmental balance sheet.

Coop's target definition process already ensures that its employees adhere to the principles of sustainability in their daily work. The individual targets agreed together with the line manager are based on the overriding corporate goals prescribed by the Executive Committee. In addition to sales and productivity targets, these may include targets relating to customer satisfaction, quality assurance or the efficient use of energy.

In view of the strategic significance of the four social and ecological flagship labels – Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar – Coop has set up an additional control process involving the Executive Committee as well. Besides the staff unit responsible for the flagship labels in the CCM/Procurement business unit, the people in charge of the flagship labels at each of Coop's outlets are also deeply committed to the pursuit of Coop's labelling objectives. They function much like ambassadors – whether by providing their colleagues with information, answering customers' questions or simply ensuring that all the flagship products are presented to good effect in each outlet. The national flagship label team for its part ensures that Coop outlets

Milestones

1973	Environmental protection is enshrined in the Coop statutes as a cause worthy of support.
1974	First task force set up to tackle environmental issues.
1978	Binding energy-saving directives are drawn up for the Coop Group.
1979	Coop launches in-house its first packaging manual for the non-food range.
1982	Integrated energy and environmental protection concept is drawn up.
1986	Coop begins systematically marking all its product packaging with disposal symbols.
1987	Introduction of Group-wide guidelines on environmentally friendly packaging.
1987	Introduction of Group-wide standardized system for recording energy consumption.
1988	Waste management guidelines for Coop Group operations.
1989	Launch of Coop Oecoplan, the first environmental label.
1991	Environmental protection is made a strategic priority (Coop's Environmental Protection Policy).
1992	Environment task force is reorganized into a core group (management), seven thematic subgroups and an environmental protection staff unit.
1993	Introduction of the flagship labels Coop Naturaplan and Naturaline and of Max-Havelaar-certified fair trade products.
1996	Coop's first Environment Report (1995) is published.
1997	Responsibilities of the environmental protection task force are transferred to the regular business processes. Environmental protection is henceforth a line-manager task.
2000	First code of conduct for the textiles industry comes into force.
2001	Ten environmental principles are drawn up and put into force.
2002	Guideline on Socio-ethical and Ecological Sourcing.

Awards

1997	GfM Swiss Marketing awards Coop its GfM Marketing Prize for exceptional innovation in recognition of its leading role in the marketing of food from organic farming and humane animal husbandry, making it the first large distributor to win this prize.
1997	The Natur&Wirtschaft Foundation awards Coop's Schafisheim distribution centre the quality label “Nature Park”. This label is awarded to companies which, by giving their premises a natural setting, help preserve the native biodiversity of industrial and business estates.
1999	Coop distribution centre in Wangen is awarded the “Nature Park“ label.
2001	The “Legacy of the Future” Foundation of the Environmental Institute in Freiburg, Germany, awards Coop Naturaline its prize for sustainable products.
2002	Coop Naturaline receives the “Intercot Organic Textile Award” for trade in organic textiles at the 3rd International Conference on Organic Textiles in Düsseldorf, Germany.
2002	In connection with Coop Naturaline, Coop and Remei AG are awarded a prize for sustainable partnerships at the UN Earth Summit in Johannesburg.
2003	The Esprix Foundation, a foundation set up by the Swiss Association for Quality (SAQ), awards Coop's subsidiary, Swissmill, its Esprix Award, an annual prize awarded to companies notable for their pursuit of excellence.

throughout Switzerland all pull together in pursuit of the same goals and that those responsible for the labels at local level receive all the support they need.

The success Coop has had with its outstanding ecologically and socially responsible products during the past decade has not only greatly enhanced its self-confidence, but has also had a formative influence on its own self-perception. Employee identification with the flagship labels is very high – and not just among staff at the sales outlets, but in other corporate divisions as well. Coop Naturaplan, Naturaline, Oecoplan and Max Havelaar are not mere token gestures, but rather are products to which Coop's employees have developed a strong and deep attachment.

Dialogue with Coop stakeholders

Because so many people do their shopping at Coop, the company's stance on many questions connected with food and retailing

is extremely important. Coop therefore cultivates close contacts with various stakeholders, including consumer organizations, farmers' associations and environmental groups. Regular exchange with these stakeholders enables Coop to find out about critical developments early on. Representatives of Coop's Executive Committee, for example, hold high-level talks with the Swiss Farmers' Association at least twice a year. Coop's relations with BIO SUISSE, the Union of Swiss Organic Farmers and the Swiss Animal Welfare Organization, STS, which helped draft Coop's Naturaplan guidelines, are especially close.

It is Coop policy to avoid confrontation and to resolve any differences of opinion by seeking consensus wherever possible. The regular talks held with representatives of labour and the unions are therefore conducted in a spirit of mutual respect. Coop is also engaged in an ongoing dialogue with consumer organizations and environmental groups and is aware that grappling with critical and awkward issues

Coordination of the flagship labels

Management

Management Coop

The Strategy and Management Team Flagship Labels meets four times a year to discuss strategies, guidelines, communications, budgets, targets and the performance of Coop's flagship labels.

The Organizational Unit Flagship Labels & Nutrition Centre is responsible for the overall coordination of the flagship labels and within the control process functions as the nerve centre for the various business units and teams. Applications for new Coop Naturaplan and Max Havelaar products are also handled here.

Sourcing

Among those on the Naturaline and Oecoplan Team are a number category managers (responsible for selecting and marketing specific product groups) from the non-food range. This team draws up product-specific guidelines and considers applications for new Coop Naturaline and Oecoplan products.

The National Flagship Label Team ensures that the targets set for Switzerland as a whole are pursued in all sales regions and meets regularly to exchange information and share experience. Each sales outlet appoints one person to provide customers with information on the flagship labels and to pass on information to the other staff.

Sales

as early as possible will actually help it in its endeavour to further the cause of sustainability.

Once it has a bedrock of trust upon which to build, Coop often teams up with its stakeholders to work on joint projects. Its partnership agreement with BIO SUISSE, for example, laid the groundwork for the breakthrough it made with the Naturaplan flagship label. Coop also supports the activities of the Organization for Practical Environmental Protection in Switzerland (PUSCH), which is working to reduce waste and littering.

Last, but not least, Coop also works together constructively with the authorities. It participates regularly in hearings of draft legislation, at which it invariably seeks to uphold consumers' interests. And when it comes to waste disposal, it provides hands-on help too: Over 1000 Coop sales outlets are now equipped to take back product packaging, old equipment and other waste materials and to have these either recycled or disposed of in an environmentally acceptable manner.

The success Coop has had with its ecologically and socially responsible products has greatly enhanced its self-confidence. Employee identification with the flagship labels is very high. Coop Naturaplan, Naturaline, Oecoplan and Max Havelaar are not mere token gestures, but rather are products to which Coop's employees have developed a strong and deep attachment.

Environmental principles

1. We are committed to environmentally compatible production and we develop a distinctive profile through our Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar flagship labels.
2. We ensure compliance with environmental legislation and anticipate future trends.
3. We define measurable and controllable environmental goals with costs in mind when setting our corporate objectives.
4. We use new technologies to find environmentally compatible solutions.
5. We minimize the production of waste and ensure that packaging and products are disposed of in an environmentally compatible manner.
6. We reduce specific energy consumption and promote transport by rail and ship.
7. We encourage our business partners to act in an environmentally conscious manner.
8. We train our employees to behave in an environmentally conscious manner.
9. We cooperate with the authorities and environmental organizations to find appropriate solutions.
10. We communicate environmental concerns forcefully and effectively.



Horst Röser and Laurent Vonwiller (left) in the lab of the Coop Quality Centre in Pratteln.

Nothing is possible without partnership and the power of persuasion

Maximum safety, freshness and as much product enjoyment as possible plus prompt information and even recalls in the event of risks. Customers want to be able to rely on the quality they are promised, and it was Coop's awareness of this, a hundred years ago, that induced it to set up its very own inspection lab – one of the first in Switzerland. These days, the 50 or so chemists, food technicians, microbiologists, lab technicians and other specialists at our Quality Centre in Pratteln test the quality of all the food products on sale. Non-food products are inspected in a separate department in Wangen, near Olten.

The inspection lab is certified to the international quality standard, ISO 17025, which proves how reliable its analytical results are – no matter whether what is being measured is nutritional value, heavy metal content, pesticide

residues or GMOs. "Thanks to its extensive programme of routine inspections and random sampling, Coop has the composition of its products firmly under control," says Horst Röser, for ten years now Head of Quality Assurance Systems at the Coop Quality Centre.

Coop also operates a quality management system for the systematic avoidance of risks. This entails not just the inspection of all incoming raw materials and products, but also the preventive monitoring of all processes – from the cultivation and production of raw materials to their processing, logistics and sales. After all, if what is at issue are the social and ethical aspects of product manufacture, simply inspecting the end product is no longer enough. Horst Röser takes a ball that has been slit open and places it on the inspection table: "We can test the materials for harmful substances and can



If the issue is sustainability, bringing ethical criteria to bear on product manufacture, for example, then not even the most powerful microscope can provide sufficient verification. Which is why Coop requires its business partners to pull their weight too – and keeps a close eye on what they do.

Maximum care: Good quality is fundamental. Coop therefore invests a lot of energy in the precise definition of its product requirements, as well as testing its products regularly to ensure that they live up to these expectations. Most of these analyses are performed in Coop's own lab.

find out whether the leather parts were sewn together by hand or by machine. What our lab cannot say, however, is whether it was sewn together by a child or an adult.”

That's why Coop these days expects its business partners to pull their weight as well. Having introduced a code of conduct for textiles, Coop last year again seized the initiative and passed a set of general guidelines for sustainable product procurement. These require manufacturers to pay their employees a living wage, to ensure that the working conditions are humane and wherever possible to avoid using problematic substances in the production process. This is how Coop seeks to ensure that only such goods as meet its minimum ethical, social and environmental standards actually end up on its shelves.

To be able to enforce its environmental and social standards more effectively, Coop has also set up a new centre for Quality Assurance Sustainability, whose main job is to promote adherence to the guidelines. It also plans and implements measures at every stage in the procurement process as well as monitoring their effectiveness. Laurent Vonwiller has been heading the Quality Assurance Sustainability Centre since early 2004. As he personally cannot possibly inspect all of Coop's business partners, he engages independent inspectors to help him. They then visit manufacturers on Coop's behalf and ensure that Coop's specifications are being met.

For Vonwiller, however, it is not just a matter of inspections. What counts above all else is fostering the right awareness among suppliers. “At first, our business partners were amazed that not only did we want high quality at a fair price, but also products that had been manufactured under decent and humane conditions. Some of them were not particularly cooperative at first, but most were indeed willing to put all their cards on the table and to sign the relevant sustainability agreements.

“We were venturing into new terrain and are now trying, step by step, to make a go of it – as partners,” says Laurent Vonwiller, “even if we still have a lot of persuading to do in some cases.” Implementation, as all those involved know, is not something that can happen overnight. In some especially critical areas, however, such as the outlawing of exploitative child labour or forced labour, Coop staunchly refuses to compromise and if its business partners are unable to live up to these key requirements, then Coop simply has to look elsewhere.

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[3]



Market and customer proximity thanks to Switzerland's most comprehensive sales network

Customer-oriented range selection by Coop Category Management

Successful in-house communication media and a strong media presence



Excessively long lines at checkout

Switzerland's restrictive opening hours mean that Coop cannot always open its sales outlets in line with its customers' needs



To remedy all the weaknesses exposed by the customer survey right down to sales outlet level

To expand Remote Ordering into Western Switzerland

CUSTOMERS



Something for every taste.
Meeting customers' wishes
is a must for Coop.

The heart of the matter – the customers

Customer satisfaction

Nothing is as important to Coop as knowing and being able to respond to its customers' needs. Every time they go shopping, consumers have to decide whether they have confidence in Coop, whether they receive value for money and whether they are happy with the service provided at the sales outlets. Coop's success shows that it knows what consumers want and takes their needs seriously. Its market share has risen steadily during the past five years.

Coop goes out of its way to find out what customers really want, making full use of the information it gleans from market research, consumer services and product tests. In addition to this, 2002 saw Coop conducting its first ever nationwide customer survey among its members. Evaluating the 350,000 questionnaires provided lots of valuable information on the possibilities for improvement. This survey will be repeated in 2004 and at regular intervals thereafter.

The 2002 survey showed that consumers throughout Switzerland were satisfied with the high standards of hygiene and tidiness Coop maintains at its outlets and with the friendliness of the staff who work there. Satisfaction with staff competence was somewhat lower, however. Coop responded to this by beefing up its training programme for sales staff. Nearly half of all customers complained that checkout lines were too long. Coop responded to this complaint as well and has initiated appropriate counter-measures.

Opening hours

Remote Ordering is a home delivery service Coop provides for customers in and around Zurich, Berne and Basel. Customers can place their orders round the clock either by fax, telephone or on the Internet and will receive the items ordered within 24 hours. Coop would like to go a step further, however, by extending its

opening hours in line with our changed lifestyles and shopping habits. While opening hours in Switzerland vary depending on the canton or even the commune, they tend to be much more restrictive than in other countries. So wherever consumers can hop across the border and shop until late in the evening, the fact that Coop has to close its outlets much earlier inevitably places it at a competitive disadvantage. Coop is therefore campaigning for a liberalization of shop opening hours in keeping with our modern way of life and with each type of outlet. The same applies to Sunday trading, even if only for those outlets that are located in heavily frequented places.

Coop pays its staff special rates for working at night and on Sundays. Longer opening hours would not make the individual's working week any longer. The regulations governing this are enshrined in Coop's collective employment agreement. Besides, we know from experience that most employees are indeed ready to accept new working hours – not least because they themselves become more flexible and can profit from the additional earnings opportunities.

Coop Category Management

How can our customers' needs be satisfied more effectively? Which products should our sales outlets stock? How can items be presented in such a way that they are easy to find? These questions are of fundamental importance to the work of Coop Category Management (CCM). And CCM is of fundamental importance to Coop too, for it is CCM that takes care of the range, procurement, order placement and product presentation at the various sales outlets.

Each of the 160 categories is made up of products that belong together – at least from the customer's point of view. No distinction is made between food and non-food, nor are products categorized according to supplier or how they are procured. Each CCM team's range deci-

Nothing is as important to Coop as knowing and being able to respond to its customers' needs. Coop's success shows that it knows what consumers want and takes their needs seriously. Its market share has risen steadily during the past five years.

sions are based primarily on customers' needs and shopping habits. The market data are evaluated with this in mind and hence permit the best possible orientation to the customers' needs.

Market research

When it comes to ascertaining current customer needs, Coop uses the full range of modern market research tools and methods.

These include the reporting system set up to analyse the relevant developments on the market and among buyers. The system is based on Coop's own scanning data and on the market and buyer data of the retail and consumer panels of the market researchers, IHA-GfK and ACNielsen.

The system reports the most important market developments of relevance and consumer behaviour from the day before. Individual customer data are not analysed, however. When it comes to ascertaining customers' current and future needs, on the other hand, Coop is in contact with interested consumers on an almost weekly basis and by working together with them, tries to improve the products and services on offer in each category.

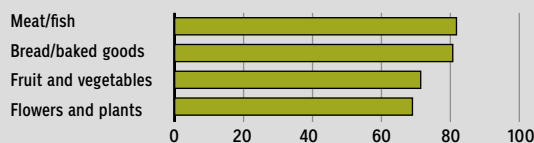
The market research is supplemented by a series of in-depth studies and time series analyses that record and analyse the development of the most important indicators of shopping behaviour. Market research, therefore, has an important advisory role to play in the coordination of Coop's services with customers' needs.

Consumer Service

Every Coop product is marked with the address, telephone number and Internet address of its Consumer Service. Here at Consumer Service, there are two dozen employees whose job is to respond to customers' concerns, questions and complaints. Coop's Consumer Service has been certified to the quality standard ISO 9001

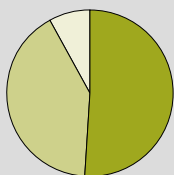
Member opinion poll 2002

SATISFACTION* PER DEPARTMENT (IN PERCENT)

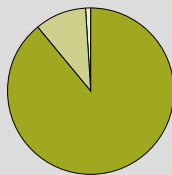


* percentage of those surveyed who were satisfied with the respective department.

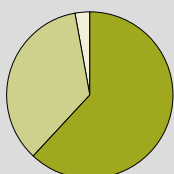
CHECKOUT LINES



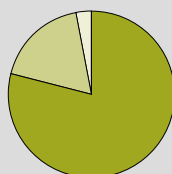
HYGIENE AND TIDINESS



STAFF COMPETENCE



STAFF FRIENDLINESS



■ satisfied ■ partly satisfied ■ not satisfied

since the end of 2003. More and more consumers are now making use of Coop's Consumer Service. It was contacted a total of some 80,000 times in 2003 – the equivalent of 400 contacts per day. Each request is entered in the system and forwarded to the relevant departments by electronic reporting.

Coop's Consumer Service is there not just to handle complaints, however, but also to promote dialogue with customers and to ensure that they are properly informed. At the same time, the Service also functions as a barometer inasmuch as it shows which needs consumers currently have and how well or otherwise Coop's services are received. The feedback received by the Consumer Service helps define Coop's quality assurance measures and serves as a basis for improvements in product declarations, range compilation and packaging design – for instance.

Cooperation with consumer organizations

In its dealings with Switzerland's consumer organizations, Coop deliberately keeps the lines open. The Consumer Protection Foundation, for example, currently has its own column in the Coop newspaper (German version) and can use this to publish information and tips completely free of charge. Coop employees regularly take up invitations to speak at events organized by these consumer organizations as well. Coop also works on the Federal Commission for Consumer Affairs, a body which discusses draft legislation with a view to how it will impact on consumers.

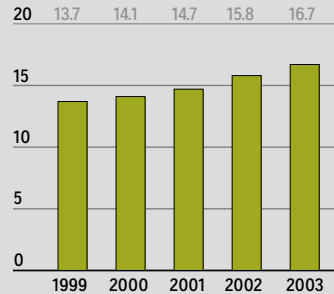
Nutrition

Health problems caused by an imbalanced diet and not enough exercise are on the increase. Coop has long been aware of its responsibility as a retailer to provide a wide range of quality food products. The constant upgrading of the quality and nutritional value of the food products it sells is one of Coop's central concerns. Coop is constantly expanding its range of low-fat and low-sugar Lifestyle products. It also has a range of enriched food products aimed at improving our intake of important nutrients and protective substances, such as folic acid.

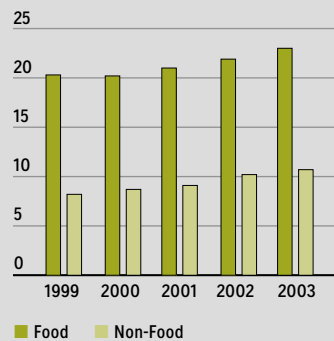
Coop's own-brand products always provide detailed information on calorie, protein, fat, carbohydrate and salt content. Diabetics, vegetarians and allergy sufferers will find additional

Market shares

COOP GROUP MARKET SHARE* (PER CENT)



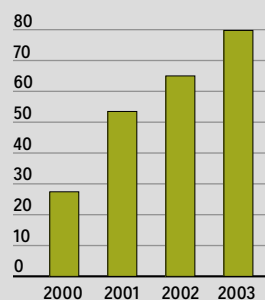
MARKET SHARES FOOD, NON-FOOD* (PER CENT)



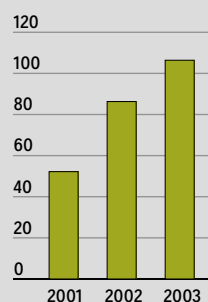
*Basis: BAK market volume data

Customer loyalty

CONSUMER SERVICE CONTACTS (THOUSANDS)



SUPERCARD BONUSES (VALUE IN CHF M)



Coop's Consumer Service is there not just to handle complaints but also to promote dialogue with customers and to ensure that they are properly informed. It was contacted a total of some 80,000 times in 2003 – the equivalent of 400 contacts per day. The feedback received by the Consumer Service helps define Coop's quality assurance measures and serves as a basis for improvements.

information both on the products themselves and on the Internet. And just to make sure that customers receive all the information they need, the Coop Nutrition Centre also publishes a series of leaflets and brochures.

The various bodies with which Coop cooperates in the field of nutrition include the Nutrition Platform of the Swiss Federal Office of Public Health and the Federation of the Swiss Food Industry's Working Group for Nutrition. Coop is also a member of the Federal Food and Nutrition Commission. Coop supports the projects "Naturally Fit – cultivate your health" (food and farming), "Freestyle Tour" and "KidBalu" (keep fit for mothers and children combined with dietary information), all of which form part of the "Suisse Balance" campaign to alert people to the importance of a balanced diet and exercise.
> www.bag.admin.ch.

Supercard

Coop has had its "Supercard" customer card for four years now. The aim of this card is to reward customers for their loyalty to Coop. They can use the points they collect when shopping to profit from special offers at the sales outlets or to select one of the 650 or so gifts listed in the Supercard catalogue. Nearly 70% of all Swiss households make active use of the Supercard. The card is presented for nearly three quarters of all purchases. The Supercard programme complies fully with Switzerland's data protection laws. Coop treats the customer data entrusted to it with great respect and does not use them to find out who buys which type of product or product group. Besides the user's personal particulars, the system records only the place of purchase, the amount spent and the number of Superpoints credited. All the data are treated as strictly confidential and are not passed on to third parties. Cardholders who do not wish to receive additional information sent to their home address can notify Coop's Consumer Service accordingly.

Advertising

Coop invested CHF 355 million in classical advertising in 2003, making it the second largest advertiser in Switzerland. It works with various agencies and advertises in the most diverse media, including print, radio and television. Whereas the total sums spent on classical adver-

tising in Switzerland have declined significantly in recent years, Coop last year raised its spending on this item by two percent.

Information and communication

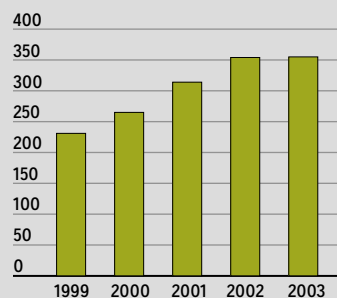
Coop's most important medium of communication is the Coop Press, which is published weekly in three different languages for Switzerland's German, French and Italian-speaking regions with additional information for each region. Coop Press is read by more than 3.2 million readers, which means that it has the largest readership of any Swiss newspaper. It serves as a vehicle for reporting on special campaigns, new products and services. It also provides Coop's business partners with an attractive and target-group specific advertising platform. With its independent reporting on Swiss current affairs, the Coop Press is also an important opinion-maker and a significant addition to the Swiss press.

Coop is also present on Swiss television, where it broadcasts two programmes, "Coop Studio" and "Telescoop", both of which provide information on the Coop range as well as background information on what is going on at Coop and at its business partners. They also provide interesting recipes and entertainment, such as the daily quiz.

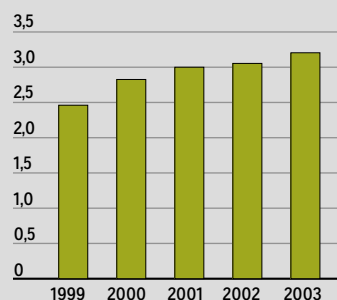
Coop's website (www.coop.ch) attracted 250,000 visitors per month on average in 2003. The website has certainly become an important means of communication and now features comprehensive information on both the range and Coop's services. Coop also sends interested customers newsletters on certain types of product or product group.

Communication and advertising

ADVERTISING OUTLAY (CHF M)



"COOP PRESS" CIRCULATION (MILLIONS)



“What does a large-scale distributor have in common with a consumer protection organization? In Coop’s case, enormous commitment to the environment, animal-friendly farming and fair trade.”



Jacqueline Bachmann, Managing Director, Swiss Foundation for Consumer Protection (Stiftung für Konsumentenschutz, SKS).

Media contacts

Coop has contact with media representatives in radio, television and the press on a daily basis and receives more than 1,500 enquiries a year at its headquarters alone. To these must be added the enquiries concerning regional issues sent to its five sales regions. Coop is committed to open, prompt and candid communication and is quick to acknowledge any mistakes it makes. In return for this, Coop expects the media to be equally fair and unprejudiced in their reporting. Coop regards critical enquiries both as an opportunity to publicize what it has been doing and as a motivation to make still more improvements.

The battle against long lines

Anyone who sees Sandra Stiefvater at work will soon see that this cashier does not need any additional motivation. And when she tells you how she and her boss, Peter Neuenschwander, had to fight to get Coop to refit its cash registers all over Switzerland according to a new much more sophisticated cash principle, her enthusiasm knows no bounds. “Seeing how much smoother checkout is now – that’s what I call success. And knowing that I was one of the ones who made it happen – that’s a source of great satisfaction,” she says.

For 16 years now, Sandra Stiefvater has had direct customer contact day in day out and hence knows just how important it is to have satisfied customers. The more satisfied the customers, the more gratifying her daily work is. Just how important customer satisfaction is to Coop is something that Peter Neuenschwander, Sales Manager for the Bernese Oberland East region, then goes on to explain: “In our last customer survey, our customers’ most common complaint was that they had to wait far too long at the checkout. As customer satisfaction is paramount at Coop, it was obvious that this was a problem we needed to tackle. So in 2003, we set up a project group to analyse our checkout processes and propose improvements. These were then translated into binding guidelines, which all our sales outlets are now required to observe.”

Two external studies were also conducted to explore the technical and psychological reasons for checkout lines. This led to countless cash registers in the sales outlets being refitted with much faster double scanners. This not only makes work for the checkout staff a lot easier, but also means they now have enough time for a friendly word or two with each of the customers – something that certainly should not be sacrificed to efficiency.

Coop has been applying leverage in other areas too. As customers feel standing in line is a waste of time, the project group also looked



Because customer satisfaction is so important to Coop, it commissioned two studies on long checkout lines. Customers these days, therefore, no longer have to wait so long. And if customers are satisfied, then working at the checkout is a lot more fun, too.



Cashier Sandra Stiefvater with Peter Neuenschwander, Sales Manager for the Bernese Oberland East region.



This is no simple matter:

Shortening checkout lines requires taking action at several different levels, including not just technical tricks, but staff training as well.

into various ways of putting this time to good use. The results have made a difference to Sandra Stiefvater's daily work too: "These days we involve our customers in the checkout process. I can invite them to swipe their own credit cards while I'm still scanning their purchases, for example. That way, they themselves can speed up the entire process and no longer feel they're wasting their time. And if the customers in the checkout line are all satisfied customers, then our work becomes much pleasanter too, because they're friendly and much less irritable."

Sandra Stiefvater also gives training courses for other staff. The colleagues on these courses use role play to see things from the customers' point of view and then give each other tips on what they could do better. And at the outlets themselves, there are often Coop staff standing behind checkout with a checklist in hand, making sure that speed, working methods, friendliness and staffing are all up to par.

Yet even behind the scenes, Coop does everything it can to minimize the time spent waiting around. "Just recently, we began basing our checkout staffing plans on our experience of the previous week," says Peter Neuenschwander. "By analysing our sales and customer statistics, we can now predict when this week's peaks are likely to be. And we can take this into account when staffing our checkout desks, too. If we know, for example, that the outlet is likely to be full at half past five on Monday, then we'll make sure there are additional cashiers at checkouts to cope with this surge in demand."

Staffing plans are in any case a balancing act between the demands of customer service on the one hand and lower personnel costs on the other. "Of course it would be best for our customers if we had a cashier on standby at every checkout, but if that were the case, we would no longer be able to sell our products as cheaply as we do now. So the balancing act continues – and is actually very important to us, as it forces us to keep up our quest for the best of all possible worlds."

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A unique brand mix made up of branded articles, flagship labels and Coop's own-brand products

An effective strategic programme with Coop Naturaplan

A 50% share of the Swiss organics market

The world's largest retailer of certified fair trade products and articles made of organic cotton

High-level quality assurance, going beyond what is required by law



A tendency to resort to more elaborate packaging on account of smaller portions and more exacting user requirements



To increase sales of the environmental and ethical flagship labels to CHF2 billion p.a. by 2010

To improve customers' confidence that they are getting value for money

To step up promotion of healthy eating

To further expand the range of organic cotton textiles sold under the Coop Naturaline label, especially in the department stores

To develop the Lifestyle line of products into a Coop flagship label



PRODUCTS



Environment-friendly, fair, better. Coop market leadership with an outstanding offering of high-quality products.

An attractive and sustainable range

Range selection

The greatest influence Coop can have both on the environment and on society is in its choice of range and the demands it makes of the products it sells – these being the factors that influence its customers' purchase decisions. More and more consumers and of course NGOs are therefore calling on the trade to provide an environmentally sound and ethically acceptable range of products. Coop was among the first to take up this challenge and its products make an important contribution to preserving biodiversity, protecting the environment, improving animal welfare, maintaining the productiveness of Swiss mountain regions, combating poverty in developing countries and promoting healthy nutrition. Price, on the other hand, continues to have an important role to play. Coop therefore has to do a balancing act – to offer the best possible product on the one hand and at the best possible price on the other. The aim is to make environmentally sound, socially responsible and good quality products available to the vast majority of consumers at affordable prices.

Coop's most important vehicle for the distribution of sustainable products are its four environmental and ethical flagship labels, Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar, which together already account for 14% of all supermarket sales. These are the products of which Coop expects the most. Their superior quality must set them apart from competitor products in a way that is instantly recognizable to consumers.

These flagship labels have also had the effect of raising consumers' expectations of Coop's own-brand products and the other branded articles in the Coop range. While this has an impact on range decisions, not least by causing problematic products to be dropped, it also forces all Coop's business partners to take account of social and environmental factors by requiring them to comply with its exacting quality

requirements and observe internationally agreed standards. Yet the influence Coop can exert on branded articles is limited. Starting in 2004, Coop centralized procurement for its supermarkets, restaurants and department stores, a move that has greatly facilitated the standardized implementation of range decisions and internal quality requirements at national level.

The environmental and ethical flagship labels

Coop started selling a small selection of food products from organic farming and meat and eggs from humane animal husbandry under the Coop Naturaplan label in 1993. The label was designed to appeal not just to the environmentally aware, but to a much wider group of consumers as well.

Right from the start, Coop placed its faith in its cooperation with competent partners and in the independent organizations engaged to audit the label. A high level of employee identification has also been crucial to the success of Coop's flagship labels. This is achieved by internal training courses and briefings, by extensive employee involvement in the decision-making process and by enshrining the flagship labels in the target definition process.

Reminding consumers of the superior value of its products is also an important prerequisite for Coop's commercial success. Growing crops without the aid of pesticides and synthetic fertilizers, demanding higher standards of production and processing and requiring that social and ethical criteria be taken into account all tend to lead to higher costs. Coop takes a two-pronged approach to explaining this to its customers:

- it deploys rational arguments to explain complex interrelationships. One of its tools is the advertising feature in the daily press which presents the facts of the matter correctly and points up the various ways in which the flagship label products are superior to other products.

- Coop also appeals to consumers' emotions, on the one hand with pictures and on the other with slogans such as "Our organic range is growing – even without synthetic fertilizer".

Coop Naturaplan

The Coop Naturaplan label stands for organically produced food bearing the Bio bud logo and for meat and eggs obtained by humane animal husbandry. Coop Naturaplan is the strongest sales performer of Coop's four flagship labels. In the early days of the label, strong demand outstripped limited supply. Thanks to Coop's intensive and fruitful partnership with BIO SUISSE, the Union of Swiss Organic Farmers and the Research Institute for Organic Farming in Frick (FiBL), however, Coop has been able to steadily expand its Naturaplan range over the years. Whereas prior to the launch, there were only some 1,000 organic farmers in Switzerland, there are now over 6,500 and the Naturaplan range is made up of some 1,700 products, 1,100 of which are organic quality. Naturaplan products account for 14% of the total food sales, with organic products alone accounting for seven per cent.

Furthermore, all 144 Coop restaurants are now certified to the BIO SUISSE Guidelines for Component Cooking and serve a large number of organic Naturaplan products.

> www.biosuisse.ch

Coop Naturaplan has brought organic products out of their former niche and has made a significant contribution towards making Swiss farming less intensive and more ecologically minded. The organic market in Switzerland has been enjoying a real boom in recent years. Since 1995, market volume has risen by 18% a year on average. Ever since it was launched, Coop Naturaplan has consistently made gains in its share of the Swiss organics sector and, with a market share of just under 50%, is now the undisputed market leader.

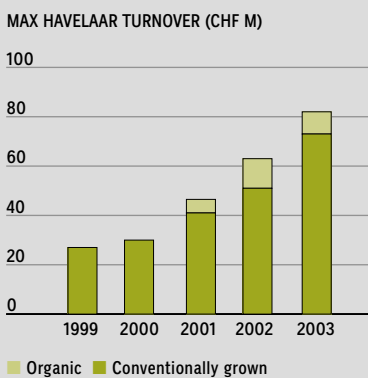
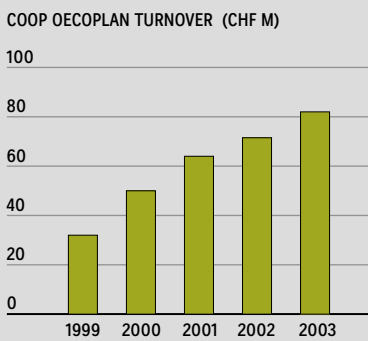
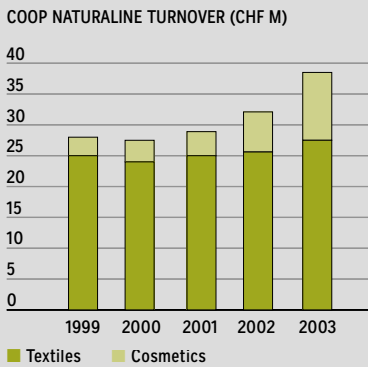
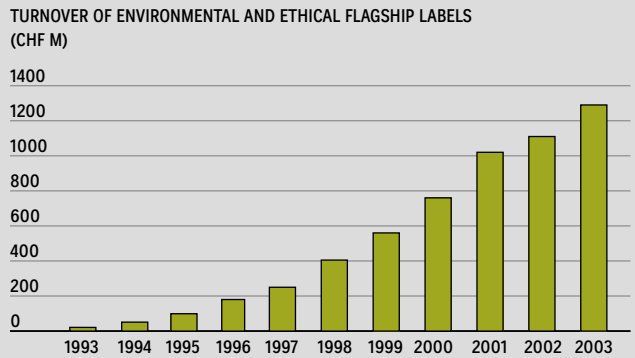
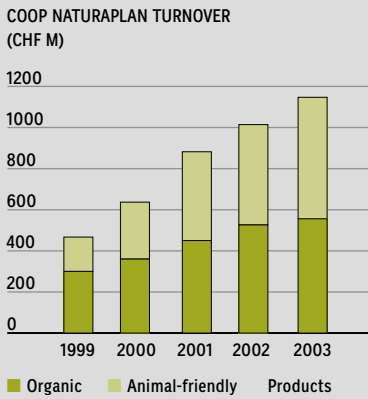
Right from the start, Coop placed its faith in its cooperation with competent partners and in the independent organizations engaged to audit the label. The aim is to make environmentally sound, socially responsible and good quality products available to the vast majority of consumers at affordable prices.

Flagship labels: logos

LOGOS OF COOP'S ENVIRONMENTAL AND ETHICAL FLAGSHIP LABELS



Flagship labels: turnover



“A good many Coop products with the ‘bud’ logo were also sold in 2003. This success is due to the

excellent understanding between BIO SUISSE and Coop. With open discussion and argumentation to sort out differences of opinion, finding the right solution often requires lengthy negotiations. I regard this readiness for discussion and fair negotiation as the essence of our teamwork.”

Regina Fuhrer, President BIO SUISSE.

Its offering of organically produced fresh meat makes Coop the undisputed market leader on the Swiss organic meat market too. Despite this, Coop was quick to realize that focusing exclusively on organics would be unwise. In animal husbandry, too, Coop's aim is to offer as much as possible of the best products available. It made a start with Natura beef – meat from breeding stock produced according to SVAMH (Swiss Association of Foster and Suckler Cow Breeders) guidelines. This was followed by Coop's own animal husbandry programmes for pigs, chickens and laying hens. The flagship label Naturaplan therefore brings together two separate product lines in the meat and egg range: on the one hand organically farmed products bearing the Bio bud logo (green packaging) and, on the other, meat and eggs from farms known for their humane animal husbandry (blue packaging). Naturaplan products already account for a large share of Coop's meat and egg range. Coop Naturaplan animal husbandry programmes have therefore become the most important sales driver of all Coop's flagship labels. And thanks to these programmes, Coop has also made it easier for Swiss farmers to sell their produce on an otherwise difficult market.

> www.svamh.ch

Coop also attaches great importance to the safety of the feed given to Coop Naturaplan animals. Commercial feed producers must therefore undergo systematic quality checks by independent monitoring organizations as part of the Feed Safety Concept. In the case of organic meat, the feed must be organic certified.

When it comes to fish and seafood from salt-water and fresh-water fish farms, Coop again buys organic produce wherever possible. Its paramount concern is always animal welfare and the minimization of water pollution. Working in close cooperation with the authorities and producers in Vietnam, Ecuador and Peru, Coop has done pioneering work on the development of organic prawn farming. Regulations aimed at protecting the mangrove forests so often put at risk by conventional prawn farming naturally have an important role to play here.

Coop Naturaline

Coop Naturaline stands for textiles and cosmetic products that guarantee both physical well-being and naturalness. They are produced in a particularly environment-friendly manner in

accordance with clearly defined guidelines. Coop's Naturaline producers are exemplary in other respects as well. Environmental optimization at all levels of production, for example, ensures that their employees work in a healthy and clean working environment. Their high ethical standards are brought to bear on the raw materials as well. Producers of organic cotton are given a five-year purchase guarantee coupled with prices that are up to 20% higher than the market average and additional support for public amenities.

Since the end of 1995, all Coop Naturaline textiles have been made exclusively from yarn derived from organic cultivation and fair trade. This was made possible by a cooperative venture with the Swiss-based yarn trading company, Remei AG, which in 1992 initiated bioRe, a project to promote organic cotton cultivation in Maikaal, India. Maikaal now has the world's most important organic cotton-growing community, with more than 1,100 farmers. Because the project has been organized as a joint-stock company, these farmers can buy into it and so build up capital locally. This in turn means that the profits stay where they are needed most, in the developing countries that do the producing, and with the producers themselves.

1994 saw the launch of another bioRe project in Meatu, Tanzania. This one is also managed by Remei AG, in cooperation with development aid organizations, the state and private agencies.

At the UN Earth Summit in Johannesburg 2002, Coop and Remei AG were awarded an international environment prize for their promotion of sustainable partnerships through bioRe projects and the Naturaline programme.

> www.remei.ch

Coop is now the world's largest retailer of organically produced cotton textiles. The range comprises some 240 models for women, men, children and babies, as well as terrycloth products and household linen. Coop Naturaline products currently account for over 50% of the total cotton textiles range at Coop supermarkets. Organic cotton is also used for the production of Coop's cotton-wool products.

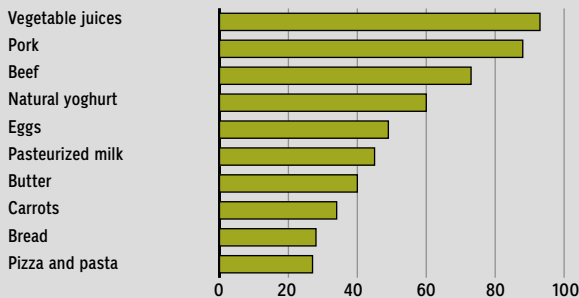
What is important for textiles is equally important for bodycare products. Which is why in 1999, Coop added a line of cosmetic products to its Naturaline range. All these products are based exclusively on natural raw materials. The Naturaline cosmetic range now comprises over 20 products for face, body and hair care.



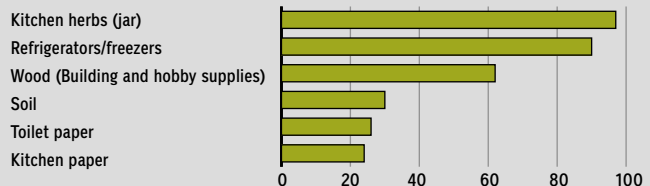
“Coop’s wide varied range of Max Havelaar fair-trade products enables thousands of small farmers and workers in underprivileged southern countries to make a decent living. It also enables Coop customers to make a contribution each time they go shopping. Many thanks!” Paola Ghillani, Managing Director Max Havelaar Foundation (Switzerland).

Flagship labels: turnover shares*

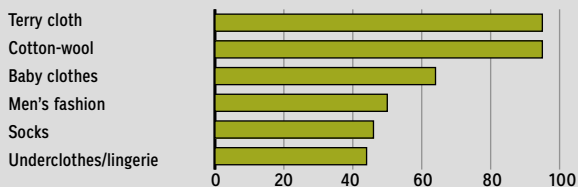
SHARE OF SALES FOR COOP NATURAPLAN PRODUCTS 2003 (PER CENT)



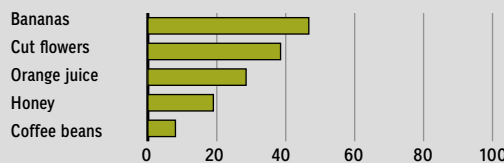
SHARE OF SALES FOR COOP OECOPLAN PRODUCTS 2003 (PER CENT)



SHARE OF SALES FOR COOP NATURALINE PRODUCTS* 2003 (PER CENT)



SHARE OF SALES FOR MAX HAVELAAR PRODUCTS 2003 (PER CENT)



* not including department stores

* Share of environmental and ethical flagship label articles in selected product groups

Coop Oecoplan

Coop Oecoplan is the company's oldest environmental label. It was first used in 1989 as a means of distinguishing exceptionally environment-friendly products and packaging. These days, Coop Oecoplan is used to label exceptionally environment-friendly non-food and near-food products and services. Wherever necessary, Coop draws up its own specification profiles for these products, based on eco-audits that take account of a wide range of factors, including packaging and distance travelled. Decisions on existing national and Europe-wide or EU environmental logos are also taken into account. Compliance with the product specifications is checked regularly by both internal and external monitoring organizations (EMPA, Carbotech AG and others).

Among the most important sales drivers in the Oecoplan range are organic garden plants, garden tools, building timber and furniture from sustainably managed forests, recycled paper and paper products, biodegradable soap powders and detergents and solvent-free paints and varnish. Coop's sales of Energy Class A+ energy-saving equipment are another indirect contribution to environmental protection. The Oecoplan flagship label is also making an active contribution to the sustainable development of the electricity market: For three years now, Coop has been buying power worth CHF 1.5 million a year under the label "nature made star". This label stands for electricity from environment-friendly sources such as wind farms or hydroelectric or photovoltaic power plant. Coop sells this green electricity in the form of certificates sold on the Internet or offered as a Supercard bonus.

Last, but not least, Coop operates an especially environment-friendly dry-cleaning service with nearly 100 collection points located in Coop sales outlets throughout Switzerland. Instead of environmentally harmful perchloroethylene, this cleaning service works with the hydrocarbon-based solvent recommended by environmental organizations.

Max Havelaar

In 1992, Coop began cooperating closely with the newly founded Max Havelaar Foundation (Switzerland), an organization that campaigns for fair trade worldwide. Coop now has 30 Max-Havelaar-certified products in its range, including coffee, orange juice, bananas, rice, honey

and roses. Max Havelaar products guarantee fair wages for the producers, a fair trade premium that goes towards improving their living and working conditions and in most cases purchase guarantees and upfront financing as well. In addition to the social aspects of their production, the environmental aspects of fair trade products are also becoming increasingly important. More and more of the products in Coop's fair trade range are therefore organically produced as well.

Bananas have an especially important role to play in fair trade. Since they were first launched in 1997, Max Havelaar bananas had come to account for an ever larger share of Coop's total banana sales and by 2003 had almost hit the 50% mark. Starting in February 2004, therefore, Coop began selling only bananas with the Max Havelaar fair trade seal of quality. Coop now purchases over 20 million kilograms of bananas a year from small, Max-Havelaar-certified producer cooperatives. This means that Coop sells one third of all the fair trade bananas sold in Europe. Bananas are the second product after moss-roses for which Coop has elected to switch to certified fair trade products only.

Coop is now the world's largest retailer of fair trade products and in no other country are as many fair trade products sold as in Switzerland.

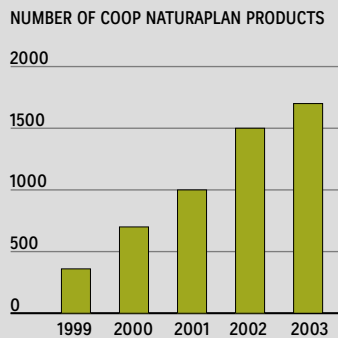
> www.maxhavelaar.ch

Health and convenience

As part of its drive to help combat widespread health problems such as obesity and diabetes and with the support of its special Nutrition Unit, Coop in 2002 launched its new Lifestyle line of products. Lifestyle products are all low-fat products that contain very little refined sugar, if any at all. They are therefore a valuable addition to a balanced diet. Thanks to modern manufacturing methods, it is now possible to make low-fat, low-sugar food products that also taste good. The Lifestyle fruit-and-why drink launched by Coop in cooperation with the Aargau central dairy, AZM, won the 2002 "Prix d'innovation agricole suisse", an annual prize awarded for innovative food products. The Lifestyle range now comprises 100 own-brand articles.

Last, but not least, Coop launched its fifth flagship label, Betty Bossi, to sell fresh convenience food products that are as healthy as they

Flagship labels: product variety



“Quantity or quality? Coop banks on quality and sustainability – successfully! Healthy and tasty Coop Natu-

raplan organic and animal-friendly farming products are increasingly popular among consumers. To the benefit of nature, the environment and our friends the animals.”

**Hansueli Huber, Head of section,
Swiss Animal Protection
(Schweizer Tierschutz, STS).**

are tasty. Changes in our living and eating habits have led to an increase in the demand for food that is not only convenient, but balanced, varied and tasty too. Since launching this label in the summer of 2002, Coop has steadily expanded its range of fresh convenience foods so that it now comprises more than 500 products, including salads, sauces, fruit and chopped vegetables, ready-to-eat meals, pasta products, juices, sandwiches, fruit tarts and desserts. The products are processed carefully to preserve as many nutrients as possible, are free of preservatives and do without artificial additives wherever possible. More and more of the products in this range are now organically produced as well.

Animal protection and animal welfare

Farm animals should be kept under conditions that meet their natural needs. Coop's answer to what, for customers, is a central concern, are the meat programmes that form an integral part of its Naturaplan flagship label.

All Coop's Naturaplan meat and egg programmes have to meet the following requirements:

- The animals must have regular access to range (the Swiss government's RAUS programme).
- The animals must be kept in humane housing and the floors of their stalls must have rest areas with straw bedding.
- Naturaplan meat and eggs must be sourced exclusively from Swiss farms.
- The use of genetic engineering techniques is strictly forbidden at all stages of production, from breeding to the feedstuffs used.

Compliance with these strict guidelines is monitored regularly by independent organizations, including not just bio.inspecta, but Beef-Control, the monitoring service of the Swiss animal welfare organization STS, and SGS Agro Control. Coop also carries out its own random checks to ensure compliance with the guidelines at all stages of production.

As humane animal husbandry ought not to be confined to Coop's flagship labels, however, Coop only sells such meat as meets the Swiss government's requirements for the especially humane housing of animals (BTS programme). The same standards are applied to imported meat too.

Coop's concern for animal welfare means that certain products, such as pâté de foie gras and frogs' legs, are not sold at all. Finally, all the

cosmetic products sold under Coop's Natura-line flagship label are developed and produced entirely without any animal experiments.

> www.tierschutz.com

Coop is equally committed to a sustainable and animal-friendly range of fish and seafood. As far as possible, Coop sells fish from sustainably managed fisheries certified by the international Marine Stewardship Council (MSC). Coop sells only such tuna fish products as bear the "Dolphin safe" label. This guarantees that no nets or catching methods that might endanger dolphins are used.

> www.msc.org

Biodiversity and protection of the species

By promoting organic farming not just in Switzerland, but in other countries too and especially in developing countries, Coop – together with the organic farmers themselves – is making an important contribution to the preservation of biodiversity. Because organic farmers do not use artificial fertilizers or crop protection agents, their farms provide additional living space in which insects and soil organisms can develop and multiply.

Coop and Pro Natura have also launched a joint project aimed at creating additional habitats for butterflies.

And just to ensure that organic farming works even in the consumer's own back garden, Coop's Oecoplan label includes a wide range of certified organic seedlings, seeds, herbs and shrubs. Not only that, but all the crop protection agents, fertilizers and soil products in the Oecoplan satisfy the requirements for organic components.

To help promote biodiversity still further, Coop has been cooperating closely with the Pro Specie Rara foundation since 1999. As a result, a number of heirloom varieties of vegetable, fruit and cereal as well as meat from certain breeds of farm animal that Pro Specie Rara has saved from extinction have since been added to the range. The aim of this joint project is to promote long forgotten native varieties and species and to make these available to consumers once again. Yet Coop's efforts in this area are not confined to sales of fruit and vegetables. Its distribution of Pro Specie Rara seed is helping old varieties to make a comeback in people's back gardens as well. Pro Specie Rara is > 44



Napfmilch AG
Managing Director
Heinz Fraefel and
Coop buyer Andreas
Schütz (left) in front
of the dairy.

Unheard-of dairy products from the Lucerne Hinterland

It is hard to believe that all those fine herbal yoghurts that Coop has been selling throughout Switzerland for the past three years should have such humble origins. But nestling in the hills near Hergiswil, Canton Lucerne, in Central Switzerland, the Napfmilch dairy actually looks quite puny compared with the farm next door, and might even be mistaken for one of the outbuildings. Behind this modest façade, however, there are 10 highly motivated people using state-of-the-art technology to process 3,000kg of milk per hour.

Managing Director Heinz Fraefel admits that his organic dairy is indeed bursting at the seams. He is already having to use a container for temporary storage and the front garden is full of shiny steel tanks instead of garden gnomes. A new building is being erected to solve the space problem and once finished will mark yet another milestone in the eight-year history of what has been a highly successful regional development project – and one that has enjoyed Coop's enthusiastic support right from the start.

It all began when Isidor Kunz, an organic farmer, had a dream. What he dreamed was that it might one day be possible to produce a 100% Swiss, 100% organic herbal cream cheese right on his own doorstep. After all, the ingredients were all there: Not only does the Napf area have a long tradition of dairy farming, but many of the local farmers had already begun growing their own organic herbs too – including peppermint and lemon balm. So why not plug a gap in the market and in doing so assure local farmers of a buyer for their produce and dairy workers of local employment?

No sooner said than done. Before long, the hardworking farmers of Hergiswil were moving heaven and earth to get the idea off the ground – the idea of a showcase dairy that would henceforth supply the entire country with cream cheese. The banks gave them the nod, a partnership was founded and an experienced production manager put in charge. "I was amazed at the enterprising spirit with which farmers here got involved in this project," says Fraefel, the dairy-



This little organic dairy from the hills of the Napf area in the Lucerne Hinterland was lucky enough to get a leg-up from Coop. There were hurdles to be overcome, of course. But over the years, Coop has proved to be a fair and reliable partner.

Great plans: The organic dairy products from Napfmilch AG (white building) are sold all over Switzerland. What helped the dairy get established was a combination of good ideas, hard work and Coop's readiness to throw its weight behind a good cause.

man from eastern Switzerland, recalling those early days. But without customers, there could be no product, which is why in 1997, Napfmilch AG decided to approach Coop.

"We were also interested in promoting regional development, so the idea appealed to us straight away," says Andreas Schütz, a buyer of dairy products for Coop. "But having agreed to adopt the product in our Naturaplan range, we soon realized that we were rushing ahead too fast." This was because Coop's own sales estimates indicated that they would not be able to sell enough of the cream cheese to justify a new factory – at least not at first. Unperturbed, the farmers of Hergiswil scaled down their project to the existing infrastructure – which basically meant making use of an unused dairy.

Then it was the turn of the cheese-makers: The herbal cream cheese first had to be developed and here, too, there were a number of hurdles to be taken. Coop, however, lent the new dairy its support wherever possible – whether in the form of sound advice, analyses by its own quality inspection lab or food tasters. "What counted for us was to have a good quality product right from the start," says Schütz. The idea was to have a product that customers would want to buy. By the end of 1999, the dairy was already operational and the first batches of Napfmilch herbal cream cheese were already hitting the Coop shelves.

"The cheese sold well right from the start and is still in our range even today," says Schütz, adding "not least thanks to verdict of the numerous food tasters who have given it their seal of approval." The 50 farmers whose organic milk is used to make the herbal cream cheese were allowed to tour Coop's sales outlets in person in order to give customers a better idea of their product. This rare honour is another example of Coop's commitment to this project as most other suppliers, including some much larger than Napfmilch AG, are not allowed to set foot in any of the outlets. "We were delighted to have an opportunity of supporting these hardworking hill farmers," says Schütz, who himself comes from the Bernese Napf area.

And Coop helps them in other ways too: by agreeing to back the idea of a herbal yoghurt – something that did not exist at all until now, by providing assistance for Switzerland's mountainous regions and, just recently, by promoting the regional marketing of the local milk as well. The milk sold in the Napf area is now specially marked so that consumers can choose to buy a product that not only supports the local economy, but also eliminates needless transportation. And this is how the canny organic dairy from the Lucerne Hinterland and the big distributor with lots of patience wish to continue as well. "We have lots of other plans too," says Schütz, winking knowingly at Fraefel.

41 > convinced that the use of natural diversity by wide sections of the public will help ensure the survival of varieties and species. The natural farming environment requires plants that can compete even without the aid of chemicals and artificial fertilizer. No less vital are resilient species of farm animal that can produce good yields even without power feed and other such aids. It follows that most of the Pro Specie Rara products are of also organic quality.

The range of Pro Specie Rara products on offer at Coop sales outlets and restaurants now comprises 19 different varieties of vegetable, 4 varieties of tomato plant seedlings, 11 varieties of seed and 2 varieties of fruit trees. Working in cooperation with its own flour mill, Swissmill, Coop is also supporting the cultivation of an old variety of wheat called Emmer and has added Emmer beer, Emmer noodles and Emmer bread to its range.

The inclusion in its range of all these Pro Specie Rara products nevertheless poses a huge challenge, because the harvesting methods used, yields, storability and durability of these old varieties often fall short of today's quality expectations.

> www.psrara.org

Sustainable wood and timber products

The preservation of biodiversity is also a primary concern of sustainable forestry. This is especially important in the case of tropical wood, which is why all Coop's tropical wood products bear the Forest Stewardship Council (FSC) label.

Because Coop tries to minimize transport wherever possible, it gives preference to timber from Switzerland and the rest of Europe. It also seeks to ensure that all its wood products are manufactured in compliance with its exacting environmental and ethical criteria.

The FSC label is a guarantee of this requirement as it is the only wood label to impose certain minimum standards and to forbid the conversion of primary forests into plantations. Economic, environmental and social criteria are all accorded equal weight in the drafting of regional guidelines. Coop is a co-founder and board member of FSC Switzerland, which was set up in late 2003, and campaigns for the widespread use of the FSC label.

Approx. 60% of all wood products sold in Coop's supermarkets and building and hobby supplies centres is now FSC wood. All the wood

products in Coop's Oecoplan range are FSC-certified and have to comply with strict processing guidelines.

> www.fsc-holz.ch

Promoting national and regional production

The diversity of the cultural landscape in Switzerland can be preserved only if food continues to be grown here in the years to come. Coop therefore gives preference to Swiss farm produce wherever possible. Most customers, however, expect a much wider and more varied range of products than Swiss farmers can produce – at least not all year round and in line with customers' quality expectations. Furthermore, imports of agricultural produce are likely to increase in the years to come.

To help its customers spot Swiss products more easily in future, Coop has thrown its weight behind the creation of the "Suisse Garantie" label – a certificate of origin and quality to be launched in autumn 2004. "Suisse Garantie" guarantees that the product in question has been produced or processed in Switzerland or the Principality of Liechtenstein and that it meets the government's environmental requirements and does not use any form of genetic engineering.

> www.suissegarantie.ch

The Swiss mountains, where both farms and food processing companies tend to be very small, are likely to be especially hard hit by the steady increase in competition. Coop has therefore launched a special line of products called "Regional Organic Specialities", the aim of which is to help preserve local production in Swiss mountain regions. And there are plans to expand these efforts in the years to come. Coop's range also includes a number of traditional regional specialities protected by labels of origin.

Attitude to genetic engineering

In the food sector, the example set by organic products has led to a consistent and consumer-friendly attitude to genetic engineering. Coop is firmly convinced that in Switzerland, where farming is both small-scale and diverse, the economic costs and risks of genetic engineering would far outweigh the potential advantages. Coop therefore rejects the commercial cultivation of genetically modified plants.

Coop's own-brand products and of course its flagship labels do not use any genetically engineered ingredients at all, irrespective of whether or not the GMOs are detectable in the end product. As most consumers reject GM food, Coop is committed to ensuring that manufacturers of brand products also avoid the use of genetic engineering methods wherever possible. If they fail to do so, Coop would use a sign on the shelf to indicate that the products in question were GM products.

The use of genetic engineering in closed systems merits closer scrutiny, however. Studies show, for example, that the production of vitamin B₂ by genetically modified micro-organisms not only leads to a purer active substance, but is also less harmful to the environment than production by conventional synthesis.

Coop believes in upholding the consumer's right to make an informed decision. It would therefore like to see Switzerland adopt as soon as possible the EU's much tighter regulations on the labelling and traceability of genetically modified organisms (GMOs) in the food and animal feed sectors.

Quality assurance

As a retailer, Coop's fate hinges on the confidence of its customers. The quality and safety of its products are therefore of paramount importance to Coop. This principle challenges our employees anew every single day and demands of them a high level of expertise and commitment. The aim of Coop's comprehensive quality management is to minimize risks and ensure that its customers are completely satisfied. Coop's efforts to promote sustainability are part of this drive. All processes that have to do with quality assurance are coordinated by the Coop Quality Centre.

Coop interprets the quality of its products and services to mean the totality of all those properties that meet its customers' expectations. These include not just product composition or indeed product enjoyment or utility, but also such factors as product packaging and information. The quality features of each Coop product are laid down in the relevant specifications or product requirements. Coop's suppliers have to undertake to meet both the statutory requirements and Coop's own more exacting requirements – especially those applicable to its flagship labels. The Quality Centre performs random,



“The consultations regularly held between the Swiss Farmers Association (Schweizerischer Bauernverband, SBV) and Coop are extremely important for strengthening their mutual bond of trust and confidence. In order to promote animal protection and environmental conservation, Coop focuses on high-quality Swiss products. The SBV charges fair prices for this added value, and a mutually satisfactory product positioning upholds consumer confidence.”
Hansjörg Walter, President of the Swiss Farmers Association.

risk analysis-based checks of the manufacturing processes used and tests the finished products in its own, well equipped laboratory.

The main focus of Coop's quality management is always on problem prevention by the adoption of precautionary measures. Ensuring that employees are properly informed and trained has an important role to play here. Having highly trained personnel in all areas is an important prerequisite for top quality products and safe processes. Training and staff development are provided in cooperation with the Coop Training Centre – often at the employee's place of work.

While there are routine checks already in place for known risks, Coop, working in close cooperation with the authorities and researchers, also has to analyse and assess those unexpected risks that also crop up from time to time. Its aim here is always to prevent or at least minimize any harmful effects on consumers. Coop has, for example, taken part in round-table discussions of the problem of acrylamide in potatoes. In a project headed by the Swiss Federal Office of Public Health, the formation of acrylamide is now being scientifically investigated and various ways of minimizing it – whether by the choice of plant, storage or cooking method – explored.

Coop guidelines and international standards

Coop's guidelines on socio-ethical and environmental procurement are especially important with regard to sustainability. The social and environmental standards enshrined in its guidelines are binding on all business partners that produce goods or provide services for Coop's supermarkets, building and hobby supplies centres and (since early 2004) department stores. Coop also gives preference to those companies that make an effort to improve their employees' working conditions and uphold recognized social and environmental standards. Coop takes a keen interest in the relevant international initiatives and tries to promote sales of products certified to these standards.

In the fresh fruit and vegetables sector the EurepGap Standard has an especially important role to play. EurepGap dates back to a 1997 initiative on the part of European retailers. The "good agricultural practice" it requires covers the use of pesticides, soil management and irrigation, while the standard also contains regulations

governing health and safety at work, the hygienic handling of food products, and waste and environmental management.

> www.eurep.org

In areas in which no international standards are as yet in place, Coop supports efforts to have such standards drafted and implemented. Coop is an active participant in the "Roundtable for Sustainable Palm Oil", for example, a worldwide initiative for the sustainable production of palm oil launched in 2004. In early 2004, Coop's bakeries all switched to the use of sustainable palm oil, as did Kambly AG, which makes Coop's own-brand biscuits, in March 2004. The use of sustainable palm oil for other products in the Coop range is currently being looked into.

> www.sustainable-palmoil.org

Working in cooperation with WWF Switzerland, Coop has launched a similar project for the sustainable production of soybeans in South America. Not only is Coop allocating money from the Naturaplan Fund to cover much of the development costs, but it is also contributing its experience and expertise to the drafting of an appropriate standard.

Food safety

In food safety too, Coop places its faith in international standards and inspections by independent monitoring organizations. Coop has been a member of the food industry's own Global Food Safety Initiative (GFSI) since 2001. The GFSI checks and accepts international food safety standards. Businesses that meet these standards are deemed to be reliable partners with regard to food safety. Coop gives preference to business partners that put these standards into practice and have their compliance verified on a regular basis by independent monitoring organizations. The GFSI and hence Coop currently recognize the following standards:

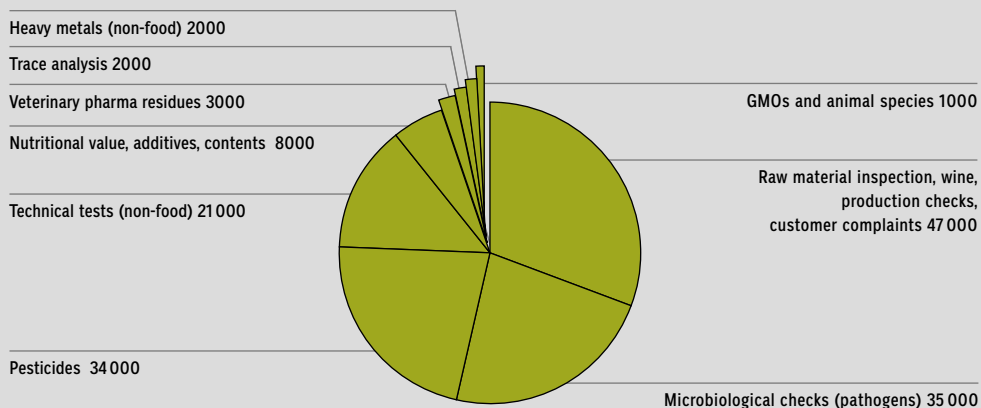
- British Retail Consortium Standard (BRC)
- HACCP Code of the Netherlands
- International Food Standard (IFS)
- European Food Safety Inspection Service (EFSIS)
- Safe Quality Food (SQF)

Coop has its compliance with these standards – whether they apply to food safety, environmentally safe manufacture or socio-ethical requirements – verified by independent and fully accredited monitoring organizations. The SGS (Société Générale de Surveillance), SQS (Swiss

The quality and safety of its products are of paramount importance to Coop. This principle challenges our employees anew every single day and demands of them a high level of expertise and commitment. The aim of Coop's comprehensive quality management is to minimize risks and ensure that its customers are completely satisfied. Coop's efforts to promote sustainability are part of this drive.

Product safety

NUMBER OF LABORATORY ANALYSES AT THE COOP QUALITY CENTRE (AVERAGE 2000–2003: 153,000 PER YEAR)



Coop has its compliance with the standards – whether they apply to food safety, environmentally safe manufacture or socio-ethical requirements – verified by independent and fully accredited monitoring organizations.

Association for Quality and Management Systems) and BVQI (Bureau Veritas Quality Inspection), for example, are among the monitoring organizations that travel all over the world to inspect Coop's suppliers. Coop also conducts its own random checks. And before signing a contract, all Coop's partners have to agree to allow Coop or inspectors acting on Coop's behalf to inspect their production facilities at any time.

Traceability

Product traceability requirements are becoming increasingly exacting. While on the one hand, Coop is bound by law to respond to any complaints received by promptly providing information on where the product came from and the stores to which it was sent, the higher standards now being required of production can be used as a selling point for customers only if the relevant products can indeed be credibly traced. Coop has therefore been actively involved in the setting up of reliable product tracking systems.

This level of transparency enables the causes of any quality problems to be ascertained rapidly and efficient countermeasures initiated. Furthermore, it enables the faulty goods in question from one particular manufacturer or one particular batch to be taken off the shelves. Product traceability is nevertheless a costly business. Structures in Swiss agriculture in particular are on such a limited scale that the quantities provided by any one supplier tend to be very small. This in turn makes the separation and labelling of each small batch both time-consuming and expensive.

Checks by the Coop Quality Centre

Coop pays especially close attention to the quality of the food it sells, which after all accounts for some 70% of the total range. Its food products are checked to ensure that no banned antibiotics or pesticides are used in their production. Employing state-of-the-art measuring methods from molecular biology, the Coop Quality Centre can also detect whether food products or feedstuffs contain traces of genetically modified organisms (GMOs).

Depending on the risks involved, the Quality Centre can test non-food products such as toys and cosmetics for heavy metals, plasticizers and banned preservatives. Coop's Non-Food Test Centre also evaluates the safety of electrical appli-

ances such as hair-dryers and mixers both on the basis of existing certificates and using its own tests. Physical tests to establish the load-bearing capacity of a car jack, for example, are also the responsibility of the Quality Centre.

But not all quality problems can be detected using methods such as these. The Quality Centre also sifts through the daily intake of consumer complaints, official bulletins and media reports in search of pointers to possible shortcomings. And if a product is indeed found to be of substandard quality, systematic corrections and improvements are immediately initiated. Depending on how serious the fault is, these may be flanked by other measures, such as cautioning the supplier or even removing the product in question from the shelves. If there is an acute health risk for consumers, the product is immediately recalled via the media.

Product packaging

Product packaging has to satisfy a number of different requirements. While on the one hand, it has to protect the contents from external impacts and preserve their quality, it must also look attractive, be readily transportable and easy to open and close. As every product packaging has to be disposed of sooner or later, a number of environmental requirements also have to be met.

Starting in 1986, Coop was the first retailer to use its own markings to advise consumers on how best to dispose of the product packaging. Not long afterwards, Coop introduced its "Guidelines on Environmentally Friendly Packaging" which set the priorities "avoid, minimize, recycle or dispose of in an environmentally safe manner" while at the same time introducing a new tool, the eco-audit. Coop's packaging guidelines have since been added to and now cover all relevant aspects of product packaging, including environmental requirements. The guidelines prohibit the use of harmful, chlorine-containing plastics (PVC), for example, and require re-usable packaging systems to be employed wherever this makes economic and environmental sense.

If the environmental credentials of a new product packaging or packaging material are unclear, Coop bases its decisions on the eco-audit, which has to weigh up all the environmental impacts of a given product, from its manufacture to its disposal, including the energy consumed or the emissions given off when it is incinerated. Choice of packaging material and its

volume and weight are important aspects of the eco-audit. The growing demand for fresh convenience foods that come ready to eat and pre-packaged in small portions constitutes a serious environmental problem as these tend to require a lot of packaging in proportion to the content.

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[5]



Standardized framework agreements and procurement processes ensure the even-handed treatment of all Coop's business partners

Socio-ethical and Ecological Sourcing guidelines are an integral part of Coop's quality agreement with all its business partners

Clear priority given to products from Swiss farms

Cooperation with partners to develop particularly environment-friendly and socially responsible products



Given that Coop has more than 3,000 suppliers, implementation of the agreed standards poses a major challenge and in some cases has yet to be completed

As a retailer catering only for the domestic market, Coop buys small volumes by international standards and therefore lacks negotiating power on the world's procurement markets



Approval of a Code of Conduct to govern the conduct of employees vis-à-vis business partners

Expansion of the business partner rating system to include all 150 strategic partners

Establishment of a comprehensive system to monitor the implementation of environmental and socio-ethical guidelines and draw up plans of action

Stepping up of international coordination in efforts to gain acceptance of socio-ethical requirements



BUSINESS PARTNERS

Coop works hand in hand with its business partners. Close and sustainable cooperation continuously improves products and working conditions.

The importance of pulling together

Relations with business partners

Coop works together with some 3,000 suppliers in Switzerland and abroad and regards them more as partners than suppliers. After all, being able to provide a wide range of top quality, sustainably produced products in line with its customers' needs presupposes excellent relations between Coop and its partners. Coop's relations with all its business partners are based on the principles of equality, transparency, openness, fairness and respect as well as the payment of a fair price for the product or service provided.

With some 150 strategically important business partners, Coop cultivates an especially intensive dialogue and cooperates closely with them on the development of both products and markets. And because Coop attaches such importance to long-standing and fruitful collaboration, it selects its partners with great care and uses its own rating system for regular assessments of the products or services provided. This rating is based on four main criteria: retention of/increase in market share, sales/earnings, logistics and quality. At regular talks held with its partners, Coop uses these ratings to define ambitious targets for the future of their partnership. Since it was first introduced in the autumn of 2002, 40 strategically important partners have now been included in the rating system.

Joint product development

Coop works intensively with its partners on the step-by-step improvement of their products and services and on the joint development of new products to be sold under the flagship labels. Either the partners submit their own ideas for the flagship label products or Coop initiates the necessary innovation work. Using its market observations as a basis, Coop draws up requirement profiles that its buyers can then use to find new products.

Thanks to the clear specifications that Coop and its manufacturing partners put into practice, Coop has become an engine of sustainable production both inside and outside the Group. One important source of additional motivation for its business partners is Coop's biennial Natura Prize, first awarded in 2000. Worth a total of CHF 100,000, this prize is awarded to Coop's partners for exceptional achievements in the manufacture, development or promotion of sustainable products.

Procurement principles and guidelines

When sourcing, Coop takes not only economic, but also social, ethical and environmental concerns into account. Its "Guideline on Socio-ethical and Ecological Sourcing" that came into effect in 2003 sets forth the minimum requirements that the supermarket and building and hobby supplies ranges have to satisfy, with the department store range being added in 2004.

The purpose of these guidelines is to ensure that

- all employees are paid an adequate wage and work in humane conditions;
- the requirements of nature conservation and environmental protection and the welfare of animals are properly taken into account when procuring starting materials of plant and animal origin;
- problematic materials are avoided and aspects of energy efficiency, recycling and disposal integrated at the product development stage.

To ensure that these specifications are met, Coop requires all its partners to sign quality agreements in which they undertake to comply not only with the statutory requirements, but also with any Coop principles that go beyond these. The situation among manufacturers is assessed on the basis of the information which they themselves provide in standardized questionnaires and which is subsequently verified by random inspections either by Coop's own quality specialists or by accredited independent

Coop works together with some 3,000 suppliers in Switzerland and abroad and regards them more as partners rather than merely as suppliers.

Business principles

1. **Transparency:** Before any contract is signed, Coop's business partners are informed of the terms and conditions for supplying Coop, the marketing required, the manner in which new products are launched and the product communication strategy. Range decisions are made on the basis of objective and stated criteria.
2. Coop treats its suppliers equitably, granting them the same prices and conditions for the same performance. All its business partners are subject to a standard framework agreement. All offers of new products are given the same unprejudiced consideration based on a standardized procedure.
3. **Extraordinary social and environmental efforts are rewarded:** Coop gives preference to products that are produced in an especially environment-friendly and socially responsible manner.
4. **Swiss quality:** For comparable products and services, Coop gives preference to Swiss-based producers.
5. **Openness:** Business partners are kept up to date on the latest developments at Coop. In return, Coop expects its partners to be equally communicative about any delivery bottlenecks, innovations or problems with quality.
6. **Reciprocity of performance:** The sums Coop's partners are asked to pay for its sales promotion measures are based on clearly defined communication and advertising services or on other sales promotion activities.
7. **Solidarity:** Coop supports Swiss farming by special campaigns to dispose of surplus crops.
8. **Fairness:** Coop is committed to efficient and fair competition. Its employees undertake not to accept any gifts, commissions, loans or cash payments from Coop's business partners or to offer them the same. Coop does not aid nor abet tax offences.

monitoring organizations. Coop's partners are therefore encouraged not just to focus on the quality of their products, but to aspire to higher standards in other areas too, such as working conditions, social responsibility and the environment, even if their products are not sold under one of the flagship labels. Manufacturers are called upon to scrutinize and gradually improve their production methods and materials.

Since the quantities of products sourced abroad are often small, Coop sometimes has difficulty ensuring that its socio-ethical standards are met. It is therefore looking into the possibility of collaborating more closely in this respect with other retailers in Switzerland and abroad. Coop regards textiles as one area in need of urgent action. Another is the cultivation of vegetables and berries in southern Spain, where working conditions are known to be problematic and for which Coop has since issued special guidelines.

Code of Conduct for Textile Manufacturers

In the autumn of 2000, Coop issued a Code of Conduct for Textile Manufacturers (henceforth known as the "Textile Code") containing eight core requirements based on those of the international Clean Clothes Campaign. Among the requirements of the Textile Code are the payment of a living wage, working conditions that are as healthy and safe as possible and a working week that does not exceed 48 hours (with no more than 12 hours' overtime).

>www.cleanclothes.ch

All Coop's partners and their suppliers in the textiles business have received a copy of the Textile Code in their native language. They have all signed an undertaking to inform their employees both verbally and in writing of the contents of the Textile Code and to comply – or at least to work systematically towards compliance – with the principles enshrined in it.

“As Switzerland’s biggest distributor by far of branded articles, Coop is a key partner for Promarca and its members. Our collaboration with Coop is not entirely without problems, but thanks to frank discussion we solve them by mutual agreement. Responsible behaviour and fair dealings are critically important for manufacturers of branded articles – and that’s the way we want to keep it in future.”

John Peter Strebel, Director of Promarca, Swiss Association of the Branded Goods Industry.



Coop has been implementing the Textile Code in stages: Its main focus of attention during the first stage of implementation was on producers for the Naturaline flagship label, for which high ethical and environmental standards are already in place. Coop’s Naturaline partners and their suppliers were required to adopt the new Textile Code in its entirety and without delay. Since then, all Coop’s Naturaline suppliers have had to undergo annual inspections by accredited monitoring organizations. There are currently some problems with suppliers in India and China, especially in connection with working hours. These have to do with the marked seasonal fluctuations in order volumes, especially in fashion wear. Coop is endeavouring to help the suppliers affected resolve these problems. Coop’s aim is to have all Naturaline processing facilities certified to SA 8000. The spring of 2003 saw the Greek fitted-sheets producers, Studio Alfa and Pelasgis, become the first two Naturaline partners to achieve certification. As the third partner, Remei AG was certified to SA 8000 in summer 2004.

Coop’s attention has since turned to the other partners that supply textiles for its supermarkets. All major suppliers have already returned the self-assessment form. An evaluation of these forms by an external monitoring organization shows that many suppliers, especially in the Far East, will probably have difficulty complying with every requirement of the Textile Code. This year, a risk analysis has necessitated external inspections among important suppliers in Pakistan and China.

Coop City department stores are also bound by the Textile Code. In view of the extensive restructuring work currently under way and the merger of Coop City and EPA, however, all Coop City partnerships are under review, although compliance with the Textile Code naturally counts for a lot. Some of Coop’s department store partners have already signed it and some of the self-assessment forms have been returned.

* SA 8000 is a very demanding internationally based certification plan for socially compatible working conditions (www.sai-intl.org). The social compatibility requirements are founded on ILO (International Labour Organization) conventions, the Human Rights Declaration, and the UN Convention on Children’s Rights. SA 8000 defines verifiable criteria with regard to child labour, forced labour, discrimination, health and work safety measures, remuneration, working hours and management systems. Monitoring and inspection organizations can have themselves accredited to SA 8000 and undergo certification tests.

Vegetables from southern Spain

Coop has been concerned about working conditions among vegetable growers in Andalusia ever since the spring of 2000, when civil unrest in the Almería region alarmed both the local population and buyers. The political and economic factors to blame for the problems there included social conditions in the guest workers' home countries, illegal immigration and subsequent illegal employment in Spain, competition between Arabic-speaking and East European guest workers, Spanish and European immigration laws and the strongly seasonal nature of production.

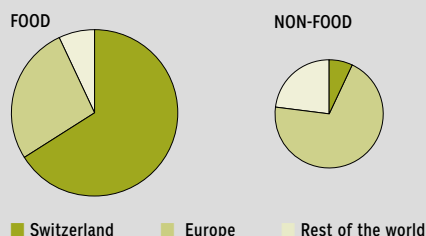
After holding talks with producers, exporters, a union delegation and an immigrants' organization, Coop decided to present its partners in southern Spain with the same Code of Conduct that it had already applied to textiles. Coop's vegetable suppliers in southern Spain have now recognized this Code of Conduct and, with just one exception, have undertaken to implement its requirements and have progress verified by independent monitoring organizations.

The aim originally was to combine the inspections required by the Code of Conduct with those of the EurepGap production standard in force since 2004, but the social criteria have since been removed from EurepGap's catalogue of requirements. Since then, various talks have been held with the EurepGap secretariat with a view to launching a joint pilot project aimed at showing how the social criteria could be reintegrated into the catalogue and compliance effectively verified.

As Coop buys less than 0.5% of the Almería harvest, it believes this coordinated approach is likely to carry more weight in ensuring acceptance of its guidelines.

Origin of products

PRODUCTION COUNTRY/REGION, SHARE IN PROCUREMENT VOLUME* 2003



*The size of each circle indicates the total procurement volume.

Natura prize

YEAR	PRIZEWINNER	PRIZEWINNING PRODUCT
2000	Patrick Hohmann, Remei AG	Coop Naturaline textiles
	Lever Fabergé Schweiz	Coop Oecoplan detergent Skip Sunlight
	Kambly SA	Coop Naturaplan biscuits
2002	Molkerei Biedermann	Organic milk
	Agro-Tropic AG	Max Havelaar flowers
	Ostendorf AG	Coop Oecoplan paints and varnishes

Textile codex implementation

	NATURALINE	SUPERMARKETS	COOP CITY (WITHOUT EPA)
Code signatories	100 %	100 %	84 %
Self-declaration	100 %	99 %	19 %
Check	100 %	Start 2004	Start 2005
SA 8000	3 business partners		



Peter Luder of Hilcona and Esther Madörin of Coop handling a spinach delivery at the works.

From supplier to partner

Clack, claaak, clack! Pneumatically powered steel fingers dart into the strip of pasta whirling round the rollers and within a fraction of a second have folded it and shaped it and dropped the finished tortelloni back down onto the belt. Here at Hilcona AG in Schaan in the Rhine valley (Principality of Liechtenstein), the air is alive with the rhythmic clacking of the machines and the smell of freshly cooked food. A total of 650 people work here round the clock, making quality frozen foods, canning vegetables and preparing fresh convenience foods such as pre-cooked pasta.

“Hilcona goes back a long way,” says Peter Luder, a member of the Management Board, “but our most important mainstay nowadays is our fresh food division, which we launched in 1984.” Refrigerated convenience foods – juice, salads, pasta, pizzas and sandwiches – that with a minimum of effort can be turned into a delicious meal have been gaining popularity for several years

now. Coop saw that there was a growing demand for these products and in late 2001 approached various specialist producers, including Hilcona. The idea was to use Coop’s popular Betty Bossi line of products to sell a new range of top quality convenience foods.

“The thought that many of our products would no longer be sold under the Hilcona brand was hard to swallow at first,” says Peter Luder, recalling those early days. But the partnership still went ahead. And thanks to a concerted effort by a team from Hilcona, Coop and Betty Bossi, the first Betty Bossi sandwiches, pizzas and pasta products were created within just six months of signing. “That would not have been possible if Hilcona and Coop had not had the same quality philosophy,” says Esther Madörin, the woman in charge of Coop’s convenience food range and marketing. Hilcona, for example, had already stopped using artificial additives and preservatives.



No artificial additives: Hilcona produces top quality pasta products round the clock. It does not use any artificial additives or preservatives, however, nor do its eggs come from battery farms. Its ready meals are tested repeatedly in its own test kitchens until the taste is just right.

Intensive product development dialogue has enabled Coop and Hilcona to learn from each other and to make progress together too. In this way, the two companies can exchange ideas and information much more promptly and openly than used to be the case.



“Innovation, product enjoyment, quality and hygiene are all central concerns of ours,” says Peter Luder. Local producers have to create unmistakable products that stand apart from cheaper mass produced fare. This means not just top quality, but also products that are in line with Swiss tastes. This is the only chance domestic suppliers have of competing on the liberalized European market, despite their high production costs. “In this respect, both the producers and distributors are in the same boat,” says Esther Madörin, explaining that “as the Betty Bossi project shows, they have to be innovative and maintain a very high standard of quality if they want to be successful.”

Relations between Hilcona and Coop have improved, thanks to this cooperation. Intensive product development dialogue has enabled them to learn from each other. And they have both made progress together too – as when it came to getting a grip on the IT and logistics involved: The sales outlets have to place their orders by noon at the latest and the products they order are then delivered before they open for business next morning. Communications also run like clockwork these days. “By keeping the lines open, we can exchange ideas and information much more promptly and with more openness than

used to be the case,” says Esther Madörin. “Hilcona the supplier is now Hilcona the partner,” she says – expressing a sentiment that Peter Luder shares.

“The experience one gains from cooperating as closely as this certainly pays off,” he says. For Hilcona, having to cater to Coop’s needs has given it a competitive edge on the European market. The trade rewards the partnership approach. Coop, meanwhile, has been able to use Hilcona’s know-how to develop a growth market. In other words, this partnership has given rise to a win-win situation which is to the advantage of both partners. Not that they are the only winners: Consumers also stand to gain – from the better quality products their supermarkets now stock – as do Switzerland’s farmers, who can sell more of their produce.

Organic cotton on a large scale

Patrick Hohmann will never forget the unusual but moving confirmation he once received for his pioneering promotion of large-scale organic cotton farming in India: “Thanks to you I can now die,” one Indian farmer told him. Hohmann did not understand at first, “but then the farmer explained that by growing organic cotton, he had been able to rid himself of a crippling burden of debt and could now leave his fields to his sons with a clean conscience. That made it clear to me that organic cotton is a good thing in every respect.”

As CEO of the Swiss company, Remei AG, Patrick Hohmann has been making sure that cotton lives up to its image as a natural fibre ever since 1992. Conventional cotton farming requires huge quantities of pesticides which not only pollute the environment, but damage farm workers’ health as well. Organic farming, however, does not leach out the soil and so promises better yields in the long run. “Social justice is an equally important aspect of this project,” says Hohmann. “Our cotton farmers are paid a premium of up to 20%, are given a five-year sales guarantee and can even become shareholders in Maikaal BioRe Ltd.,” he says. Having for so long been dependent on the textile industry, they can now become independent partners. Environmental protection and social justice are mandatory not just in cotton cultivation, but at every stage in the textile production process as well, from spinning to sewing and the printing of finished T-shirts.

Jürg Peritz, the member of the Executive Committee responsible for sourcing and for the food and non-food range at Coop, was won over by this integrated approach as far back as 1995. “Cotton is a natural fibre that is mostly worn next to the skin. So surely it stands to reason that we should make the same exacting demands of cotton that we make of the food we ingest?”

Ever since Coop became an enthusiastic distribution partner in 1995, the close cooperation has helped make BioRe a success. “We’ve turned

Coop is the world’s largest retailer of textiles made of organic cotton. Coop Naturaline stands for organic cotton farming, fair trade and partnership. In 2002, the UN awarded Coop and yarn producer Remei AG an environment prize for their work in this field.



Patrick Hohmann (centre) of Remei AG and Jürg Peritz and Emanuel Büchlin (right) of Coop in the textile department of a Coop City department store.

Also healthy for the skin:

Not only are the raw materials used for Naturaline textiles farmed organically and under socially responsible conditions, they are also produced without chemicals and using only harmless dyes. This is why Naturaline products make people feel good.



a hobby into a business,” laughs Hohmann, admitting that he himself was initially sceptical about teaming up with the retailing group. Last year Coop purchased more than 1000 tonnes of organic cotton. And it intends to continue along this path: “We deliberately chose not to offer a niche product. We want our Naturaline textiles to be affordable for everyone and attractive in terms of quality and style. Only by reaching as many customers as possible can we maximize our positive impact on the environment and on the people involved in the production process,” says Peritz.

Stable partnerships and mutual trust go a long way towards optimizing a given product, “but our producers still have to submit to rigorous inspections by external, accredited monitoring organizations,” he adds. These annual inspections ensure that the environmental and social guidelines are being observed. And as the monitoring organizations check not only companies that are directly involved in the production process, but all their suppliers as well, Coop’s control network is much more extensive than any other such network in the textile industry.

Employees in other textile businesses also stand to gain from the experience acquired through the Naturaline project. Since 2002, all textiles sold by Coop have had to comply with a code of practice. This code requires producers to pay a living wage and specifies a maximum working week for their employees as well as safe and healthy working conditions and equitable social benefits.

“As a long-standing partner and reliable main customer, we’re in a good position to require those who produce Naturaline textiles to implement our textiles code,” says Emanuel Büchlin, head of Non-food Purchasing, who visits producers on a regular basis. “Pushing through the textiles code in other areas is more difficult, however, and is especially challenging among producers of fashion wear. That’s why we are now looking into ways of improving working conditions by international cooperation,” says Büchlin. “This market is defined by short-lived trends, which make long-term planning difficult. And Coop is often just one customer among many. But we have still made considerable progress towards our goal – which is to do business only with suitable partners.”

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[6]



Clear leadership and clearly defined responsibilities coupled with good, highly motivated employees

Attractive collective employment agreement with generous fringe benefits

Wide choice of training and staff development courses with very good professional advancement opportunities within the company

High level of commitment to the apprenticeship system



Despite individual case management, only a slight decline in the number of accidents at work and an increase in sickness-related absences



Implement the new retailing apprenticeship "Verkauf.CH" and create 500 new apprenticeships

Increase the percentage of promotions from internal development to 70%

EMPLOYEES



Coop builds sustainable profitability on good working conditions and transparent relations with social partners.

Responsible and socially accountable

Operating environment

Retailing worldwide is a labour-intensive business with generally low wage levels. Coop therefore has to strike a balance between what, by sector standards, are its relatively high labour costs and the high quality it aspires to, not just in what it sells, but also in the customer service it provides. The procurement, transportation, presentation and sale of top-quality, socio-ethical and environmental products demand above-average levels of expertise, care and personal commitment. Coop therefore provides a wide range of training courses and staff development programmes, pays good wages by international standards and offers attractive fringe benefits as well. As all these things result in high labour costs, the tough competition in what is an increasingly international market poses an especially great challenge for Coop. Motivated and well trained personnel are at the same time essential to the long-term improvements in productivity Coop is determined to achieve.

The basis of Coop's success

The Coop Group now has more than 50,000 employees, its workforce having increased by 13.4% between 1999 and 2003. Coop appreciates its employees' experience and commitment, especially in times of change: When the 14 regional cooperative societies and Coop Switzerland merged in 2001, the Executive Committee kept its promise and did not lay anyone off. And when Coop took over Waro and EPA, the employees of those companies were all offered alternative jobs within the Coop Group.

This restructuring required both an above-average level of commitment and great flexibility on the part of Coop's employees. This is something that Coop does not take for granted, and therefore it is all the more important that its employees have a share in its success and can celebrate this success together.

Every Coop employee undergoes a performance review at least once a year. The aim is to arrive at an honest assessment of where the employee now stands. These interviews also form the basis of the individual's professional development and career plans. Employees who are selected for promotion are then offered an attractive, personalized training programme.

Coop reacts to changes in the working world both flexibly and innovatively. Job content, workplaces and type of job are regularly adapted to changing conditions. Coop offers various types of part-time work, distance work and reduced work loads for example, also for management staff. All Coop employees should be able to combine the demands of raising a family with a career. Employees who perform voluntary duties in the community are offered flexible working hours wherever possible.

Equal opportunities

The Coop Group has more than 31,000 female staff, accounting for 62% of the total workforce. Of these, 45% are full-time and 18% part-time salaried staff, while the remaining 37% are paid hourly or on another basis. In the collective employment agreement, all those who are paid by the hour are guaranteed a certain number of hours' employment every month, so that even those who work on an on-call basis can expect a guaranteed basic income.

Coop employs people from 123 different countries, with non-Swiss employees accounting for 32% of the workforce. Here, too, Coop offers equal opportunities and in doing so makes an important contribution to the integration of young immigrants. The immigrants are encouraged to attend language courses so as to keep their chances on the job market intact.

From the employees' point of view, relations between the members of different ethnic and language communities working at Coop are remarkably unproblematic.

Working in close cooperation with the health care organization SWICA, Coop's Social Services Department does everything it can to avoid having to dismiss employees with disabilities or health problems and to offer them a suitable alternative job instead.

Co-determination

As a dynamic company, Coop relies heavily on employees who can think for themselves, contribute their own ideas and assume individual responsibility. Coop cultivates an open, constructive and unbureaucratic style of communications based on clear principles. One of the most important of these is that Coop's employees should always be the first to know of any forthcoming changes affecting them.

Formal co-determination at corporate level is governed by the company statutes and by the statutes in Swiss law that govern the rights of company employees to information and co-determination. There are two employee representatives on Coop's Board of Directors.

The collective employment agreement gives employees the right to elect staff committees for their area of work. Coop supports the work of these staff committees and provides opportunities for further training in this field. It currently has staff committees in all five sales regions and they all make a valuable contribution to the pleasant working atmosphere there.

The staff magazine, "Coop Forte" is published every two months in three languages and 15 different editions for the various sales regions and organizational units within the Coop Group.

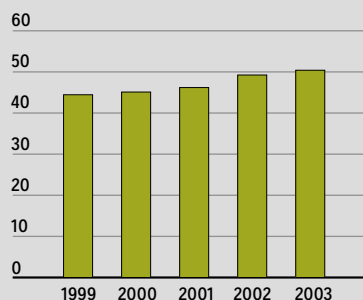
Cooperation with the trades unions

Coop can look back on a long-standing tradition of collective employment agreements. There is currently a national collective employment agreement in force between Coop and the VHTL*, KV Schweiz*, VdAC*, Syna and its subsidi-

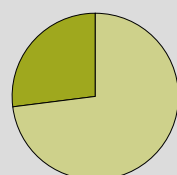
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Workforce

NUMBER OF COOP GROUP EMPLOYEES (THOUSANDS)

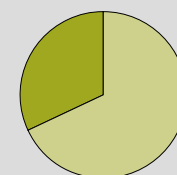


HOURLY WAGE EARNERS 2003



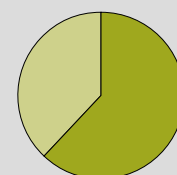
Hourly wage earners
Salaried employees

NON-SWISS EMPLOYEES 2003



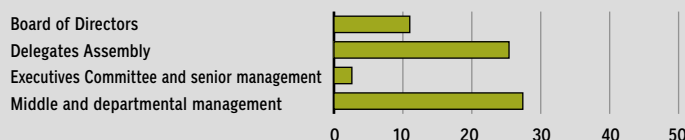
Non-Swiss employees
Swiss employees

FEMALE EMPLOYEES 2003



Women
Men

FEMALE BOARD AND MANAGEMENT EMPLOYEES (PER CENT)



diary union, the OCST* in Ticino. Around 35,000 people are covered by this agreement.

Contractually agreed talks held by a joint commission made up of union representatives and Coop's national and regional personnel managers mean that Coop is in contact with the unions on a regular basis. Coop is always ready to listen to union concerns, to take these seriously, discuss them openly and seek to resolve any differences of opinion through dialogue. The negotiations basically aim to provide Coop employees with good working conditions without jeopardizing the company's commercial viability. Whereas the unions try to achieve more short-term improvements in working conditions, the Executive Committee focuses more on long-term considerations such as job security.

Employee satisfaction

Coop conducted its first nationwide staff survey in early 2002. Its comprehensive questionnaire was translated into six different languages. Approx. 45% of Coop's employees took part in the voluntary survey, a comparatively high response rate for such a large and strongly decentralized company. All Coop employees and of course the public at large were subsequently informed of the results.

The survey showed that most employees were satisfied with their work at Coop. The mean result for all the topics covered on a scale of 1 to 4 (4 being the highest rating) was 2.94 and hence good. Coop has already adopted a number of measures in response to these results: It has raised its minimum wages, for example, and overhauled its pay system on a national scale. It has also set up a special course to help its managers communicate more effectively in critical situations.

The staff survey is to be repeated every three years, with the next one taking place in early 2005.

Pay and social benefits

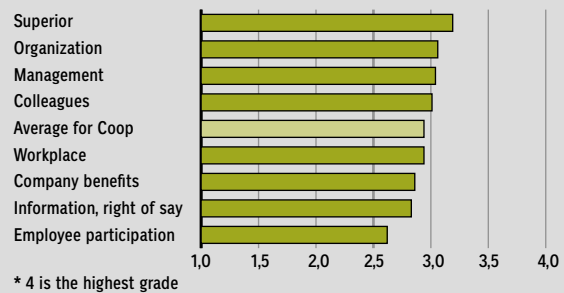
After raising its minimum wages, all the wages that Coop now pays are at the upper end of the retailing scale. Using the reference wages

*Swiss Retail, Commerce, Transportation and Food Workers Union (VHTL), Swiss Association of Commercial Employees (KV Schweiz), Association of Coop Employees (VdAC), Organizzazione Cristiano-Sociale Ticinese (OCST).

After raising its minimum wages, all the wages that Coop now pays are at the upper end of the retailing scale.

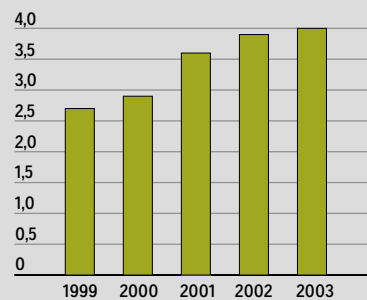
Coop as seen by employees

RESULTS OF EMPLOYEE POLL 2002 (GRADINGS*)

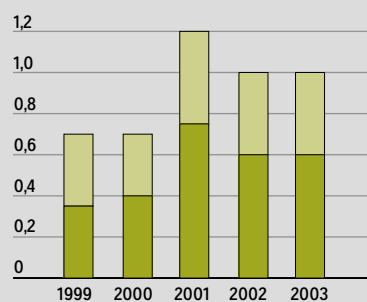


Sickness and accidents

SICKNESS QUOTA (ABSENCES IN PER CENT OF TOTAL WORKING DAYS)



ACCIDENT QUOTA (ABSENCES IN PER CENT OF TOTAL WORKING DAYS)



■ Occupational accidents ■ Non-occupational accidents

defined in the collective employment agreement, Coop upholds the principle of equal pay for equal work throughout the whole group. Coop employees in Ticino and in large parts of French-speaking Switzerland, where wages used to be comparatively low, have benefited most from this change. When Coop's pay system was overhauled, each function was assigned a certain pay scale based on the profile of requirements. This has led to a much fairer system, especially when defining the wages of new recruits and ensuring that men and women enjoy equal pay for equal work. The system also ensures that individual performance and years of service are adequately taken into account within the relevant wage bracket. Employees at management level receive a performance- and results-based bonus.

It should be stressed that one advantage of working in retailing is that employees can assume responsibility and have a career much faster than in just about any other line of business.

Coop offers attractive fringe benefits as well. The most important of these is the 10% staff discount on all non-food items and fivefold crediting of the Supercard points earned on food purchases at Coop outlets. Coop employees are also eligible for a 20% discount at its restaurants. They also receive preferential treatment at Coop Life, National Insurance Company and Bank Coop and can purchase REKA traveller's cheques on especially favourable terms. These fringe benefits have increased by 126% since 1999, a rate that is well above average.

Other advantages for Coop employees:

- All Coop employees have five weeks' paid leave every year. This increases to six weeks for the over-50s and seven weeks for the over-60s.
- Coop grants its employees 16 weeks' maternity leave on full pay (or 14 weeks for those who take maternity leave in their 2nd-5th year of service).
- Coop pays two thirds of employee pension contributions.
- Once employees turn 59, Coop offers them the possibility of early retirement.

Safety at work

Coop's long-term commitment to safety at work is demonstrated in its safety strategy. A national work safety group has been set up to coordinate all Coop's efforts to prevent accidents both at work and in the private sphere,

to lower the incidence of occupational diseases and to promote preventive healthcare. This group organizes training and staff development courses on the topic of safety and launches two nationwide safety campaigns on specific safety issues every year. The aim is to take concrete action to minimize all known risks of injury, including the introduction of new, safer butcher's knives to reduce the number of cuts and the purchase of safer step stools to minimize the risk of falling at the outlets. Coop has also been actively involved in various campaigns by the Swiss Council for Accident Prevention (bfu).

Coop has at least two safety officers in each sales region and at every one of its production facilities. These officers analyse any accidents that occur, keep accident statistics and check the safety precautions in place on a regular basis. The accident statistics for 1999–2003 confirm the trend towards more and more accidents in the private sphere, where Coop, as an employer, has very little influence. The number of accidents at work, meanwhile, has fallen slightly over the past five years.

Training and staff development

Coop is a learning organization that uses its dynamism and innovative drive to tackle head-on the changes taking place around it. It has a long-term training strategy with which to support the company's development and growth in as targeted and effective a manner as possible. Its approach is geared to the five success factors of customer focus, strategy orientation, implementation orientation, effectiveness and efficiency. Its three-pronged approach to staff development therefore differentiates between individual, management and organizational development. In-house basic and further training activities totalled over 60,000 participant days in 2003. 40% of these were devoted to professional development, management courses and career planning, 60% to customized courses such as team development, system training or goal-setting seminars.

Each member of the sales staff spends an average of 2.5 days a year on further training. Depending on the posts involved, the basic training for new recruits may last from two to ten days. Coop invests 4,000 days a year in training successors for future management duties.

Basic and further training is provided at Coop's two training centres in MuttENZ (Canton

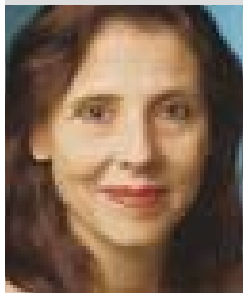
of Basel-Land) and Jongny (Canton of Vaud) and in the sales regions' own training departments. Over a hundred people are employed in training at Coop.

Basically, Coop's training courses are open to all its employees, and those who attend a recognized training or staff development course receive financial support to this end from Coop. An interview is held once a year at which the employee's personal development plan for the coming year is defined. Personnel Development is also responsible for filling any vacancies with competent internal applicants. In view of the sums spent on training and staff development and the ever more exacting quality requirements that products and services have to satisfy, Coop is naturally interested in long-term relations with its employees.

Apprentices

By offering a wide range of training opportunities, Coop helps provide young people with a future while at the same time upholding the quality of Switzerland's occupational training system. Coop is actively involved in the reshaping of retail apprenticeships in Switzerland and was among the co-founders of the national commission called "Training in Swiss Retailing" – an umbrella organization set up by various employers and employers' organizations. The aim of this commission is to adapt the retailing apprenticeship to the changed conditions now prevailing and to ensure that in future years Swiss retailers will be able to continue drawing on a pool of capable and well trained staff.

Coop employed a total of 2,055 apprentices in 2003. Of these, 1,699 were in sales, 141 in clerical positions and 215 in other skilled occupations. Every year, some 7,500 young people apply for one of the 750 apprenticeships on offer in 20 different fields. Despite this large number of applicants, each year Coop is unable to find suitable candidates for around 100 of its sales apprenticeships. It nevertheless has plans to enlarge its apprenticeship programme so that in future years it can admit as many as 2,500 apprentices. Having received so much internal support and encouragement, Coop apprentices generally do well in their exams and those who are deemed suitable are offered a job at Coop wherever possible.

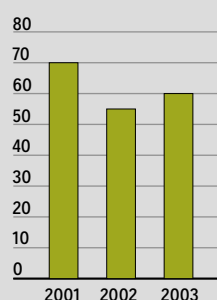


“Despite enormous changes over the last five years, Coop has always treated its employees fairly. Their

remuneration and working conditions have continuously improved even during the years of recession. And by systematically implementing its equal opportunities policy, Coop has laid the foundations for a sustainable human resources strategy.” Susanne Erdös, Central Secretary, Swiss Association of Commercial Employees (Kaufmännischer Verband Schweiz, KVS).

Training and advancement

INTERNAL BASIC AND ADVANCED TRAINING IN THE SALES REGIONS AND AT THE COOP TRAINING CENTRE (THOUSANDS OF PARTICIPANT DAYS)



“Our future is built on sustainability. And Coop banks on it. That is very gratifying for our union. Because the sustainability of every company and organization depends primarily on its people. Our mission for the future remains unchanged – the sustainable improvement of working conditions.”



Robert Schwarzer, Secretary General Swiss Retail, Commerce, Transportation and Food Workers Union VHTL (Verkauf, Handel, Transport, Lebensmittel).

Social Services

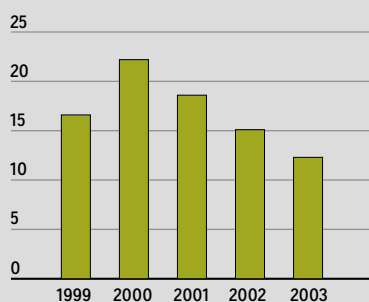
Coop's Social Services operate nationally and are staffed by 13 competent social workers. They provide impartial and free counselling for employees in need of help, support them through difficult times and, if necessary, refer them to external professionals.

Social Services meet a growing need: In 2003, some 1,950 employees made use of them, a figure that represents approx. 3% of the workforce. Most of those seeking help do so on account of health problems or because of too much pressure at work. Personal, family or financial problems, however, may also trigger a need for counselling. More and more of those who seek help are sent there by their supervisors or personnel managers.

Social Services also coordinate the case management required to combat rising absenteeism at work. In the event of prolonged or repeated absences, they seek to establish whether this absenteeism can be attributed to sickness or an accident, to personal difficulties or to poorly organized and hence stressful work routines. Social Services then agree with the responsible bodies on who will take care of any further action required. Successful reintegration in the company presupposes effective coordination work between all those concerned, their supervisors and any external bodies that may be involved.

Employee turnover

TURNOVER (PERCENTAGE OF TOTAL SALARIED EMPLOYEES LEAVING PER YEAR)



Fostering and developing young talent

Claudy Jeanbourquin had not expected to be asked why he wanted to do a sales apprenticeship at Coop, but now in the third year of his training he was certainly not at a loss for an answer: “I knew all along that I wanted to go into sales. I like being able to sell a flan case to go with the strawberries and whipped cream to go on top. What counts is choosing the right words, being persuasive and being able to point out the advantages of each product without ripping anyone off. And if, by doing that, I can help boost sales, then that’s something to be proud of.”

The person who asked Claudy Jeanbourquin about his motives was Gérald Dehan, who is responsible for training in Coop’s Suisse Romande sales region. He recalls the young man well, and also Emilie Queloz, whose job interview was just one year ago and who has just completed her first year of training at Coop’s Saignelégier store. When she first applied to Coop, hers was

just one of 943 applications received by the personnel department in Renens. A third of these applicants were invited to take an aptitude test to determine their general knowledge and command of languages. “The test was nerve-wracking,” says Emilie Queloz, “and if I hadn’t passed it, I would have had to look for something completely different.”

Gérald Dehan stresses the importance of interviews in the selection procedure: “The test results alone are not what clinches it. If an applicant has slightly below average test results, but is motivated and has sales talent, then he or she is likely to be short-listed, despite the academic deficit. What we’re looking for are communicative people who take pleasure in good products and are willing to work hard.” It is not always easy to find suitable apprentices, however. Many applicants are simply not motivated or have the wrong impression of what retailing involves. But Emilie Queloz and Claudy Jeanbourquin are sat-

Emilie Queloz (l.) and Claudy Jeanbourquin (r.) with their trainer Gérald Dehan.



ified with their apprenticeships, even if they are sometimes a little envious of the more attractive working hours some other apprentices enjoy, for instance those in the insurance business.

But there are still a lot of advantages to an apprenticeship at Coop. Right from day one, Coop attaches great importance to supporting and supervising the apprentices it has taken on. Both Emilie Queloz and Claudy Jeanbourquin not only have a trainer who is directly responsible for them at the branch at which they are working, but they also have a monitor to help them decide what to do next and to intervene on their behalf in the event of problems. The monitor also ensures that apprentices are not simply saddled with all the dirty jobs that no one else wants to do and that their training follows the clearly defined guidelines. These guidelines and all the other principles upon which their training is based are summarized in the apprentices' training pass. This is a dossier recording each completed stage of the apprenticeship, with a rating of individual achievements.

The support rendered sometimes goes beyond the immediate requirements of the apprenticeship itself. Gérald Dehan says that "if we see that one of our young people has personal problems that are affecting his or her motivation, then we offer our help. Some former apprentices still call me or come to see me, to

tell me what's become of them." Both apprentices regard this hands-on support as one of the main advantages of their training course. As for Claudy Jeanbourquin, with so many personal contacts, in-house training programmes in all departments, a seminar to help him prepare for his exams and regular evaluations and performance reviews, he has nothing to fear from the exams now looming.

And what happens then? "I already know that I can stay at Coop, although I don't yet know in which sales outlet. My aim is to rise to the position of deputy branch manager of a medium-sized store within the next four years. Compared with friends who are doing an apprenticeship in, say, banking, I can take on responsibilities and work my way up the career ladder much faster." Emilie Queloz has not yet decided what kind of career she wants to have. But what she does know is that a sales apprenticeship is certainly not a dead end, but rather a step towards a wide variety of opportunities. For the time being, however, she will continue to concentrate on the course she is now taking in dairy produce, her favourite department.

Coop invests a great deal in its apprenticeships. They benefit from a varied training programme plus close supervision and support. In return, Coop can count on highly motivated employees once they qualify.



Satisfaction with the apprenticeship: Coop offers a wide range of apprenticeships and ensures that they are interesting and exciting. In its approach to training it attaches considerable importance to all-round support for apprentices. After qualifying, suitable apprentices can expect to be offered a permanent job at Coop.

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[7]



Logistics strategy with a clearly defined timetable that is proceeding according to plan

Coop is the first big distributor to have audited CO₂ target agreements for the whole Group

Exceptionally progressive environmental and/or social management set Coop production companies apart from the competition

Rising recycling quotas thanks to the consistent implementation of Coop's waste concept



Cost-intensive logistics owing to excessively complex current structures

Rise in both kilometres driven and fuel consumption of Coop's own fleet of trucks over the past five years

Despite the drive for more recycling, the amount of waste disposed of by incineration has actually increased during the past five years



Building of new or refurbishment of existing sales outlets according to a standardized concept by 2012

Lowering of CO₂ emissions in line with the target agreements drawn up with the EnAW

Optimization of logistics, from Coop's business partners through to its sales outlets

Increase the percentage of nation-wide Coop freight sent by rail

PRODUCTION, LOGISTICS AND SALES OUTLETS



Coop has cleaned up its own doorstep and taken numerous measures to clean up the environment as well.

Coop has done its homework

Operating environment

Coop demands high standards of quality, environmental awareness and social responsibility not just of its partners, but also of its own production companies, distribution centres, sales outlets and logistics. Among its most important environmental concerns are the sustainable and sparing use of natural resources, the proper disposal and recycling of both its own waste and that of its customers and the avoidance of air pollution. Coop cooperates closely with the relevant authorities on corporate environmental issues, in many cases even going beyond what is required of it by law. Voluntary undertakings are on the one hand an effective means of pre-empting more stringent excessive regulation. On the other,

rigorous environmental protection in many cases pays off financially as well.

Coop's production companies

Coop's production companies are important partners for Coop when developing and manufacturing own-brand products and items to be sold under its flagship labels. There are a total of nine production companies in the Coop Group, all of them 100% Coop-owned. Coop also holds a 60% stake in Bell Holding AG (www.bell.ch). All Coop's production companies supply the parent company, while a large part of their output goes to other companies both in Switzerland and abroad. Their customers include retailers, the hotel and restaurant business and processing industries.

Coop Group production companies

COMPANY	LOCATION	NET SALES (CHF M)	EM-PLOYEES	PRODUCTS/SERVICES	(STATUS 2003)
Swissmill	Zurich	140	88	Flour mixtures, semolina, maize (polenta), flaked oats, extruded products, bakery flours, biscuit flour, hard wheatmeal for pasta, organic qualities	
Coop Panofina	Wallisellen	134	433	Bread, confectionery, tarts, cakes, Swiss rolls, pastry (for pies and biscuits), self-baking articles, pastries, deep-freeze articles	
Chocolats Halba	Wallisellen	83	268	Chocolate bars, filled chocolates, assortments (Easter, Christmas), candy bars, small chocolates, industrial chocolate (coverings, fillings), organic and Max Havelaar qualities	
Nutrex	Busswil	43	25	Wine vinegar, herbal vinegar, whey vinegar, cider vinegar, organic vinegar, alcohol vinegar, bottling vinegar, vinegar for the chemotechnical industry (cleaning, decalcination)	
CWK	Winterthur	40	138	Cosmetics, natural cosmetics, household care products, industrial cleaners, eco-cleaners	
Pasta Gala	Morges	32	58	Pasta made of pure hard wheatmeal, 3-egg pasta, rolled 5-egg pasta, organic pasta, semi-finished pasta for precooked menus and soups	
Steinfels Cleaning Systems	Winterthur	22	47	Washing and cleaning agents and hygienic products for large consumers and industry: kitchen, textiles, food, transport, personal hygiene, ecological cleaning agents, object/building cleaning, cleaning concepts and consulting	
Rice Mill Brunnen	Brunnen	13	15	Vitamin rice, risotto rice, Basmati rice, wild rice, mixtures, perfumed/Jasmine rice, organic and Max Havelaar qualities, precooked menus	
Argo	Möhliln	10	39	Tights, stockings, knee socks, ankle socks	

Coop's production companies work to a very high standard of quality which is checked in the form of regular external audits. Swissmill, for example, won the Esprix Foundation's 2003 prize for exemplary management. Founded by the Swiss Association for Quality, the Esprix Foundation awards an annual prize for companies whose striving for excellence sets them apart from all the others. Swissmill was also the first Swiss company to be certified to the IFS (International Food Standard) and BRC (British Retail Consortium). Coop is now aiming to have all its production companies in the food sector certified to IFS/BRC by the end of 2005.

Environmental issues are also very important at Coop's production companies. Swissmill and Chocolat Halba, for example, are certified to the environmental management standard, ISO 14001,

and Swissmill is helping to preserve biodiversity by promoting heirloom varieties of cereal.

Coop production companies are leaders in respect of social responsibility too. With the gradual integration of the workforce into Coop's collective employment agreement, to be completed by early 2005, the employees earn wages and fringe benefits that in many cases are higher than the sector average. They also enjoy the same advantageous terms of employment as Coop's other personnel. Furthermore, Swissmill in 2003 became the first company in Switzerland to be certified to the exacting social accountability standard, SA 8000. The Brunnen Rice Mill, which in 2003 began polishing and packing fair trade rice as well, followed suit in 2004, becoming the first rice mill worldwide to be certified to SA 8000.

		Certifications						
		ISO 9001	ISO 14001	SA 8000	IFS*	BRC*	BIO SUISSE	OEKO-TEX 100
Swissmill		●	●	●	●	●	●	
Coop Panofina		●	●		●		●	
Chocolats Halba		●	●		●		●	
Nutrex		●			●		●	
CWK		●						
Pasta Gala		●			●		●	
Rice Mill Brunnen		●		●	●	●	●	
Argo		●						●

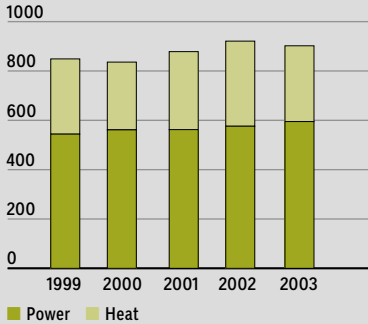
*IFS (International Food Standard) and BRC (British Retail Consortium) belong to the Global Food Safety Initiative.

● implemented ● in preparation

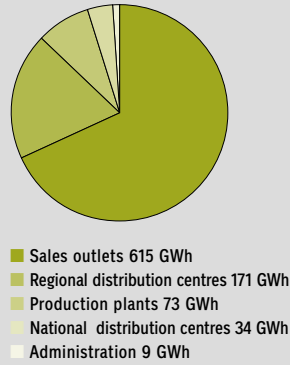
Coop's production companies are important partners for Coop when developing and manufacturing own-brand products and items to be sold under its flagship labels. Coop's production companies work to a very high standard of quality which is checked in the form of regular external audits.

Energy consumption

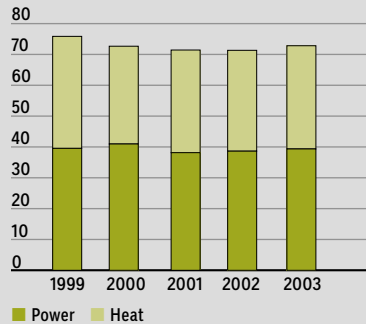
TOTAL ENERGY CONSUMPTION* (GWH)



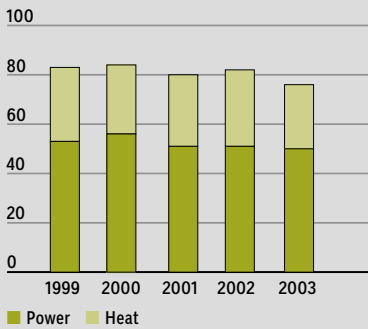
ENERGY CONSUMPTION DISTRIBUTION 2003



ENERGY CONSUMPTION PRODUCTION PLANTS (GWH)

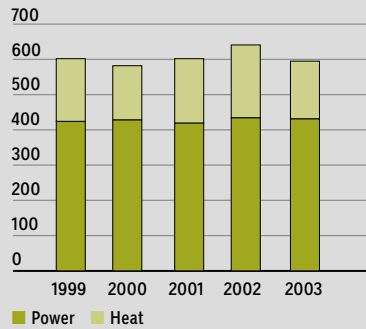


SPECIFIC ENERGY CONSUMPTION* (KWH /1000 CHF TURNOVER)



* Production plants, distribution centres (with Bell), sales outlets (supermarkets, Coop City, building and hobby supplies) and administration

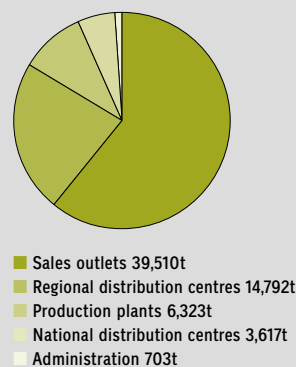
SPECIFIC ENERGY CONSUMPTION SALES OUTLETS (KWH / SQUARE METRE)



Coop's biggest energy consumers are its sales outlets. While the energy required for heating has remained more or less stable, electricity consumption has increased. It now accounts for more than 70% of the sales outlets' total energy consumption. The main reason for this is the rising demand for refrigerated and frozen foods.

Carbon dioxide emissions

CO₂ EMISSIONS 2003 (IN TONNES, NOT INCLUDING TRANSPORT)



Heating and electricity consumption

Coop has been trying to use energy more rationally and from renewable sources for nearly 20 years now. Its first energy concept was drafted in 1984 and defined the consumption targets to which it aspired. The energy-saving measures introduced since then have led to significant improvements in Coop's energy management.

Between 1999 and 2003, for example, Coop's production plants cut their energy consumption by 4% in absolute terms. Swissmill, for instance, uses solar power at both its Basel and Zurich locations; the Brunnen Rice Mill gets by without using any fossil fuels at all; Panofina systematically uses waste heat to heat neighbouring buildings and Nutrex, thanks to the changes made to its production process in 2003, has been able to slash its heating oil requirements.

At Coop's distribution centres, meanwhile, energy consumption increased by 4% in absolute terms between 1999 and 2003, but fell by more than 12% when measured in relation to sales. While this can be attributed to various measures adopted as part of Coop's ongoing refurbishment programme and new plant acquisition, the careful control and maintenance of plant by Coop's technical personnel has also had an important role to play. The recent conversion of the heating plant at the Production and Distribution Centre in Pratteln (PVZ) is one good example of the impact that plant procurement decisions can have if environmental considerations are taken into account. When the gas-fired boiler needed replacing, Coop decided to have the PVZ hooked up to the new large-scale heating plant of Elektra Baselland (EBL) instead. By using waste heat from sludge incineration, this plant saves at least one million litres of heating oil every year. The PVZ now consumes 60% of this heat.

Coop's biggest energy consumers, however, are its sales outlets. While their total energy consumption in relation to sales has fallen by more than 8% since 1999, it has increased in absolute terms by the exact same percentage. While the energy required for heating has remained more or less stable, electricity consumption has increased by more than 11% and now accounts for more than 70% of the sales outlets' total energy consumption. The main reason for this is the rising demand for refrigerated and frozen foods.

New standards at the sales outlets

Coop is currently in the process of standardizing its sales outlets throughout Switzerland. The aim is to give them a uniform look, simplify and more effectively audit procedures and also cut costs in the long run. Standards, particularly in the field of building management, were drawn up. The guidelines for heating, ventilation and air-conditioning systems, refrigerator units and disposal facilities, for example, are all significant in terms of environmental protection. Coop's new or newly modernized sales outlets – there were 75 of them at the end of 2003 – all have standardized meters with which to measure electricity, heating and water consumption. Those responsible can therefore see exactly how much has been consumed and so check whether the targets set are indeed being met.

The standards expected of modern sales outlets are now so high that it is often difficult to implement environmental principles as well. There is a rising demand for fresh convenience foods, for example, which in turn necessitates larger refrigerator and freezer units. In-store baking units for fresh bread are also increasingly popular. Despite these developments, Coop is still endeavouring to keep its overall power consumption rates stable by using more energy-saving equipment at its sales outlets.

Cooperation with the Business Energy Agency

Switzerland has signed international treaties committing it to a significant reduction of its emissions of the greenhouse gas CO₂. The CO₂ Act therefore provides for a reduction in Switzerland's CO₂ emissions by the year 2010 to 90% of their 1990 level. It was with this end in mind that various business associations decided to set up the Business Energy Agency (EnAW), which seeks to improve energy efficiency and helps companies reduce the amount of fossil fuels they use. The EnAW, which shares the same long-term goals as Coop, was set up just in time to lend tailwind to its efforts to get energy consumption down, following the 2001 merger of the regional cooperative societies with Coop Switzerland. It was this, two years ago, that prompted Coop to join the EnAW, whose specialists have since analysed Coop's operations and, in cooperation with those responsible, defined new targets and drawn up plans of action.

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Thomas Weisskopf from EnAW (centre) with Brigitte Zogg, Thomas Häring (left), Niklaus Luder (back) and Thomas Flühmann (right) from Coop at the heating plant of the Lysbüchel distribution centre.



Protecting the climate means pulling together

Coop is committed to saving energy wherever possible and in doing so helps Switzerland meet its climate protection targets. Coop aims to reduce emissions of the greenhouse gas, carbon dioxide (CO₂), by up to one third by 2010 – and is well on the way to meeting this ambitious goal.

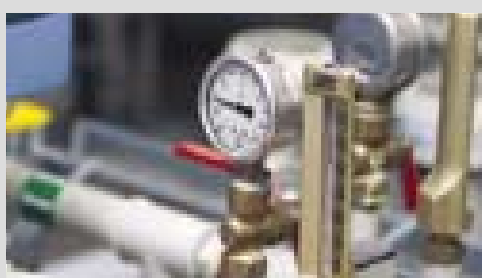
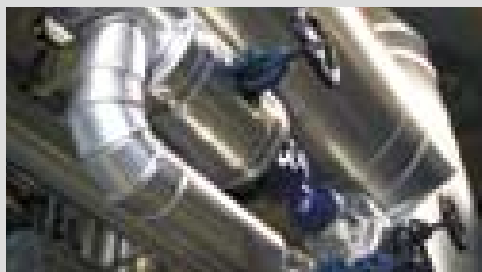
Because climate protection is a complex task requiring great expertise, Coop has for the past two years been collaborating closely with the Business Energy Agency (EnAW). For Coop, this marked an important step. “Collaborating with EnAW has enabled us to plan and coordinate our efforts in this field more effectively,” says Brigitte Zogg, the CO₂ team coordinator at Coop. “We now know what the financial consequences of an emission charge would be and our technical managers have received a lot of valuable advice. The EnAW experts were able to point out potential improvements that we had not spotted. All in all, teaming up with EnAW

has injected a new dynamism into our efforts to save energy.”

It often takes an outside expert to spot the potential for change – Thomas Weisskopf, for example, the EnAW manager responsible for Coop. “Some things are easily overlooked in the day-to-day business,” the engineer explains. “The ventilation system of a production hall, for example, that is left running at full power, even though the hall has long since been turned into a warehouse.” It was to spot energy squandering of this nature that EnAW experts visited 28 Coop production companies. “And our words never fell on deaf ears, nor did we ever find ourselves facing a closed door. All our work with Coop has been characterized by a spirit of openness and a readiness for dialogue.”

Coop is also satisfied with this teamwork: “EnAW’s recognition of our untiring efforts confirms that our approach to energy efficiency is the right one,” says Thomas Flühmann, coordina-

Coop is the first large distributor to have its CO₂ target agreements for the whole Group recognized by the Swiss Government. Coop is therefore setting a good example and actively taking responsibility for climate protection.



Combating hidden energy wasters: Business Energy Agency experts analysed 36 Coop operations in detail and awarded them good marks overall. Individual shortcomings were remedied immediately.

tor of Coop's production companies. Detailed analyses of the sales outlets have also led to an improvement of Coop's building management standards. "Any shortcomings we spotted were remedied immediately. We are encouraged by the fact that all the measures listed are realistic and will pay off," says Thomas Häring, who is responsible for the sales outlets in the collaboration with EnAW.

To be able to define joint energy targets, it is first necessary to have an in-depth understanding of the current state of the buildings and technical plant. The targets the distribution centres and production plants have agreed with EnAW specify how much carbon dioxide they have to save in order to be exempt from a CO₂ emission charge, should such a charge be introduced. There is a target agreement for the sales outlets too, but without any prospect of exemption. Coop being such a heterogeneous group, individual reduction targets have been agreed instead: The sales outlets, for example, are to cut their CO₂ emissions by one third by 2010, which is an ambitious target for energy efficiency. But as high standards are nowadays being applied to new or refurbished buildings, all Coop's sales outlets should be able to satisfy this requirement in the medium term. The distribution centres and production plants should also have

become more efficient by 2010, emitting 16% less carbon dioxide than before (or 17% less for French-speaking Switzerland and Ticino).

That these target agreements are ambitious, but nevertheless realistic is evident from the audit that Coop underwent – and immediately passed – in the spring of 2004. Independent experts acting on behalf of the Swiss Government audited Coop's targets and measures. Coop passed the audit with flying colours and without having any additional conditions imposed. "For a company of Coop's size and complexity, this is remarkable indeed," says Thomas Weisskopf from EnAW. Not that Coop intends to rest on its laurels. The main concern now is to put the specifications into practice, step by step. "This is a task for which we're highly motivated," says Niklaus Luder, coordinator for the distribution centres. "Whether the CO₂ emission charge comes or not, the measures we adopt will definitely pay off: they will help to protect our climate and at the same time reduce our energy costs."

75 > For its distribution centres and production plants, Coop first had to establish whether it could enter into binding voluntary agreements that would exempt it from any CO₂ emission charges due. Although all 36 production companies and distribution centres have already implemented a number of energy-saving measures, they plan to do more still: Their most ambitious goal is to reduce their CO₂ emissions by 16% (compared with what they would be if no action were taken) by 2010.

Collaboration with the sales outlets, meanwhile, was based on the benchmark model right from the start. No voluntary undertaking with the possibility of exemption is envisaged here. The goals are nevertheless very ambitious: By 2010, Coop's sales outlets want to cut their CO₂ emissions by 37% compared with what they would be if no action were taken. This goal is based on the energy values for sales outlets that were built or have been modernized in accordance with the new standard, which, given the current high rate of progress, should mean all Coop sales outlets by 2012. To improve energy efficiency still further, the sales outlets are to be included in the EnAW monitoring process as they are modernized. The EnAW will check the quality of the modernization work and ensure that any improvements still necessary are successively included in the concept. The use of waste heat and cold air pools will have an important role to play in effecting these savings.

The highlight of Coop's collaboration with the EnAW to date was the audit conducted in March 2004, when two external auditors and one representative each from the SAEFL (Swiss Agency for the Environment, Forests and Landscape) and the Federal Office of Energy set out to establish whether Coop's voluntary undertakings might make it eligible for exemption from the CO₂ emission charge. In the event, all the targets set were accepted, making Coop the first of Switzerland's big distributors to have audited target agreements for the whole Group. The target agreements in question represent a binding undertaking for 28 operations and a voluntary undertaking for 8 others as well as all the sales outlets.
> www.energie-agentur.ch

Logistics strategy 2005

Four years ago, Coop approved a new strategy aimed at making its entire logistics faster and more efficient. This strategy envisages concen-

trating Coop's distribution centres on just a few central locations and shortening delivery times for the sales outlets' orders to no more than 24 hours. This translates into fresher food for consumers as well as ensuring that the outlets' shelves are always full. One important milestone in the implementation of this logistics strategy was the 2003 opening of a new distribution centre in Castione (Canton of Ticino) to replace three smaller ones. In the summer of 2004, Coop consolidated practically all of its slow-turnaround food items (about two thirds of its food range) at its national distribution centre at Wangen (Canton of Solothurn). To supply French-speaking Switzerland more effectively, its five existing distribution centres are to be replaced by a much larger one at Aclens (Canton of Vaud) due to be opened in 2006.

Coop nevertheless faces a dilemma when it comes to the distribution of its products. On the one hand, it would like the products it sells to be as fresh as possible, meaning that its stocks of fresh produce such as fruit and vegetables, bread and pastry products are replenished not just first thing in the morning, but later in the day as well, which in turn means more journeys. But it is also at pains to minimize the environmental impact of its operations. By reducing the number of distribution centres and basing these in more central locations, Coop hopes to be able to transport more of its products by rail in future. It will also be able to consolidate its road haulage activities and so cut the number of journeys required. By consolidating deliveries to its sales outlets, it will also be able to use larger vehicles, which will in turn increase efficiency. Furthermore, thanks to cutting-edge IT, vehicle routing can now be optimized so as to make better use of the vehicle capacity available.

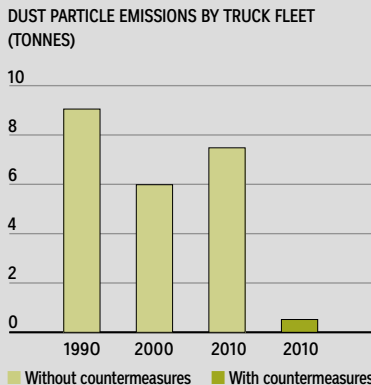
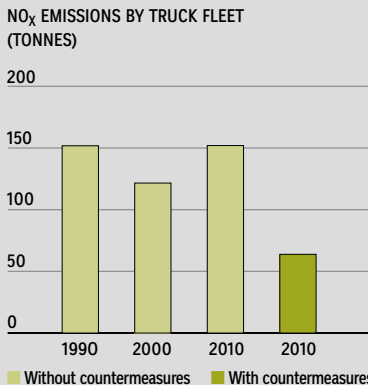
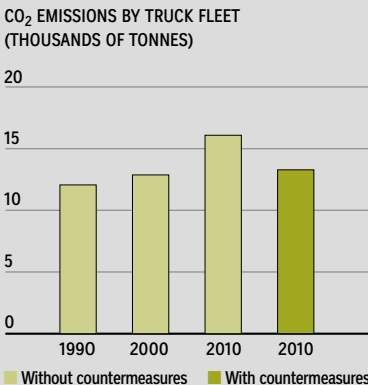
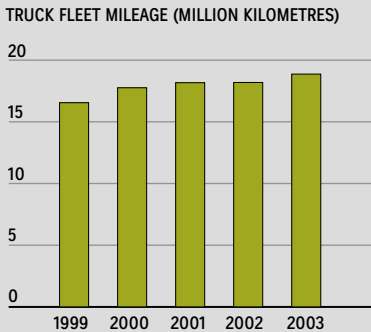
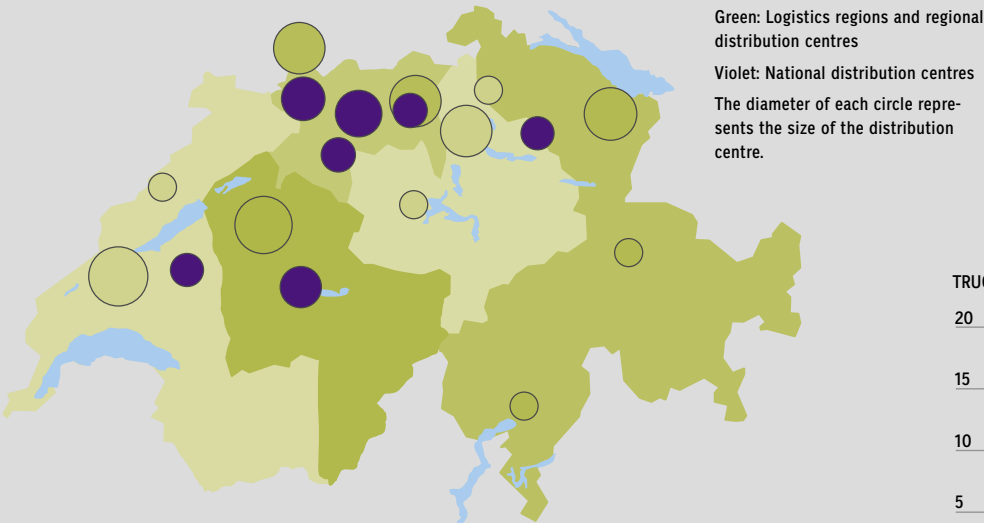
Transportation of goods

Most of the goods that Coop purchases on international procurement markets arrive in Switzerland either by ship or rail. Coop avoids resorting to airfreight if at all possible, the only exceptions here being cut flowers, a few highly perishable tropical fruits, green asparagus and fresh lamb from New Zealand.

Very few of the goods it procures within Switzerland have to be collected from the producer. The vast majority is delivered to Coop's distribution centres either by the business partner or by a forwarder. The supply of Coop's

Coop faces a dilemma when it comes to the distribution of its products. On the one hand, it would like the products it sells to be as fresh as possible, meaning that its stocks of fresh produce such as fruit and vegetables, bread and pastry products are replenished not just first thing in the morning, but later in the day as well, which in turn means more journeys. But it is also keen to minimize the environmental impact of its operations.

LOGISTICS REGIONS AND DISTRIBUTION CENTRES



regional distribution centres by its national distribution centres in Wangen and Pratteln has also been outsourced to external providers. Operating conditions have improved a lot in the past few years, with later evening departure times meaning that more and more goods that previously had to be transported by road can now go by rail instead. Coop wants to see this shift from road to rail continue. In addition to the working group concerned with this issue, there is also a special unit, created in 2003, whose job it to get as much freight as possible off the roads and onto rail instead.

Today, nearly one third of all Coop's freight within Switzerland is transported by rail. In the first quarter of 2004, Coop's rail freight increased much faster than its road haulage. As the past five years have invariably seen road haulage increasing at a much faster rate than rail freight, this latest development marks the long-awaited turning point.

The journeys from the regional distribution centres to the sales outlets are handled almost exclusively by Coop's own fleet of trucks. These journeys cannot be made by rail as a rule – although Coop has been able to switch to rail for certain stretches, such as the Engadine, which since the Vereina Tunnel was opened has been supplied almost exclusively by rail. The situation in the Upper Valais is similar. Since 2001, all goods leaving Coop's distribution centre in Berne have been taken first by rail to Brig and the containers there unloaded onto trucks.

The development of road haulage

The number of kilometres driven between Coop's regional distribution centres and its sales outlets rose by 3.7% a year on average between 1999 and 2003. As sales increased by 3.9% a year on average during that same period, the number of kilometres driven in relation to sales actually declined, albeit only slightly. Fuel consumption rose rather more sharply (by 4.3% a year on average) than the distances driven.

These figures indicate that Coop's shorter delivery times are giving rise to more journeys. Furthermore, as the demand for perishables such as dairy products, meat and fresh convenience foods has increased, so too has the number of refrigerated vehicles needed to transport them, which again consume more fuel than ordinary HGVs. Coop has also been forging ahead with the renewal of its fleet of vehicles. Every year for the

past three years, Coop has replaced between 40 and 45 trucks with modern vehicles that comply with the EURO3 standard (which at the end of 2003 accounted for approx. one fifth of the entire fleet). While these new vehicles certainly have the advantage of lower emissions, they have a slightly higher fuel consumption than their older counterparts. And trucks these days tend to have larger loads too. Between 1999 and 2003, therefore, the specific fuel consumption of Coop's fleet of trucks actually increased at a rate of 0.6% a year on average to 32.4 litres per 100 kilometres.

Reduction of CO₂ emissions in transport

As in the case of heating and electricity, Coop sat down with the Business Energy Agency to define target agreements for CO₂ emissions in transport as well. The agreement reached defines a whole series of measures aimed at reducing the fuel consumption and hence the CO₂ emissions of Coop's own fleet of vehicles. What this means in concrete terms is using larger trucks to reduce fuel consumption per tonne and kilometre and replacing older vehicles with new ones that have more efficient engines. There are also plans to organize training courses in energy-saving driving techniques (Eco Drive) for Coop's drivers. Another option being considered is the use of methane, which does not give off any harmful emissions, as a substitute for at least some of the diesel used (in a composite fuel).

The aim of these measures is to lower the CO₂ emissions of Coop's trucks by 2010 by a total of 17% compared with what they would be if no action at all were taken, naturally taking into account any fluctuations in sales. Nor is it just CO₂ emissions that are to be cut, but those of nitric oxides (NO_x) and dust particles as well. Coop's decision to replenish its fleet of company cars with diesel vehicles only (some of them with a dust-particle filter) will also contribute to a lowering of its CO₂ emissions.

Customer traffic

The more comprehensive Coop's network of sales outlets is, the shorter the journeys its customers have to make in order to go shopping.

Coop has a nation-wide network of more than 1,500 sales outlets in total. Many of its shops are located in highly developed residential

areas, where they have become essential to the local supply system. Customers in these areas can do their daily shopping on foot or by bike. Surveys among Coop's members and consumers, however, show that the availability of plentiful and easily accessible parking spaces is still high up on most consumers' wish lists. One of the most important questions now asked whenever Coop refurbishes one of its sales outlets therefore is whether the outlet could be enlarged and additional parking spaces created. Wherever this is not the case, Coop creates the space required by opting for a new building instead. Coop also has to bear in mind that local residents living near sales outlets in residential areas may well find the unloading of delivery trucks early in the morning to be unacceptably noisy, which is why these days it tends to opt for less densely populated areas.

Most consumers, however, want to do their shopping by car, especially if they are going to large supermarkets or specialist outlets. Wherever there are official regulations preventing these or wherever parking fees make them prohibitively expensive, customers will inevitably vote with their feet, if necessary by shopping across the border, where malls with huge car parks can be built on green-field sites without having to wait years for planning permission. The hefty parking fees that various Coop shopping centres are obliged to levy, by the way, do not fill its own coffers, but are instead used to finance public transport. In many cases, Coop is prevented by law from refunding these parking fees.

Coop is committed to promoting public transport and welcomes it when its customers use environment-friendly means of transport. In most cases, it has been able to find a mutually acceptable solution to the problem of customer traffic through dialogue with both environmental organizations and the municipalities concerned. It is, however, opposed to the countless regulations and restrictions that automatically put Swiss retailers at a disadvantage over their competitors across the border. Besides, Coop believes its customers should be free to choose whichever means of transport they want to do their shopping.

As most objections to planning permission are submitted by private individuals, Coop would like to see Switzerland's controversial law allowing associations the right of appeal against new development projects to be subject to clear and reliable conditions. It would also like to see > 84

Coop wants to to lower the CO₂ emissions of its trucks by 2010 by a total of 17% compared with the level if no action at all were taken. Nor is it just CO₂ emissions that are to be cut, but those of nitric oxides and dust particles as well.



Markus Gantner of SBB Cargo (left) and Thomas Zaugg of Coop's central logistics unit.

Fresh products can also be transported by rail

What a perfect way to shop – sitting on an electrically powered shopping cart, in front of you a radio-controlled screen showing you the next item to be taken down from the shelves and telling you exactly where to find it, and behind you a spacious payload with plenty of room, no matter how much you buy.

But far from being some futuristic vision of shop designers a hundred years from now, this is the way things already are – at least in the new food warehouse at Coop's distribution centre in Wangen near Olten. The only difference being that the dozen or so people buzzing around the high shelves of the warehouse on their yellow saucers are not doing their own shopping, but instead are picking orders for Coop's sales outlets. This is where non-perishable foods for the whole of Switzerland are stored, prepared for dispatch and distributed. The warehouse is equipped with cutting edge technology: conveyor belts that automatically distribute incoming pallets without any human intervention at all, and

sophisticated electronics that guide the goods through the warehouse until they reach their intended destination.

The automatic warehouse is part of the new logistics strategy that Coop has been pursuing since the merger in early 2001. The aim is to centralize and channel material flows and speed up ordering and deliveries. If, for example, a sales outlet places an order by midday, the goods ordered will be in the store by the following morning. Thanks to optimized logistics, Coop's shelves can be kept well stocked all the time. And because large quantities are on stock at one place and can be transported in one consignment, rail freight is becoming an increasingly attractive transport option.

"I'm no green," says Thomas Zaugg, "but when I analysed the new strategy, I realized straight away that we would be able to move more of our goods by rail in future." Transport specialist Zaugg has been responsible for national freight at Coop's central logistics unit since 2003. His aim is to shift as much freight



Impressive technology: With the aid of hand-scanners, radio-controlled displays and other electronic gadgets, employees at the distribution centre in Wangen near Olten consolidate consignments for Coop's regional distribution centres. As soon as it is ready, the freight is then placed in the hall for loading.

Coop is moving a lot more of its products by rail. This new logistical development is a result of Coop's close cooperation with SBB Cargo.



as possible from road to rail wherever this makes sense – an endeavour he has included in his own personal targets in the context of his annual performance review. And the strategy is successful: during the past few months there has been a disproportionately high increase in rail transport, marking a definite change in the trend. Coop rail traffic has increased over the previous year by one quarter on average and by as much as one half for goods leaving Wangen.

Freight consolidation alone could not have brought about such an impressive result. Working in close cooperation with SBB Cargo, Coop has been looking for still more opportunities to switch from road to rail. All the mineral water that Coop has bottled in Graubünden, for example, is taken by rail to the regional distribution centres, without having to go to the national distribution centres first. And just recently, sales outlets in the Upper Valais began receiving supplies in interchangeable refrigerated containers brought to them by rail. "This is a first," says Markus Gantner of SBB Cargo, whose team is responsible for handling Coop's rail freight. "We thought at first it would be impossible to distribute fresh products like that, but by pulling together, we've been able to do it after all." In fact, the system has proved so good that Coop is now thinking of using it for other material flows as well.

The mass transport of goods is one of the railway's greatest strengths. Consignments of

food such as those that Coop needs, however, pose quite a challenge, as they generally involve small tonnages that have to be relatively finely distributed using single wagons. SBB Cargo met Coop half way, however, by providing additional refrigerated wagons and adapting its departure times in line with Coop's needs. "Coop for a long time made use of SBB Cargo's existing timetable," says Gantner, "but today, we have a timetable that suits Coop." And a lot can be achieved in this way because, though rail freight is slower than road haulage, it is not affected by traffic congestion and is virtually immune to bad weather. Rail freight is extremely reliable and, most important of all, can run at night, which trucks are allowed to do only under certain circumstances.

The flexibility that SBB Cargo has shown and its close cooperation with Coop are therefore beginning to bear fruit. And even now, Thomas Zaugg and Markus Gantner are already busy planning new projects. Coop, for example, is taking a closer look at delivery of its incoming goods. This is because a recent pilot project showed it could be more economical and more environment-friendly for Coop to pick up its goods itself rather than having its producers deliver these by truck to its distribution centre. Rail freight could also play a role here, or so the two logistics experts hope.

81 > the planning permission process for building projects speeded up and simplified. Planning permission in Switzerland often takes more than 10 years to be granted, a situation that is untenable on such a rapidly changing market.

Water consumption

Coop has yet to include water consumption in its environmental statistics and reporting. Its production plants and distribution centres do monitor their water consumption, however, as do the 75 new or newly modernized sales outlets. A comparison of the past two years shows that fresh water consumption in Coop's production plants and distribution centres has increased. This is due among other things to the cleaning requirements resulting from the increase in reusable containers. Average water consumption at the 75 sales outlets covered was 0.8 m³ per square metre and year.

Quality assurance on site

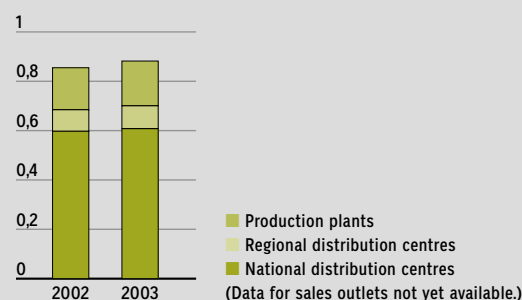
Fresh food is perishable and must be handled with great care. Coop has therefore drawn up comprehensive sales and logistics manuals describing the steps that must be taken to ensure the freshness and hygiene of its products. These manuals contain instructions on such things as how to clean and disinfect equipment and tools, the correct temperature settings for transport, storage and sales, how to dispose of items that have passed their best-before date and how to prevent damage due to pests. The manuals also contain clothing regulations and information and instructions on industrial and personal hygiene and on the duty to report infectious diseases.

Every Coop sales outlet is obliged to monitor itself to ensure that these requirements are being met. This monitoring work must include the systematic inspection of all incoming goods, daily temperature checks of its refrigerator units, freshness checks, best-before date checks and daily cleaning. The store managers are responsible for ensuring that all these tasks are performed and properly documented. Once or twice a year, Coop's regional quality assurance officers conduct a no-notice inspection of each of the sales outlets and restaurants in their region and besides working through a comprehensive checklist, also collect samples for laboratory analysis. More than 2,500 inspections of Coop's sales out-

The total waste – including recyclable waste – recorded at Coop's distribution centres, production plants and administrative offices increased steadily between 1999 and 2003. At the same time, Coop was able to increase its recycling quota, which is now in the order of 66%. Thus, two thirds of all Coop's waste is not incinerated, but recycled or reused.

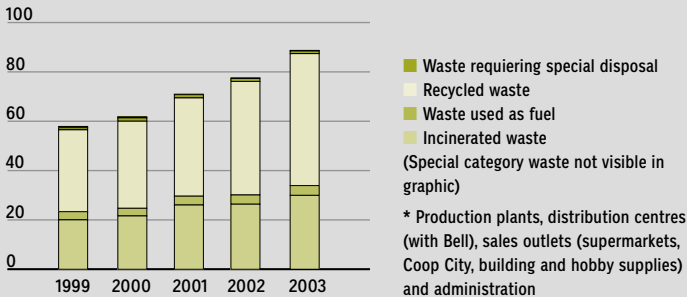
Water consumption

WATER CONSUMPTION
(MILLIONS OF CUBIC METRES)

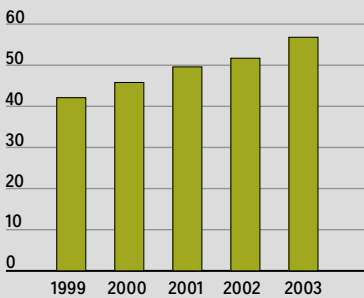


Waste disposal and recycling

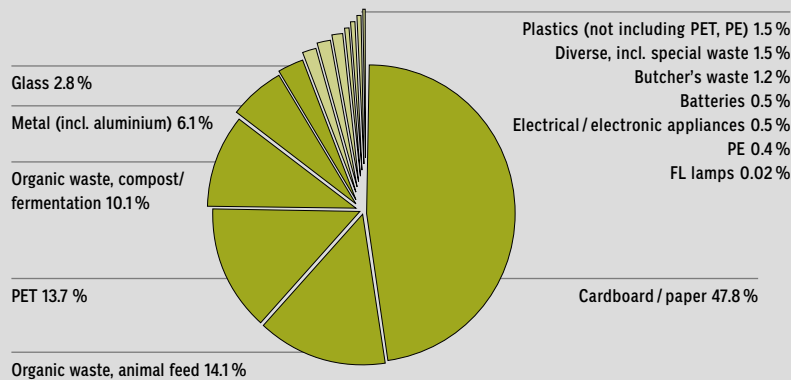
TOTAL WASTE PRODUCTION*
(THOUSANDS OF TONNES)



WASTE RECYCLING QUOTA BY SALES REGIONS,
CORRECTED (IN PERCENT)



RECYCLED WASTE 2003 (EXCLUDING USE AS FUEL), TOTAL: 54,131 TONNES



PLANT	WASTE QUANTITY (TONNES)	RECYCLING QUOTA (%)
Swissmill	207	59.6
Panofina	1144	67.9
Chocolats Halba	658	74.5
Nutrex	18	68.0
CWK	417	42.5
Pasta Gala	983	96.1
Reismühle Brunnen	1481	97.7
Argo	58	23.9
Total for production plants	4965	80.2

lets are conducted throughout Switzerland every year, ensuring that Coop's high quality standards are upheld.

The quality assurance officers conduct regular inspections and random checks of all Coop's production and logistics processes as well. The Coop Quality Centre analyses some 13,000 samples every year, especially of such sensitive foods as minced meat and pastry products, both of which require extremely close monitoring. Coop's food products are also subjected to regular microbiological tests to ensure that they do not contain any pathogens. Coop's standards are more exacting than is required by law. If Coop's own guide values are exceeded, the Quality Centre immediately initiates countermeasures. Follow-up checks ensure that the action taken has been effective and of long-term value.

Disposing of Coop's own waste

Drafted in 1985, Coop's first waste concept was tailored to the requirements of the old cooperative societies and distribution centres. Today, the "Return Agreement" ensures that all the waste generated at Coop's sales outlets, restaurants, department stores, building and hobby supplies centres and Pronto Shops is properly disposed of. The guideline specifies the route each type of waste has to take in order to reach its final destination. The manner in which it is to be recycled or disposed of is clearly defined, as are the persons responsible for ensuring that this happens and the cost centre involved.

The total waste – including recyclable waste – recorded at Coop's distribution centres, production companies and administrative offices increased steadily between 1999 and 2003. At the same time, Coop was able to increase its recycling quota, which is now in the order of 66%. Two thirds of all Coop's waste is not incinerated, but recycled or reused. Recyclable waste, for the purposes of these statistics, is deemed to include not only waste that can be materially recycled, such as paper and cardboard, organic waste and PET, but also waste that can be used as fuel, and waste that requires special disposal (such as electrical and electronic equipment), which in any case account for only a small fraction of the total.

Most of the waste generated at Coop's sales outlets is disposed of through the regional distribution centres. The distribution centres therefore account for more than 90% of all Coop's

recorded waste. Recyclable components that customers return to the store, such as plastics, batteries, electrical and electronic equipment, are also sent to the distribution centres. As not all waste can be disposed of through the distribution centres, however, but in some cases has to be disposed of in the municipality in which the sales outlet is located and hence is not included in Coop's waste statistics, Coop has worked out a sales-adjusted recycling rate for its regional distribution centres. This rate has increased steadily during the past five years and in 2003 reached 57%. While Eastern Switzerland (including Ticino) took first place among the regions with a recycling rate of 72% in 2003, French-speaking Switzerland brought up the rear with a rate of just 38%.

There are discrepancies in waste management not just between regions, but between Coop's production companies too, depending largely on the type of waste produced. Production companies such as the Brunnen Rice Mill and Pasta Gala, for example, produce a lot of organic waste (waste pasta dough, for example), which can then be used as animal feed, so they have very high recycling rates. Viewed as a whole, Coop's production companies succeeded in increasing their recycling rates by 5.4% a year on average between 1999 and 2003, even though the total amount of waste produced during that period actually increased (by 19.7% a year on average).

During the past few years, Coop has had to treat only 0.3% of its waste as special waste. Most of this special waste is sludge, grease and filter residues, although it also includes small quantities of paint, varnish, solvents, spent oil and engine oil, which obviously have to be disposed of separately.

Return of waste

Coop complies with Swiss law by taking back recyclable packaging and products such as PET bottles, reusable glass bottles, batteries and electrical equipment. But it goes a step further too, by voluntarily taking back the PE bottles used for milk drinks, water filter cartridges, chargers for cream whippers and soda devices and, in its building and hobby supplies centres, energy-saving light bulbs, neon tubes and left-over paint and varnish.

PET bottles account for the lion's share of the materials Coop takes back. Coop has had

collection containers at its sales outlets for precisely this purpose for more than 10 years now. As the total number of bottles in circulation has increased from year to year, so the total quantity of PET bottles collected has also increased steadily. In 2003, Coop collected and recycled a good 80% of the PET bottles sold at its outlets.

Crucial for the return of electrical and electronic equipment was the introduction of the prepaid recycling charge (vRG) on office and home electronics in 2002, followed by that on household appliances in 2003. The free return of these items the new law provided for meant that by 2002, the quantities returned had doubled compared with 2001. The number of batteries collected, meanwhile, is on the decline. Only alkaline batteries are now sold and these last much longer than the old zinc-carbon batteries.

What is not going so well is the collection of the PE bottles used for milk drinks that was instituted in 2003. The main difficulty here is purity, as the containers set up for this purpose tend to be used not just for PE bottles, but for lots of other plastic bottles and cartons as well. Coop hopes that educating its customers will help bring about an improvement here.

To be able to recycle the items it collects, Coop has long-standing cooperation agreements with recycling companies such as PET-Recycling Schweiz, Igora, Stiftung Entsorgung Schweiz (S.EN.S), Inobat and Ferro Recycling. These organizations make sure that the recycling is done properly and collect the advance recycling fee.

> www.swissrecycling.ch

> www.sens.ch

Waste on the streets (littering)

Litter in public places has become more and more of a problem in recent years. About three years ago, the Swiss Foundation for Practical Environmental Protection (PUSCH) launched a campaign called "trash is culture". The campaign, which had the support of the Swiss Agency for the Environment, Forests and Landscape, declared war on the careless dropping of litter, using witty slogans and posters and initiating Switzerland's annual "Clean Up Day". In addition to the cantons, various associations and organizations, a number of companies such as McDonald's, SBB and Coop have also joined this campaign. Besides improving their own waste disposal facilities, they are also urging both staff

and customers to keep Switzerland's public spaces, streets and parks clean and tidy. "Trash is culture" has been well received by the public and has helped sensitize people to the litter problem. Switzerland's larger cities are now planning a number of financial measures as well.
> www.trash-ist-kultur.ch



“Back in 1990, Coop was one of the first large companies to recognize (also from its own point of view) the importance of S.EN.S goals – implementation of the ‘polluter pays’ principle with prepaid recycling charges, guaranteed environment-friendly disposal of electrical and electronic appliances, and transparency for consumers, manufacturers and industry, disposers and the authorities. The S.EN.S has always been able to rely on excellent teamwork with the Coop.”
Andreas Röthlisberger, President of the Swiss Waste Disposal Foundation (Stiftung Entsorgung Schweiz, S.EN.S).

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[8]



Promotion of sustainable investments by the Coop Naturaplan Fund

Coop Sponsorship as a non-profit aid organization for Switzerland's mountain farmers

Cultural and sports sponsorship based on the corporate profiles's mission factors and appealing to a broad target group



Relatively little public awareness of Coop's social commitment

High recognition level of Coop arouses expectations which cannot always be satisfied



Search for innovative and above all sustainable projects that can be financed by the Coop Naturaplan Fund

Focusing sponsorship more specifically on families and children

SOCIAL COMMITMENT

Giving delicate creations a chance. Coop supports people and organizations working for a good cause.



Hands-on approach

Value added

Coop's most important stakeholders – apart from its customers, of course – are its members and employees. And the most important contribution Coop makes to society is through its core business, retailing. With more than 1,500 sales outlets scattered throughout Switzerland, Coop supplies not just densely populated and hence lucrative conurbations, but thinly populated rural areas as well. It also provides jobs for more than 50,000 people, making it Switzerland's third largest employer and hence an engine of social and economic development.

A glance at the Coop Group's value added shows how this came about and how much value added the company has created through its own activities. In 2003, Coop reported a net value added of CHF 3.84 billion. Of this sum, CHF 2.71 billion or 70.5% went to its employees. The state was also a beneficiary, collecting taxes, charges and customs duties to the tune of CHF 660 million or 17.2% of the total. A further 3.4% was used to service loans, while the remaining CHF 341 million was set aside as reserves.

One has only to look at how Coop has developed during the past five years to see that the increase in Coop's net value added has been used not just to create reserves and pay off debts, but has also gone to Coop's various stakeholders. While the sums paid out to employees have risen at the same rate as the net value added has increased, Coop's payments to the state, especially in the form of customs duties, have increased at a much higher rate.

Coop Sponsorship for Mountain Regions

Coop Sponsorship for Mountain Regions provides top-up project financing for farms that have a promising future but lack capital for large-scale investments such as major modernization or conversion work. The Coop

Sponsorship-programme also provides swift and unbureaucratic support in the event of natural disasters such as storms. Thanks to the top-up financing provided, the mountain regions targeted now invest some CHF 30 million a year that would not have been possible without Coop Sponsorship.

Coop Sponsorship for Mountain Regions, a cooperative with more than 22,000 members, is a ZEWO-certified aid agency that has been supporting Swiss mountain farmers for more than 60 years. It is financed both by its members and by private donations, although the operating costs are borne entirely by Coop. This ensures that every Swiss franc donated benefits Switzerland's mountain farmers in full. The Coop Sponsorship-programme examines some 400 projects every year and works closely with other aid agencies such as "Schweizer Berghilfe" (Swiss Mountain Aid). Organic farmers are often among the beneficiaries of Coop Sponsorship for Mountain Regions.

In 2003, Coop Sponsorship launched two fund-raising drives which, together with its annual Swiss National Day "Weggen" campaign (involving the symbolic donation of a loaf of bread) at various Coop outlets, raised CHF 1.9 million for Switzerland's mountain farmers. Of this total, CHF 1.8 million went straight to the projects being supported, while the remainder was added short-term reserves.

> www.cooppatenschaft.ch

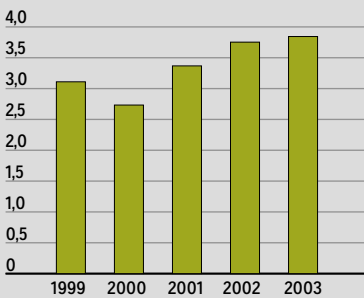
Other donations

Besides providing assistance in emergencies, Coop gives donations to other projects as well. These donations, which are non-recurring as a rule, together total approx. CHF 1 million a year. The regional councils of all five sales regions and Ticino each donate CHF 50,000 to various social projects. The sales regions themselves and Coop headquarters each contribute a further CHF 100,000 a year to similar causes.

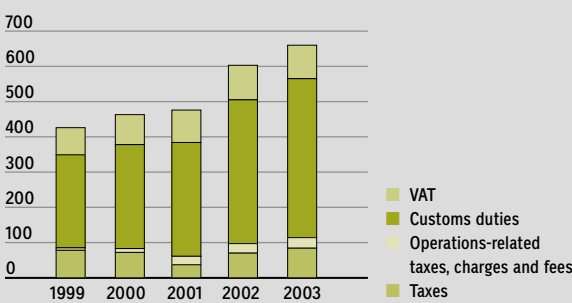
Coop provides jobs for more than 50,000 people, making it Switzerland's third largest employer and hence an engine of social and economic development.

Value added statement

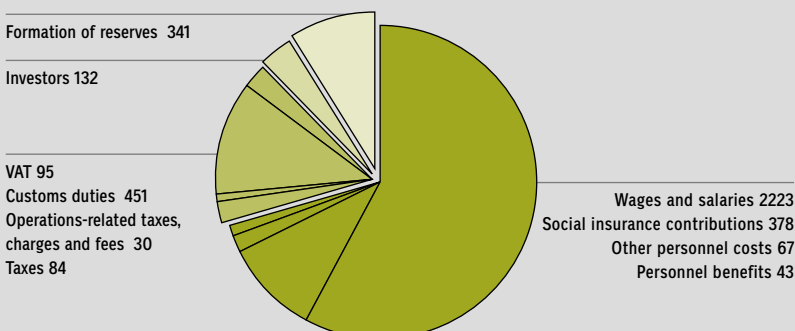
NET VALUE ADDED (CHF BN)



CASH FLOW TO THE STATE (CHF M)



VALUE ADDED DISTRIBUTION 2003 (CHF M)



The charitable organizations, "Schweizer Tafeln" and "Tischlein deck dich", which distribute unsold food from stores to the needy, both receive support. Coop also supports "Zwei Mal Weihnachten", a working-poor project of the Swiss Red Cross on which The Coop Sponsorship-programme also collaborates.

In addition, Coop also supports non-commercial activities and various institutions concerned with social and environmental issues, whether by providing services or by organizing information campaigns at its sales outlets, appearances on its television programmes, "Telescoop" and "Coop Studio", or free advertising space in the Coop Press. Nor, in terms of their message and broad impact, should articles in the Coop Press newspapers on projects and institutions working in the social or environmental sphere be underestimated, even if their true value is impossible to measure.

Sponsorship

In 2001, Coop launched a nationally coordinated sponsorship campaign based on the mission factors enshrined in its corporate profile: freshness, dynamism and zest for life.

In the world of sport, Coop has been sponsoring beach volleyball for four years, a venture that has not only benefited top players in Switzerland but, thanks to projects such as Coop Beachtour, has also helped promote beach volleyball as a popular sport. The same can be said of its sponsorship of cross-country skiing in winter, the Engadine Ski Marathon being yet another highlight of Coop's sporting year. Coop is also a regular sponsor of the Federal Gymnastics Festival held every six years.

In the arts sector, Coop concentrates on events that are likely to appeal to as many of its customers as possible – musicals, concerts or big operatic events. Coop also focuses particularly on sponsorship of cultural events for children and families.

Coop Naturaplan Fund

ONGOING PROJECTS OF A PURELY DEVELOPMENTAL NATURE

bioRe Demo Farms

Model farms that serve as training centres for cotton farmers in Maikaal, India and Meatu, Tanzania, both of which regions produce organic cotton for Coop's Naturaline label (cooperation with bioRe Foundation, project duration 2003–2005).

Bioschule Schweiz

Training in organic farming: final year course at agricultural colleges leading to a qualification as a farmer specialized in organic methods (BIO SUISSE and Demeter, Association for Biodynamic Agriculture, 2004–2005).

planète bio suisse

Hands-on experience for young people (school-classes, youth federations) at organic farms to promote understanding of organic farming and consumer behaviour (BIO SUISSE, 2003–2005).

FiBL Quantum Leap

Various projects to promote the production of organic seed, the external and internal quality of organic fruit and of organic milk (Research Institute for Organic Farming (FiBL), 2003–2005).

Swiss National Park

Support for the creation of a new visitor and information centre at Zernez, Canton of Graubünden (Swiss National Park, 2003–2005).

More Room for Butterflies

Biodiversity project for endangered species of butterfly in five regions of Switzerland (Pro Natura, 2004–2008).

Pro Specie Rara Diversity Gardens

Support for the different Pro Specie Rara gardens of heirloom varieties in Switzerland (Pro Specie Rara, 2003–2005).

Organic Seed

Promotion of organic seed cultivation and the cultivation of certain varieties of organic wheat and spelt. Launch of bread range made from Sativa cereals, with the organic bud label (Sativa, Cooperative for Demeter Seed, 2003–2005).

Soybean Farming is Destroying the Tropical Forest

Drafting of criteria for the sustainable cultivation of soybeans without destroying the forest in Brazil (WWF, 2004–2006).

Green Electricity for Coop Use

Coop has committed itself to using green electricity from wind farms, hydro-electric or photovoltaic plant with an environmental value added of CHF1.5 million. The electricity not sold in the form of certificates is used to meet Coop's own energy needs (2003–2006).

Regularly updated information on the current status of ongoing projects is available at: www.coop.ch/naturaplan

ONGOING PROJECTS AND ACTIVITIES OF DIRECT BENEFIT TO COOP

Stepping up marketing communication at Coop Naturaplan (2004)

Communication and product development for Pro Specie Rara products (2003–2006)

Procurement-oriented FiBL projects aimed at improving existing and introducing new organic products (2003–2005)

Information and motivation events for employees working on the flagship labels (2003–2004)

Coop Natura Prize 2004 for innovative partners (2004)

Partnership with Natureplus in the field of environmental building materials and techniques (2004–2008)

Coop Sustainability Report (2004)

THE COOP NATURAPLAN FUND'S SPENDING (CHF) IN 2003 WAS AS FOLLOWS:

Projects of a purely developmental nature (according to strategic area)

Sustainable agriculture and nutrition	1,850,200
Biodiversity and nature conservation	645,000
Renewable resources	1,595,644
Fair trade / Third World	95,000
Total	4,185,844

Projects and activities of direct benefit to Coop (according to strategic area)

Information and awareness	3,715,265
Product development	747,435
Employee information and events	1,351,456
Total	5,814,156
Coop Naturaplan Fund 2003	10,000,000

The Coop Naturaplan Fund is an expression of Coop's commitment to people, animals and the environment, as outlined in its corporate profile. Coop uses this fund to support a number of sustainable projects to the tune of CHF 10 million a year. The Fund will continue at least until 2012 and supplements existing commitments.

Coop's commitment to the environment is not confined to its organic product range, but is also demonstrated in its sponsorship activities in this field. It supports, for instance, the open-air cinemas of the nature conservation organization Pro Natura. And projects aimed at promoting physical exercise and a balanced diet are also becoming increasingly important. This year, for example, Coop teamed up with the Swiss Federal Office of Public Health and the Swiss Farmers Association to launch a campaign called "Naturally fit". This project uses trade fairs and Coop's big sales outlets to make people more aware of the importance of a healthy diet and a daily routine that includes plenty of exercise.

For more details of Coop's sponsorship activities, go to www.coop.ch.

Coop Naturaplan Fund

The Coop Naturaplan Fund was launched in 2003 to mark the 10th anniversary of the Coop Naturaplan label. Coop uses this fund to support a number of sustainable projects to the tune of CHF 10 million a year. The Fund will continue at least until 2012 and supplements existing commitments.

The Coop Naturaplan Fund is an expression of Coop's commitment to people, animals and the environment, as outlined in its corporate profile. The Fund's criteria are identical with the goals of Coop's flagship labels, Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar. Coop wants to see its environmental and ethical credentials more firmly institutionalized in business and society and to build on its role as Switzerland's leading supplier of environmental and ethical products and services.

The Fund concentrates on four strategic areas: "Sustainable agriculture and nutrition", "Biodiversity and nature conservation", "Renewable resources" and "Fair trade and the Third World". Using money from the Naturaplan Fund, Coop supports projects which, though limited in number, are nevertheless important and have a clear focus on Switzerland. Even those projects that seek to promote fair trade for producers in the Third World must be of direct relevance to Switzerland. The Naturaplan Fund guidelines require all the projects supported to meet the following criteria:

- Sustainable impact: contribution to the environment, the economy and/or solidarity
- Relevance to the flagship labels and/or to

nature conservation, the environment or fair trade

- High image and/or sales potential
- Pioneering character
- Enhance the credibility and reliability of the flagship labels
- Need for development that goes beyond the usual requirements
- Make an essential contribution to consumer information and awareness and/or have a strong communicative impact

Approx. CHF 5 million, i.e. half the money the Naturaplan Fund allocates every year, is spent on projects and activities of a purely developmental nature. The other half is spent on projects that in the medium or long term will be of direct benefit to consumers, producers and Coop itself.

After viewing all the funding applications submitted, a core team selects those it deems most worthy of support and submits them to the Executive Committee for approval. The team receives professional guidance and advice from Prof. Thomas Dyllick, Head of the Institute for Economics and the Environment at the University of St. Gallen.

Rubbing shoulders with organic farmers

It may stink a bit sometimes and be full of creepy-crawlies, but basically, it's a good thing. And it's certainly more exciting than just another boring day at school. And now I know why organic food is more expensive than ordinary food, for example. It's because of all the extra work that goes into it – but then it tastes better too," says 14-year-old Henry, whose class was on a visit to the "planète bio suisse" at Klosterfiechten farm near Basel. The kids spend one whole day finding out about nature and organic farming. Henry, Mirco, Ivan and Cyrill have been down the pit to examine the various soil strata, they've done some mowing with a scythe and have fed the animals too. But when they're invited to examine cowpats at various stages of decomposition in order to learn more about how natural manure works, their enthusiasm begins to wane. No one wants to touch them!

"Planète bio suisse" is an educational roadshow devoted exclusively to organic farming. Between May and October, its five smartly designed trailers will call in at 11 organic farms close to major cities and use these as a home base for their work. Under the supervision of a team of instructors, young people aged between 14 and 18 can find out what organic farming is all about. Using their eyes, nose, hands, palate and, of course, their brains, they can explore, observe, sample and prepare their own organic food. Classes are also invited to prepare a report or to create an advertising campaign on the subject and enter this in a competition in which there is a cash prize of CHF1,000 for the best entries.

"The aim of this project is to get young people interested in organic food," says Cordelia Galli, Project Manager and Head of Marketing at BIO SUISSE. "Planète bio suisse" gives young people a chance to find out how organic food

"Planète bio suisse" enables schoolchildren to find out for themselves what the advantages of organic food are. The aim of this project, financed by the Coop Naturaplan Fund, is to get young people interested in organic food.



Breathing new life into the organic idea: The Coop-financed “planète bio suisse” roadshow gives schoolchildren and young people a chance to experience at first hand what organic farming is all about.



Cordelia Galli of BIO SUISSE and Barbara Irniger, Coop Head of Public Relations (left) in a pit at the “planète bio suisse”.

is grown and what makes it so good. The main focus is on enabling them to experience it for themselves.” Cordelia Galli is delighted the project has got off to such a good start: “Lots of classes have signed up for the project,” she says, “and it’s great to see young people so enthusiastic about the experience we’re offering them.” BIO SUISSE has been working on the idea behind “planète bio suisse” since 2002. Thanks to Coop, it now has a partner willing to put the idea into practice as well.

2003 marked the 10th anniversary of Coop’s Naturaplan brand. Barbara Irniger, Head of PR at Coop, explains: “we wanted to do more than simply pat ourselves on the back – especially in view of how successful Coop’s Naturaplan had been. So we began scouting around for a new challenge and a new vision with which to breathe new life into the organic idea.” It was this that in 2003 gave rise to the Naturaplan Fund, which Coop uses to finance and facilitate projects dedicated to sustainability to the tune of ten million Swiss francs a year for up to ten years.

“We decided to back “planète bio suisse” because it fits in perfectly with our idea of promoting organic farming,” explains Barbara Irniger. Whereas in the 1980s, buying organic produce was a way of making a political statement, these days organic food is standard in just about every food store. Young consumers, however, still tend to prefer cheap produce over dearer products from sustainable farming. This makes “planète bio suisse” all the more important as a means of educating the consumers of tomorrow. “What it actually does is to sensitize them to the advantages of organic produce,” says Irniger, “Because ultimately, it is the customers themselves who will determine whether organic farming, with all the advantages it has for people, animals and the environment, really does have a successful future.”

The right seed

The bluish green stalks barely reach up to his Wellington boots, but Andreas Thommen, like other specialists in this field, knows what they are – that what is growing here at Frick in Canton Aargau is rye, cultivated for experimental purposes by the Research Institute for Organic Farming or FiBL. Indeed, the FiBL is growing several different varieties of cereal in order to find out which of these are best suited to organic conditions. “This is a service we provide for organic farmers,” says Thommen, Head of the FiBL project “Organic Seed and Plant Stock”.

“Choosing the right variety and quality of organic seed and plant stock is very important,” Thommen continues. After all, organically grown varieties make demands that are very different from their conventional counterparts. Because organic farmers are not allowed to spray their crops against fungal infection, for example, their rye has to be much more resistant to fungal infection than conventional varieties. Plants on organic farms also have to develop much deeper roots. If they don't, then the roots cannot penetrate as far as those soil strata from which the most nutrients are to be had, explains Coop agronomist Urs Weingartner. “Deep roots are not so important in conventional farming,” says Weingartner. “After all, farmers can simply spray whatever nutrients are required in the form of synthetic fertilizer.”

Organic farmers are not allowed to do this, as their seed may neither be genetically modified nor treated with chemicals to prevent disease. Furthermore, seed is only considered “organic” if it comes from organic nurseries, meaning from stock that has also been cultivated organically.

Far too little organic seed has been produced to date and the quality is often far from perfect. This means that organic farmers are sometimes forced to use seed from conventional sources. “Seed is one of the last remaining bastions of conventional farming in the organic sector,” says Thommen. This will now have to change, however, because as of this year, organic farmers in both Switzerland and the EU are

bound by law to use only organic seedlings and seed, to the exclusion of all others. The FiBL wants to help organic farmers comply with this new requirement and is therefore testing a wide range of varieties on organic farms throughout Switzerland in order to find out which of these are best suited to the demands of organic farming. The FiBL provides not just advice, but also hands-on assistance with the search for the right organic seed. That is why it set up an Internet database – to serve both as a platform for organic seed suppliers and as a means of sourcing appropriate seed stock for producers.

Without Coop, which for a three-year period is using funds from its Naturaplan Fund to support the seed project to the tune of CHF 300,000 a year, FiBL would not have been able to finance all this research and consultancy work. “There's scarcely any money available for the development of organic seed,” Thommen complains, speculating that perhaps the subject was too abstract for many people. Yet Coop is still committed to research in this field, even if the benefits for its own customers are only indirect.

“We support the work of the FiBL because the organic idea has to start with the seed,” explains Weingartner, who is responsible for several of Coop's Naturaplan Fund projects. “Our support of this project is an investment in the future,” the young agronomist explains. The FiBL seed project fits in perfectly with the whole concept of the Naturaplan Fund. Together with the FiBL, Coop is working hard to close the last gap in the organic production chain, so that in future, all the organic food sold in Coop's sales outlets really is organic through and through.



Organic farming starts with the right seed – and there’s simply not enough of it about. Coop wants to improve this situation and has therefore allocated funds from the Naturaplan Fund to a project for the promotion of organic seed.



Important pioneering research: From now on, organic farmers may no longer rely on conventionally farmed seed. The Research Institute for Organic Farming, FiBL is already cultivating several different varieties of vegetables, cereals, potatoes and fruit in order to find out which of these are best suited to organic conditions. The FiBL provides not just know-how, but also hands-on help with tiding over temporary shortages in supply.

SECT. NO.	SUB-SECT. NO.	PERFORMANCE-INDICATOR	STATUS [°]	CHAPTER IN REPORT
Vision and Strategy				
1	1	Statement of the organization's vision and strategy regarding its contribution to sustainable development	yes	1, 2
1	2	Statement from the CEO (or equivalent senior manager) describing key elements of the report	yes	Foreword
Profile > Organizational Profile				
2	1	Name of reporting organization	yes	End of report
2	2	Major products and/or services, including brands if appropriate	yes	1, 4
2	3	Operational structure of the organization	yes	Inside front cover
2	4	Description of major divisions, operating companies, subsidiaries, and joint ventures	yes	Inside front cover
2	5	Countries in which the organization's operations are located	yes	1
2	6	Nature of ownership; legal form	yes	1
2	7	Nature of markets served	yes	1
2	8	Scale of the reporting organization	yes	1, Annual Report
2	9	List of stakeholders, key attributes of each, and relationship to the reporting organization	(yes)	Ongoing in text
Profile > Report Scope				
2	10	Contact person(s) for the report, including e-mail and web addresses	yes	End of report
2	11	Reporting period (e.g. fiscal/calendar year) for information provided	yes	Inside front cover
2	12	Date of most recent previous report (if any)	irrelevant	
2	13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope	yes	Inside front cover
2	14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report	irrelevant	
2	15	Basics for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organizations	yes	Inside front cover
2	16	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements (e.g. mergers, acquisitions, change of base years/periods, nature of business, measurement methods)	irrelevant	
Profile > Report Profile				
2	17	Decisions not to apply GRI principles or protocols in the preparation of the report	yes	Inside front cover

* The GRI (Global Reporting Initiative) is an international organization drawing up generally recognized guidelines for sustainability reporting. This overview shows where the present report gives information on GRI criteria

[°] Status:
 Information available: yes
 Information partly available: (yes)
 Not relevant to the Coop: irrelevant/none
 Information missing: no

2	18	Criteria/definitions used in any accounting for economic, environmental and social costs and benefits	none	
2	19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information	none	
2	20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report	yes	Inside front cover
2	21	Policy and current practice with regard to providing independent assurance for the full report	none	
2	22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organization's activities, including facility-specific information (if available)	yes	Contact, Annual Report
Governance Structure & Management Systems > Structure and Governance				
3	1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization	(yes)	Annual Report
3	2	Percentage of the board of directors that are independent, non-executive directors	(yes)	Annual Report
3	3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities	none	
3	4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities	none	
3	5	Linkage between executive compensation and achievement of the organization's financial and non-financial goals (e.g. environmental performance, labour practices)	yes	2
3	6	Organization structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies	yes	2
3	7	Mission and values statements, internally developed codes of conduct of principles, and policies relevant to economic, environmental, and social performance and the status of implementation	yes	1, 2
3	8	Mechanisms for shareholders to provide recommendations or directions to the board of directors	irrelevant	
Governance Structure & Management Systems > Stakeholder Engagement				
3	9	Basis for identification and selection of major stakeholders	no	
3	10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	yes	Ongoing in text
3	11	Type of information generated by stakeholder consultations	yes	Ongoing in text
3	12	Use of information resulting from stakeholder engagements	yes	Ongoing in text
Governance Structure & Management Systems > Overarching Policies and Management Systems				
3	13	Explanation of whether and how the precautionary approach or principle is addressed by the organization	yes	2
3	14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses	none	
3	15	Principal memberships in industry and business associations, and/or national/international advocacy organizations	yes	4
3	16	Policies and/or systems for managing upstream and downstream impacts	yes	4, 5
3	17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities	yes	4, 5
3	18	Major decisions during the reporting period regarding the location of, or changes in, operations	none	
3	19	Programmes and procedures pertaining to economic, environmental, and social performance.	yes	Ongoing in text
3	20	Status of certification pertaining to economic, environmental, and social management systems	yes	7
4	1	A table identifying location of each element of the GRI Report Content, by section and indicator	yes	Annex

Performance Indicators > Economic Performance Indicators				
5	EC1	Net sales.	yes	1
5	EC2	Geographic breakdown of markets.	yes	1
5	EC3	Cost of all goods, materials, and services purchased.	(yes)	Annual Report
5	EC4	Percentage of contracts that were paid in accordance with agreed term, excluding agreed penalty arrangements.	no	
5	EC11	Supplier breakdown by organization and country.	(yes)	5
5	EC5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.	yes	8
5	EC6	Distribution to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.	yes	8 Annual Report
5	EC7	Increase/decrease in retained earnings at end of period.	yes	8 Annual Report
5	EC8	Total taxes of all types paid broken down by country.	yes	8
5	EC9	Subsidies received broken down by country or region.	none	
5	EC10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	yes	8
5	EC12	Total spent on non-core business infrastructure development.	no	
5	EC13	The organization's indirect economic impacts.	no	
Performance Indicators > Environmental Performance Indicators				
5	EN1	Total materials use other than water, by type.	no	
5	EN2	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organization.	no	
5	EN3	Direct energy use segmented by primary source.	yes	7
5	EN4	Indirect energy use.	no	
5	EN17	Initiatives to use renewable energy sources and to increase energy efficiency.	yes	7
5	EN18	Energy consumption footprint (i.e., annualized lifetime energy requirements) of major products.	no	
5	EN19	Other indirect (upstream/downstream) energy use and implications, such as organizational travel, product lifecycle management, and use of energy-intensive materials.	no	
5	EN5	Total water use.	yes	7
5	EN20	Water sources and related ecosystems/habitats significantly affected by use of water.	no	
5	EN21	Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources.	no	
5	EN22	Total recycling and reuse of water.	no	
5	EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats.	none	
5	EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments.	yes	4
5	EN23	Total amount of land owned, leased, or managed for production activities or extractive use.	no	
5	EN24	Amount of impermeable surface as a percentage of land purchased or leased.	no	
5	EN25	Impacts of activities and operations on protected and sensitive areas.	no	
5	EN26	Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored.	no	
5	EN27	Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas.	yes	4, 8
5	EN28	Number of IUCN Red List species with habitats in areas affected by operations.	no	
5	EN29	Business units currently operating or planning operations in or around protected or sensitive areas.	no	
5	EN8	Greenhouse gas emissions.	yes	7
5	EN9	Use and emissions of ozone-depleting substances.	no	

5	EN10	NOx, SOx, and other significant air emissions by type.	(yes)	7
5	EN11	Total amount of waste by type and destination.	yes	7
5	EN12	Significant discharges to water by type.	no	
5	EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	no	
5	EN30	Other relevant indirect greenhouse gas emissions.	no	
5	EN31	All production, transport, import, or export of any waste deemed "hazardous" under the terms of the Basel Convention Annex I, II, III, and VIII.	none	
5	EN32	Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.	no	
5	EN14	Significant environmental impacts of principal products and services.	(yes)	4
5	EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	(yes)	7
5	EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	none	
5	EN33	Performance of suppliers relative to environmental components of programmes and procedures described in response to Governance Structure and Management Systems section (Section 3.16).	yes	5
5	EN34	Significant environmental impacts of transportation used for logistical purposes.	yes	7
5	EN35	Total environmental expenditures by type.	no	
Performance Indicators > Social Performance Indicators				
5	LA1	Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full-time/part-time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction	yes	6
5	LA2	Net employment creation and average turnover segmented by region/country.	yes	6
5	LA12	Employee benefits beyond those legally mandated.	yes	6
5	LA3	Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.	yes	6
5	LA4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations (e.g., restructuring).	yes	6
5	LA13	Provision for formal worker representation in decision-making or management, including corporate governance.	yes	6
5	LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.	yes	6
5	LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	yes	6
5	LA7	Standard injury, lost days, and absentee rates and number of work-related fatalities (including subcontracted workers).	yes	6
5	LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS.	none	
5	LA14	Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems.	none	
5	LA15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.	no	
5	LA9	Average hours of training per year per employee by category of employee.	yes	6
5	LA16	Description of programmes to support the continued employability of employees and to manage career endings.	yes	6
5	LA17	Specific policies and programmes for skills management or for lifelong learning.	yes	6
5	LA10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	(yes)	6

5	LA11	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate.	yes	6
5	HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	yes	5
5	HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	yes	5
5	HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	yes	5
5	HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	no	
5	HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	yes	5, 6
5	HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.	yes	5, 6
5	HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and result	yes	5, 6
5	HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	yes	5, 6
5	HR9	Description of appeal practices, including, but not limited to, human rights issues.	none	
5	HR10	Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights).	none	
5	HR11	Human rights training for security personnel.	no	
5	HR12	Description of policies, guidelines, and procedures to address the needs of indigenous people.	yes	4, 5
5	HR13	Description of jointly managed community grievance mechanisms/authority.	no	
5	HR14	Share of operating revenues from the area of operations that are redistributed to local communities.	no	
5	SO1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	no	
5	SO4	Awards received relevant to social, ethical, and environmental performance.	yes	2
5	SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption.	yes	5
5	SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.	no	
5	SO5	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.	none	
5	SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	no	
5	SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.	yes	5
5	PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring	yes	3, 4, 5, 7
5	PR4	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.	no	
5	PR5	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.	no	
5	PR6	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.	yes	4

5	PR2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	yes	4
5	PR7	Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties or fines assessed for these breaches.	no	
5	PR8	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction. Identify geographic areas covered by policy.	yes	3
5	PR3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy. Identify geographic areas covered by policy.	yes	3
5	PR11	Number of substantiated complaints regarding breaches of consumer privacy.	none	
5	PR9	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising.	no	
5	PR10	Number and types of breaches of advertising and marketing regulations.	no	

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