



ANNUAL REPORT OF THE COOP GROUP

2006 BUSINESS AND SUSTAINABILITY REVIEW



A look behind the scenes

Coop consists of people who, at many different locations and in many different functions, assume responsibility for the Group's sustainable success. The Annual Report focuses on some of these people in eight profiles and tells their stories.

This Business and Sustainability Review, along with the Financial Report issued at the same time, together comprise the 2006 Annual Report of the Coop Group.

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In autumn 2006, Coop's Executive Committee approved new sustainability principles. The 14 principles encapsulate the company's all-embracing approach to sustainable development, in other words, to development that can only be properly evaluated by a balanced application of economic, environmental and social criteria.

The principles bear witness to Coop's long experience in the field of sustainable performance. Coop published its first sustainability report three years ago. The report provided a comprehensive account of the Group's economic, environmental and social efforts. This year's Business and Sustainability Review takes stock of activities up to now, presents new developments, compares goals with achievements, and defines new goals. It also initiates a new format in which the review is published every year as an integral part of the Annual Report of the Coop Group.

Our core business of selling our products and services in the sales outlets is still the main focus of our efforts in the field of sustainability. We have expanded our range of four environmentally and socially responsible flagship labels to include four new brands. Furthermore, Coop has consolidated its market leadership in Switzerland in the field of organic products and remains the European frontrunner in fair-trade products and organic cotton. In our conventional ranges, too, we have further strengthened our commitment to sustainable sourcing, traceability and quality assurance. In 2006, Coop and WWF Switzerland formed the first wide-ranging partnership for environmental protection and sustainable consumption. In addition, we have created new products and services in the field of healthcare, for calorie-conscious or vegetarian customers, for instance, or people with food allergies.

However, the fact that sustainability is being implemented in tangible terms and experienced at first hand at Coop – not only in its products and services, but in all fields of activity – has nothing to do with sustainability principles or reports such as this. It has to do with the personal responsibility and commitment to sustainability of all the people working in very different

positions at all levels of the Coop Group. They are very much the driving force behind Coop's spirit and conviction and, hence, its sustainability performance: innovation in product development, flexibility in services, diversity in the offering, closeness to customers, sustainability in the product range, efficiency in logistics, responsibility towards society and competence in sales. A section of this Annual Report provides a look behind the scenes and is dedicated to all these people. We should like to express our gratitude to all of them – including those groups not specifically mentioned here – for their commitment and dedication.

This Business and Sustainability Review is divided into four sections. The first section contains a presentation of Coop's corporate profile and an overview of its sustainability activities. The next two sections examine Coop's products and services and its environmental performance. Finally, the last section looks at the different stakeholder groups, i.e., customers, employees, business partners, the public sector and society.

We should like to thank all those colleagues and partners who made this Business and Sustainability Review possible, who ensure regular and transparent reporting on sustainability and who will continue to contribute to Coop's sustainability performance!



Anton Felder
Chairman of the Board of Directors



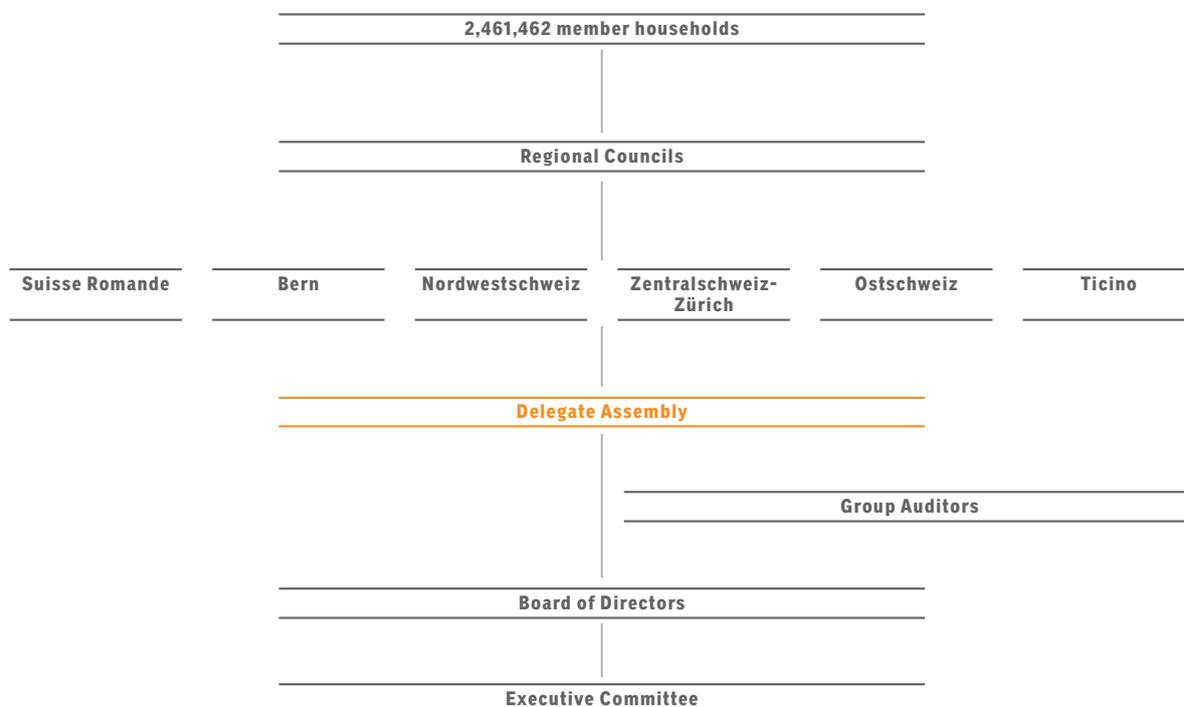
Hansueli Loosli
Chief Executive Officer



**NEW PRINCIPLES, NEW DEVELOPMENTS,
AND PEOPLE WHO ASSUME RESPONSIBILITY**

Anton Felder and Hansueli Loosli

THE COOP GROUP



Board of Directors	Stefan Baumberger	Silvio Bircher	Anton Felder (Chairman)
	Michela Ferrari-Testa	Felix Halmer	Irene Kaufmann (Vice Chairwoman)
	Beth Krasna	Jean-Charles Roguet	Giusep Valaulta

Internal Auditing	Franz Kessler, Head of Internal Auditing
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Chief Executive Officer

Hansueli Loosli

Members of the Executive Committee

Chief Executive Officer	Retail	Trading	Marketing / Purchasing	Logistics / IT / Manufacturing	Finance and Services	Property
Hansueli Loosli	Hansueli Loosli	Rudolf Burger	Jürg Peritz	Jörg Ackermann	Hans Peter Schwarz	Jean-Marc Chapuis



The Coop Group's Executive Committee at its meeting of 2 February 2007 in Basel.

- 1 Jürg Peritz
- 2 Hansueli Loosli
- 3 Jean-Marc Chapuis

- 4 Rudolf Burger
- 5 Hans Peter Schwarz
- 6 Jörg Ackermann

COMPANY PROFILE AND ACTIVITIES

AN IMPORTANT SECTOR, PRODUCTIVITY, RESPONSIBILITY AND NEW GOALS

THE ECONOMIC ENVIRONMENT

The retail trade is important for Switzerland

In terms of employment and value added, the retail trade is one of the most important industries in Switzerland. In 2006, a study commissioned by the Swiss retailers' association, IG DHS, analysed for the first time the direct and indirect economic effects of the Swiss retail trade. It concluded that economic activities associated directly or indirectly with the retail trade contributed some 75 billion francs in added value, or 16 % of gross domestic product. The retail sector also plays a significant role as an employer: some 21 % of all gainfully employed persons in Switzerland work directly or indirectly in the retail sector. About 15 % of all wages and salaries are paid for work in retailing. Moreover, the retail trade employs the highest proportion (40 %) of part-time workers and of female workers of all industries in the private sector. Retailing provides some 14 % of all traineeships, and it also performs an important function in the field of social integration in that it offers job opportunities for many foreign and low-skilled workers.

> www.igdhs.ch

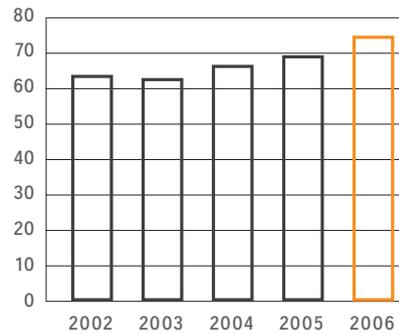
Coop takes on responsibility. In 2006, the Executive Committee adopted new sustainability principles. And, to promote sustainability, the Group is optimizing its social and environmental management systems and constantly monitors the achievement of its goals.

High productivity

To perform these economic and social functions on a sustainable basis, the Swiss retail trade has to be able to compete with foreign firms and other sectors. In some areas, in particular the sourcing of merchandise, but also other upstream services such as communications, transport and energy, the retail trade is faced with considerable cost disadvantages. In part, these can be explained by the small size of the Swiss market, but to a greater extent they are an expression of restrictions on competition at all levels. As the differences in the costs of sourcing and upstream services are larger than those in consumer prices, the conclusion is that productivity in the Swiss retail trade is high by European standards.

Cross-border shopping deprives not only the Swiss retail trade of income and thus jobs, but also the upstream service providers. In addition, the state is deprived of considerable tax revenues. For these reasons, Coop, as a member of IG DHS, actively campaigns for greater understanding on the part of government and politics.

Hourly productivity
Sales per hour worked, in francs



Hourly productivity above average

In the past five years, Coop has succeeded in improving labour productivity. In particular, investments in logistics, supply chain management and IT enabled Coop to reduce the number of staff. In addition, new, more service-oriented, product lines enabled greater value added to be generated. The combined effects resulted in a 17% increase in the inflation-adjusted hourly productivity rate. This enabled Coop to lower prices by a total of 500 million francs over the last two years. It is Coop's goal to ensure that reductions in staff numbers are implemented in a socially acceptable manner and without lowering quality or customer service. Coop's hourly productivity of 75 francs is much higher than both the industry and the national average.

SOCIAL AND ENVIRONMENTAL MANAGEMENT

Sustainability topics not viewed in isolation

Since the 1990s, corporate environmental and social responsibility has increasingly become a topic of public debate and a stakeholder demand. Coop demonstrated its willingness to accept responsibility at an early stage by launching its original four environmentally and socially responsible flagship labels, Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar, and adopting environmental principles. Four new flagship labels in this field address the topics of animal welfare, biodiversity and regional choice even more specifically.

Coop also recognized early on that sustainability topics could not be approached in isolation, but were part of line management's responsibility. In 2005–2006, Coop actively participated in a research project of the

Zurich University of Applied Sciences at Winterthur on social management systems, and, by bringing in its experience in the field of sustainable sourcing, was able to make a material contribution to the "Corporate Social Management" guideline.

> www.socialmanagement.ch

Values, goals and guidelines for planning

Coop's development is determined by values, missions and strategies. The annual goal-setting process breaks down the overriding goals into targets for the individual employees. They express Coop's determination to market its products and services successfully and to generate the capital required for expanding and maintaining its sales outlets and for its infrastructure needs in the long-term interests of its customers. Overriding strategies outline how the goals will be implemented across departments and in specific time-frames. The values pinpoint the principles that Coop follows to achieve these goals. These include respect for the dignity of human beings and animals, protection of the environment and its resources, a spirit of partnership in its dealings with business partners and compliance with the law. Coop has adopted guidelines to put these values into effect in its daily operations. These include the Code of Conduct adopted in 2004 on employees' conduct vis-à-vis business partners, the "Guideline on Socio-ethical and Ecological Sourcing", which sets minimum binding environmental and social standards for all of Coop's business partners, and the guideline on conduct vis-à-vis competitors, which governs the correct approach to dealing with the tighter provisions of the antitrust law. Coop's Internal Auditing regularly monitors compliance with these provisions.

Since the last Sustainability Report in 2004, greater emphasis has been given to the planning and implementation of sustainable sourcing. This focus corresponds both to the expectations of the public and the customers and to Coop's mission to set itself apart from the competition by its environmentally and socially responsible offering.

Comprehensive sustainability principles

In 2006, the Executive Committee approved new principles based on a comprehensive approach to sustainability:

1. We are committed to environmentally and socially responsible products and maintain a distinctive profile through our Coop Naturaplan, Coop Naturafarm, Coop Naturaline, Coop Oecoplan, Max Havelaar, ProSpecieRara, Slow Food and Pro Monatagna flagship labels.
2. We ensure compliance with legislation and make sure that our suppliers comply with the laws to which they are subject. In this way we anticipate future trends.
3. We give preference to suppliers that employ particularly ecological or socially responsible production methods or are shown to be making efforts to do so.
4. We actively promote sustainable innovation through the Coop Naturaplan Fund.
5. We contribute to a high level of added value in Switzerland through our sourcing policy.
6. We define measurable and controllable sustainability goals with costs and risks in mind when setting our corporate objectives.
7. We ensure that energy and resources are used sparingly and that waste is disposed of in an environmentally compatible manner. We promote transport by rail and ship.
8. We ensure that the dignity of human beings and animals is respected and support the protection of biodiversity.
9. Through our range of products and our support for popular sport, we contribute to healthy nutrition and adequate exercise.
10. We are committed to efficient and fair competition. We reject practices that restrict competition. This includes the rejection of any form of corruption or bribery. Coop does not aid or abet tax offences.
11. We offer our staff progressive working conditions within the framework of a collective employment contract, retirement provision to meet present-day needs, and attractive discounts. We reward performance fairly and are committed to the training and continuing education of employees.
12. We train our employees to behave in an environmentally compatible and fair manner.
13. We maintain an open and constructive dialogue in a spirit of partnership with our stakeholders and the authorities.
14. We communicate sustainability concerns forcefully and effectively.

Five-step process of continuous development – implementation at Coop*

Management systems widely followed in practice use a five-step process to achieve continuous improvement:

Step 1	Step 2	Step 3
<p>Policy</p> <p>Formulation of intent and principles:</p> <ul style="list-style-type: none"> – Corporate profile (2001) – Environmental principles (2001) – Sustainability principles (2006) 	<p>Planning</p> <p>Identification of relevant aspects, definition of targets and action plans:</p> <ul style="list-style-type: none"> – Regular discussions with stakeholder groups in a spirit of partnership – Annual internal workshop on issue identification (since 2005) – Sustainable Sourcing Steering Committee (since 2004) – Integration of sustainability aspects into overriding strategies and risk management (2006) 	<p>Implementation</p> <p>Development and implementation of the necessary structures and processes:</p> <ul style="list-style-type: none"> – Guideline on Socio-ethical and Ecological Sourcing (2002, updated 2006) – Creation of the unit for Quality Assurance Sustainability (2004) – Formation of internal product group-specific working groups (2005 / 2006) – Member of the BSCI (2005) – GRASP project with GTZ and EurepGAP (2005) – Business partner rating system (since 2004) – WWF environmental partnership (2006)
<p>Step 4</p> <p>Reporting</p> <p>Indicators for measuring performance, regular reports:</p> <ul style="list-style-type: none"> – First Environment Report (1996) – Brochure: Facts and Figures on the Flagship Labels and on Environmental Data (since 2004) – Coop website provides information on sustainability (since 2004) – First Sustainability Report in accordance with GRI (2004) – Annual Business and Sustainability Review (2007 onwards) 	<p>Step 5</p> <p>Monitoring</p> <p>Identifying deviations and taking remedial action:</p> <ul style="list-style-type: none"> – Comprehensive integration into Strategic Controlling – By the Sustainable Sourcing Steering Committee in the area of sourcing and product responsibility 	

* After Winistörfer et al. 2006, *Sozialmanagement im Unternehmen*

Goals and level of achievement

Goals in the 2004 Sustainability Report	Measures taken	Goal achievement level
Consolidation of Coop's leadership in environmentally and socially compatible products	<ul style="list-style-type: none"> - Comprehensive promotion of Coop Naturaplan - Launch of 110 organic-quality regional products - Launch of Coop Naturaplan veal (2005) - Development and promotion of organic aquacultures - Expansion and product development in conjunction with ProSpecie-Rara - Promotion of organic products by financing research projects from the Coop Naturaplan Fund - Broad switch to fair-trade roses and bananas 	high
Increase in annual sales of the environmentally and socially responsible flagship labels to two billion francs by 2010	<ul style="list-style-type: none"> - Expansion of the Coop Naturaplan range from 1,700 to 1,900 products - Expansion of the Coop Oecoplan range from 1,100 to 1,400 products - Expansion of the Max Havelaar range from 30 to 100 products - Numerous promotional activities 	medium
Further expansion of the range of organic cotton textiles sold under the Coop Naturaline label, especially in the department stores	<ul style="list-style-type: none"> - Launch of Naturaline Shops in all 34 Coop City department stores - Expansion of the product range, particularly outerwear (jeans, shirts, knitted goods, accessories, T-shirts) - Training and motivation of staff 	high
Stepping up of promotion of healthy eating	<ul style="list-style-type: none"> - Launch of the Free From and Délicorn labels - Various sponsorship projects in the field of healthy nutrition - Launch of an online nutrition coach 	high
Development of the Lifestyle line of products into a Coop flagship label	<ul style="list-style-type: none"> - Expansion of the Weight Watchers flagship label, market leadership in the low-calorie segment 	high
Remedying of the weaknesses exposed by the customer survey, right down to sales outlet level	<ul style="list-style-type: none"> - Establishment of regular customer forums - Launch of the first no-fee credit card in Switzerland, option of paying with a credit card at all check-out desks in the Coop Group - Introduction of the passabene self-scanning system - More staff training in customer friendliness and professional expertise - Strong improvement in standards of freshness in fruit and vegetables 	medium
Improvement of customers' confidence that they are getting value for money	<ul style="list-style-type: none"> - Thirteen price-cutting rounds across the entire product range totaling 500 million francs (2005/2006) - Prix Garantie bargain price line launched with more than 400 products - Price parity achieved with main competitor - Much greater awareness of Coop's pricing performance 	medium
Expansion of remote ordering into Western Switzerland	<ul style="list-style-type: none"> - Successful start to expansion into French-speaking Switzerland in 2004 - Level of cover: 60% of all Swiss households - Launch of coop@home offering with expansion of the range to 10,000 items 	high
Reinforcement of sustainability as an aspect of quality assurance	<ul style="list-style-type: none"> - Creation of a Sustainable Sourcing Steering Committee and definition of an internal process of implementation - Decisive role in the development and introduction of sustainability standards in the agricultural sector - Creation of the unit for Quality Assurance Sustainability 	medium
Approval of a code of conduct to govern the conduct of employees vis-à-vis business partners	<ul style="list-style-type: none"> - Code of conduct presented at the Business Partners Conference in 2004 - Internal training on "conduct in competition" - Tighter guidelines on corruption - Expansion of the code of conduct to include property and capital goods 	high

Goals in the 2004 Sustainability Report	Measures taken	Goal achievement level
Expansion of the business partner rating system to include all 150 strategic partners	<ul style="list-style-type: none"> – About one third of Coop's strategic business partners involved – Adjustment of key data on basis of initial experience 	medium
Establishment of a comprehensive system to monitor the implementation of the environmental and socio-ethical sourcing guidelines and draw up plans of action	<ul style="list-style-type: none"> – Largely completed in the fields of textiles, toys, paper and Oecoplan; implementation gradual and takes account of risks – Risk analysis in food sector drawn up; project-based implementation 	medium
Stepping up of international coordination in efforts to gain acceptance of socio-ethical requirements	<ul style="list-style-type: none"> – Membership of BSCI (2005); active involvement in the Food, Communication and System Implementation working groups – GRASP (Good Risk-oriented Agricultural Social Practices) project in conjunction with EurepGAP and GTZ 	high
Implementation of the new retailing "Verkauf.CH" traineeship and creation of 500 new traineeships by 2008	<ul style="list-style-type: none"> – Expand certified traineeships – Binding guidelines on the number of trainees per sales outlet, depending on store size – 400 new traineeships 	high
Increase in the percentage of promotions from internal development to 70 %	<ul style="list-style-type: none"> – Development of a pool of young talent up to management level 3 – "Move" management development programme 	medium
Building of new or refurbishment of existing sales outlets according to a standardized concept by 2012	<ul style="list-style-type: none"> – Some 60 % of all supermarkets already comply with the new shop-design concept 	medium
Lowering of CO ₂ emissions in line with the target agreements drawn up with EnAW (Business Energy Agency)	<ul style="list-style-type: none"> – Ten sales outlets already operate without any heating energy 	high
Optimization of logistics, from Coop's business partners through to sales outlets	<ul style="list-style-type: none"> – Distribution strategy for Coop Building & Hobby optimized – Closer cooperation with Food and Non-food Purchasing – Increase in personnel resources for this project 	medium
Increase in the percentage of nation-wide Coop freight sent by rail	<ul style="list-style-type: none"> – Transfer to rail of all goods traffic from the Wangen to the Aclens distribution centre – Transfer to rail of all goods traffic from the Langenthal distribution centre 	high
Search for innovative, above all sustainable projects that can be financed by the Coop Naturaplan Fund	<ul style="list-style-type: none"> – Environmental partnership with WWF – Partnership with Slow Food – Biogas plants at sites of Naturaplan producers – Promotion of organic seed growing and use of beneficial organisms in cereal storage – Promotion of ProSpecieRara diversity gardens – Promotion of organic aquacultures in Vietnam and Mexico – Development of basics for responsible soya production – Dialogue on sustainable consumption with young people in the context of "planète bio suisse" and "cudrefin.02" 	high
Focusing of sponsorship more specifically on families and children	<ul style="list-style-type: none"> – Two new sponsorship projects each in the fields of nutrition / health / children and culture / children 	high
Improvements in the internal and external communication of efforts being made in relation to sustainability	<ul style="list-style-type: none"> – Regular reports in the Coop member press on topics dealing with sustainability (more than 50 articles in total) – Supplement on sustainability in the Coop member press in September 2006 – Variety of training courses for buyers and suppliers 	high

New goals

Strategy / management

- Include all Coop divisions in the process for defining sustainability goals
- Integrate the sustainability goals in Strategic Controlling
- Expand systematic risk management, extend the integrated control system ICS to other areas besides Logistics / IT

Products and services

- Consolidate Coop's leadership in environmentally and socially responsible products
- Become the market leader in healthy nutrition
- Become the market leader in gourmet food
- Expand the range of fish and shellfish from sustainable breeding or from wild-catch (MSC)
- Expand the range of organic cotton products offered under the Coop Naturaplan label
- Expand the range of energy-saving appliances
- Expand the range of wood and paper products with the FSC label and products made from recycled paper
- Successfully market products from the mountain regions under the new Pro Montagna label

Purchasing

- Expand joint sourcing with Eurogroup and Coopernic in compliance with comprehensive quality guidelines
- Auditing of textile and toy suppliers in critical countries in accordance with BSCI guidelines
- Prepare an offer to train producers in China
- Ensure participation in round tables (stakeholder dialogue) in China and India
- Ensure monitoring and acceptance of social requirements among fruit and vegetable producers on a stepwise basis
- Raise the proportion of coffee produced in accordance with the Common Code of the Coffee Community to 25 %
- Shift completely to soya produced in accordance with the Basel Criteria
- Step up switchover to sustainable palm oil
- Ensure that no eggs from battery hens are used in Coop's own brands or in processed branded articles
- Risk analysis of Sunray sourcing of primary materials

Environment

- Reduce CO₂ emissions in line with the target agreement drawn up with EnAW (Business Energy Agency) and the Federal Government
- Reduce energy consumption in the sales outlets
- Open the first Minergie standard sales outlet in 2007, apply to other sales outlets in 2008
- Increase proportion of waste recycled
- Increase proportion of recycled or FSC paper in printed materials, advertising and packaging
- Shift more goods to rail
- Increase the proportion of trucks with EURO5 engines
- Introduce carbon offsetting on flights
- Improve information about the environmental impact of consumption

Stakeholders

- Improve customers' price awareness
- Improve customer awareness of the sales staff's friendliness and professional expertise
- Implement the Coop Child Care
- Increase the number of traineeships to 2,500 by 2008, with a 65:35 percentage ratio of retail specialists to retail assistants
- Remedy the weak points identified in the employee survey
- Implement 50+ programme
- Draft Personnel Strategy 2010+
- Initiate sustainable innovations with financing from the Coop Naturaplan Fund
- Expand sponsorship, focusing on popular sports
- Finance attractive sponsorship projects focused on the family
- Enhance customer value through attractive offers in the Coop member press and on the Coop website

Milestones on Coop's path to sustainability

1973	Environmental protection is enshrined in the Coop statutes
1989	Launch of Coop Oecoplan, the first environmental label
1993	Introduction of the Coop Naturaplan and Coop Naturaline flagship labels and the first certified fair-trade products under the Max Havelaar label
2000	First code of conduct for the textiles industry
2002	Guideline on Socio-ethical and Ecological Sourcing
2003	Sales of the four socially and environmentally responsible flagship labels exceed one billion francs for the first time
2003	Coop Naturaplan Fund created to promote projects with a sustainable dimension
2004	First Sustainability Report
2004	Code of conduct to govern the conduct of employees vis-à-vis business partners
2005	Member of the Business Social Compliance Initiative (BSCI)
2006	Environmental partnership with WWF Switzerland
2007	Establishment of a carbon offsetting fund endowed with up to 1.5 million francs a year



Gabriele Scolari, Emanuel Büchlin and Carine Boetsch at Zurich airport



AN INTERESTING TRIP TO THE ORIGIN OF COOP'S ORGANIC COTTON IN INDIA

Sustainability Since 1995, Coop Naturaline has stood for textiles from organically grown cotton and fair trade. Almost all the cotton stems from the bioRe Foundation's cultivation projects in Maikaal, India, and Meatu, Tanzania.



For Coop it is important that customers buy the Naturaline label not just because of their awareness of the environment and social conditions but because they like the quality and are enthusiastic about the fashions – hence the attractive presentation of the range, also at the Naturaline Shops in Coop City department stores. Last autumn, various winners of the Naturaline sales-outlet competition visited the bioRe project in India.

Gabriele Scolari is Head of the Textiles Department and Deputy Manager at Coop City Pfauen in Basel. “I can feel that customers are becoming more aware of what it is they’re buying. And it’s important for us to be aware of what it is we’re selling. Only then can we give sound, professional advice. The visit to India was an incredibly enhancing experience for me that I’m happy to share with my staff. Of course, an experience like that really motivates you!”

Emanuel Büchlin is Head of Buying Pool Clothing/Accessories and coordinates with his team the Coop Naturaline offering. “As a Coop staff member, I feel it’s a privilege to be part of a pioneering achievement. Together with bioRe, we’ve shown that success in the market is possible with sustainable products.”

Carine Boetsch is the Project Manager for Coop Naturaline; she coordinated the involvement of Coop Naturaplan Fund in the development of the training centres in India and Tanzania. “We’ve inaugurated the training centres that will ensure the expansion of organic cotton farming and so enable even more farmers to produce cotton under decent working conditions.”





PRODUCTS AND SERVICES

VARIETY AND TRANSPARENCY, PIONEERING ACHIEVEMENTS AND STRONG PARTNERSHIPS

RANGE SELECTION

Focus on diversity

Coop offers a very discerning public the greatest diversity of products and services in Switzerland. With its unique mix of labels and brands, Coop's offering covers the whole spectrum of customer needs. This is Coop's response to changing consumer behaviour. With the increasingly individualistic approach to consumption, customer needs are not only growing but are also becoming more specific, and they change very rapidly: enjoyment/experience, price, quality, convenience or ecological and social responsibility. Against this background, Coop offers its customers freedom of choice and – thanks to consistent positioning of the different brands – the greatest possible transparency in terms of quality, specific value added and price.

Full product responsibility

Customers delegate part of their purchasing decisions to Coop, i.e. it is Coop that selects the suppliers. In doing so, it assumes an important responsibility, ensuring that both the legal requirements and Coop's own conditions are complied with. Its responsibility also extends to packaging, correct product labelling, transport and warehousing. Given the different legal provisions such as the obligation on shops to accept

Coop believes in freedom of choice and customers' ability to make their own decisions in satisfying their individual needs. Coop therefore offers a large variety of responsibly produced articles, a wide range of information, attractive services and the best possible prices.

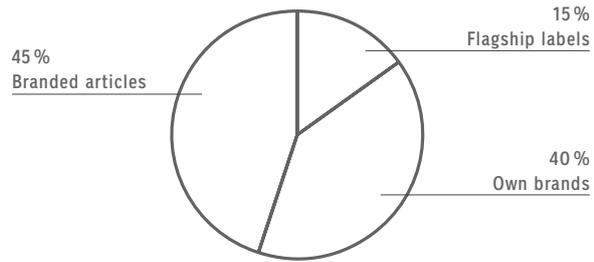
returns of electronic waste or toxic materials, this responsibility goes beyond the mere sales transaction.

Pioneering flagship labels

The original four environmentally and socially responsible flagship labels – Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar – are the most important in terms of sustainability. They satisfy the highest demands and represent a host of pioneering achievements by Coop over the last few years. They have been supplemented by the Coop Naturafarm, Pro Montagna, ProSpecieRara and Slow Food labels in the areas of animal welfare, biodiversity and regional choice. The experience gained with the flagship labels is also reflected in the demands that branded articles and Coop own brands have to satisfy. In its own brands, Coop endeavours above all to reconcile quality with ethical and environmental standards and price and offer the best that can be produced on a large scale.

Brand mix

Share of sales for branded articles / flagship labels / own brands



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE FLAGSHIP LABELS

Higher Coop Naturaplan sales in the year under review

The Coop Naturaplan flagship label stands for organically produced food bearing the Bio Suisse bud logo and for meat and eggs obtained by humane animal husbandry. It is the most important and strongest sales performer of Coop's environmentally and socially responsible flagship labels. Prompted recognition of the Coop Naturaplan label in Switzerland is 89%*. After falling for the first time ever in 2005 – owing to new low-price offerings and greater choice for the main sales performer, meat – sales showed a slight rise of 1.3% to 1.06 billion francs in 2006. Naturaplan products accounted for 13% of overall food sales in 2006.

*Source: Coop Market Research, February 2007

Coop is the leader in the organics market

The almost 1,500 organic products alone accounted for 8% of food sales. Coop maintained its leadership in the Swiss organics market with a share of over 50%: more than one out of every two francs spent on organic products in Switzerland is spent at Coop. Coop is also one of the biggest organic retailers worldwide. Among the particularly good organic performers are dairy produce, fruit, vegetables, bread and baked goods. Thanks to the launch of new products in the last few years, fish also now accounts for a much larger share of organic sales.

Strong partnership with Bio Suisse

Coop's strong partnership with Bio Suisse plays an essential role in the success of its organic offering. Whether the products are of Swiss or international

origin, Coop puts its trust in the bud label, one of the world's most stringent and demanding labels. Bio Suisse, the umbrella organization of Swiss organic farmers, celebrated its 25th anniversary in 2006 – and Coop marked this milestone with a witty communication campaign and special offers. Coop vigorously supported organic products by launching a growing number of items and communicating them widely. Thanks in large part to Coop's efforts, organic farming is now widely practised, and Switzerland can be held up as an example in this area. Coop believes in the success of organic products and in their further development. In the future, the challenge will no longer be to shift organics out of their niche market, but to ensure that they satisfy current demand for authentic and healthy products, food and lifestyles.

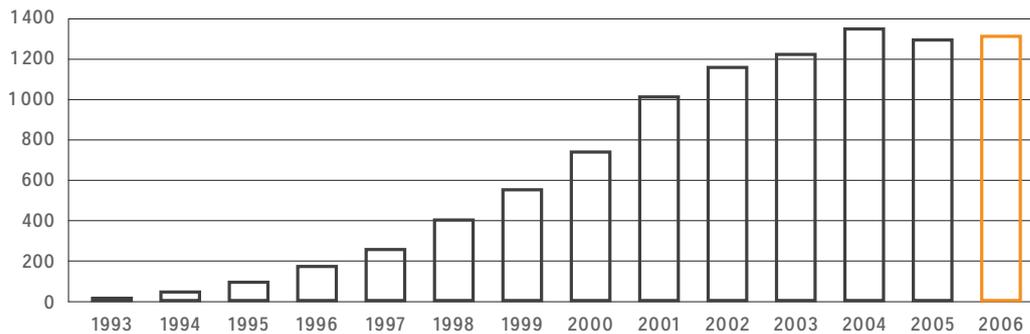
The "Regional organic specialities" line, which includes dairy produce, bread, eggs and dried-meat products, and "Bio – fresh from the region", a range of regional fruit and vegetables produced organically in four different regions, are examples of the innovative strength of this sector. These two labels are creating new sales channels for small producers and promoting value added in the regions. Coop plans to further expand the range of regional products.

> www.biosuisse.ch

"Swiss Champion" in animal welfare

The "blue line" for meat and eggs from humane animal husbandry with access to range is a major Coop Naturaplan sales performer. In the previous year, sales of this line had declined for the first time, owing to new low-price offers resulting from implementation of the price-segmentation policy and to the greater choice available to customers. Despite further expansion of the conventional meat range, sales were a stable

Sales trend of the environmentally and socially responsible flagship labels Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar
Sales in CHF m.



459 million francs in 2006. Coop sees this as a sign that customers still want high quality and ethically responsible and healthy merchandise. Coop is the market leader for meat and eggs from humane animal husbandry with access to range. About 35 % of Coop's meat sales comes from products from the animal husbandry programmes Natura-Beef, Naturaplan Porc, Naturaplan Chicken, Naturaplan Veal and the Naturaplan cooked-meat products. These programmes guarantee standards that go well beyond those legally stipulated and are monitored by independent organizations such as the Swiss animal-welfare organization STS. At the beginning of 2006, the STS awarded Coop the title of "Swiss Champion" for its achievements in the field of animal welfare.

> www.animal-protection.net

Clearer communication with new Coop Naturafarm flagship label

As from spring 2007, meat and eggs from humane animal husbandry with access to range will be marketed under the new "Coop Naturafarm" label. These products were previously distinguished from the green-packed organic products by their blue packaging. By marketing the "blue line" as a separate brand, Coop will be able to position it clearly and communicate the specific added value more transparently. This will make Coop Naturaplan an exclusively organic label, while Coop Naturafarm will stand for humane production of meat and eggs.

ProSpecieRara fosters biodiversity

Coop has been collaborating with the ProSpecieRara Foundation since 1999. The aim of the Foundation is to promote the revival of heirloom native plants and prevent threatened breeds of domestic animals from

Quality assurance on the farm

Farms that work for the Coop Naturaplan programme keep their livestock in animal-friendly housing that ensures the animals permanent access to range. The independent monitoring body is the Swiss animal-welfare organization STS, which carries out unannounced inspections of the farms to ensure compliance with guidelines. Coop also conducts its own inspections of the farms. On the basis of a check-list, the inspectors take a thorough look to determine whether, for instance, the requirements for the pig units are fully met: the pigs must have a lying area with straw bedding, enough space per head, access to range and fresh drinking water at all times. The inspectors also check the documentation on the origin of the animals, the composition of their feed and any use of medicines.

becoming extinct. The Coop Naturaplan Fund supports ProSpecieRara's research on variety selection and seed preservation and its seedling markets and communication activities. Depending on the season, various Coop supermarkets stock specialities such as "Blaue Schweden" (Sharons Blue) potatoes, beefheart tomatoes or "Küttiger Rüebli" white carrots. The range now comprises some 30 varieties of fruit and vegetables and almost 70 different kinds of seed or seedling, which are sold primarily at the Building & Hobby centres. As the ProSpecieRara range is small and sourcing of the products is complicated and often unreliable, it cannot generate a profit. Coop promotes the range as a contribution to the diversity of its offering and to biodiversity in Switzerland, and it also supports the development of such products and services with payments from the Naturaplan Fund. In 2007, milk and cheese from Appenzell goats will be introduced as the line's first products of animal origin.

> www.prospecierara.ch

The ProSpecieRara network brings biodiversity to life

This demonstration network, ProSpecieRara's biggest project, has been receiving financial support from the Coop Naturaplan Fund since 2004. It includes a large number of farms and gardens in all parts of Switzerland in which heirloom varieties and species are cultivated or bred and thus preserved for posterity. Twelve gardens display traditional vegetables or cereals long since thought to be extinct. Twelve orchards boast stocks of standard trees bearing unfamiliar fruit. Nine Ark farms and four animal parks provide an opportunity to admire rare breeds of animal threatened with extinction. The network does a great deal for practical biodiversity and offers destinations for excursions that enhance public awareness in an attractive and emotive manner.

Expansion of Coop Naturaline fashion range

Coop Naturaline stands for textiles from organic production and fair trade and for personal-care articles made with natural raw materials. Its products guarantee both maximum naturalness and physical well-being. The label's textiles are particularly successful, and have regularly helped increase sales of Coop Naturaline for years. The collection now comprises some 8,400 articles, ranging from outerwear, underwear and hosiery for women, men and children to bed linen and terry-towel products. The range has also included fashionable jeans and men's shirts since 2006. The sales drivers are the Naturaline shops in the Coop City department stores, where the fashion articles – and also soft furnishings on a trial basis since 2006 – are displayed in an attractive and appealing way. With sales of 57 million francs, Coop is the world's largest supplier of fair-trade, organically-grown cotton-based textiles. Prompted recognition of Coop Naturaline in Switzerland is 55 %*.

Award for sustainable partnership

It is the partnership with the Swiss-based yarn trading company Remei AG in Rotkreuz that made the success story of organic cotton possible in the first place. In October 2006, Remei and Coop were awarded the "Swiss Award for Business Ethics" by the business excellence forum of entrepreneurs, TQM Forum Switzerland. The organic cotton used in Naturaline textiles and organic cotton wool comes almost exclusively from the two development projects set up by the Remei Foundation in Maikaal, India, and Meatu, Tanzania, in 1992 and 1994 respectively. The Indian project now numbers almost 5,000 farmers and is the world's biggest organic cotton-growing community. The projects promote sustainable cultivation of cotton and socially and environmentally responsible production of textiles, i.e. cultivation without the use of chemical/synthetic pesticides, with humane working conditions, no use of chlorine-containing bleaches or toxic heavy metals, and no use of allergenic chemicals in the finishing. Thanks to long-term supply agreements and the payment of organic premiums, many farmers are able to escape the trap of spiralling debt. A study conducted by the Research Institute of Organic Agriculture (FiBL) in 2005 shows that organic cotton cultivation in India is economically viable as well as making ecological sense. The study demonstrates that, using the same resources as conventional farms, organically run farms achieve equally large, or even slightly larger, harvests, i.e. they produce more cheaply and – even after the organic premiums are discounted – yield higher gross margins.

> www.biore.ch / www.fibl.org

*Source: Coop Market Research, February 2007

Growing range of environmentally friendly products under Coop Oecoplan label

The Coop Oecoplan label comprises a wide range of non-food products that are environmentally friendly and not harmful to health. They include organic flowers and plants, readily biodegradable detergents and cleaning products, energy-saving refrigerators and freezers, wood products from sustainable forestry, environmentally friendly building materials and recycled-paper products. With prompted recognition of 70%*, Coop Oecoplan is one of the best-known non-food labels in Switzerland. The particularly energy-saving electrical appliances in Energy Class A+ account for very high shares of sales in their segments. Products from sustainable forestry account for a large share of sales in the wood segment. Coop relies entirely on the FSC (Forest Stewardship Council) label, which lays down standards for wood of both tropical and European origin and forbids the conversion of primary forests into plantations.

> www.fsc-switzerland.ch

*Source: Coop Market Research, February 2007

Coop imports into Switzerland one in every eight Max Havelaar products

Coop stocks almost 100 products that bear the Max Havelaar quality label guaranteeing fair trade with disadvantaged countries in the southern hemisphere. 30 products also bear the Bio Suisse bud label. Coop has cooperated with the Max Havelaar Foundation (Switzerland) since it was set up in 1992. The Foundation stands for minimum prices that cover producers' costs, and long-term supply agreements, advance payments and fair-trade premiums that ensure better living and working conditions – and it increasingly stands for environmentally compatible production as well. The partnership between Max Havelaar and Coop has made Switzerland a pioneer of fair trade practices, with an eighth of the world's fair-trade products being marketed in Switzerland. With a market share of 57%, Coop tops the Swiss market. Bananas and roses continue to be the best sales performers in Coop's Max Havelaar range, followed by rice, honey and orange juice.

> www.maxhavelaar.ch

Max Havelaar still accounts for a high share of Coop's banana sales

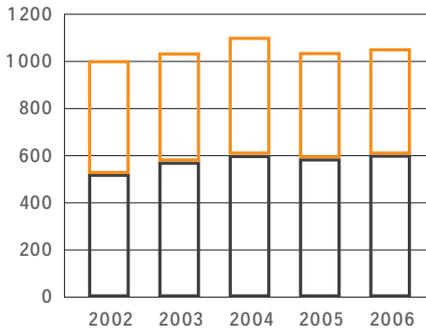
In early February 2004, Coop restricted banana sales to those supplied under the Max Havelaar label. Large-scale plantations make it easier to monitor the quality of the product. Under the conditions of Max Havelaar fair trade, however, hundreds of small producers deliver their harvests to the certified packing facilities in the respective production countries, which necessitates a more demanding level of quality management. As a result of great efforts in the area of quality assurance, the quality of the product has improved and the producer groups are now much more competitive. Having Coop as a trading partner demonstrates at an international level that the fair-trade model also works on a large scale. To meet the clearly expressed wish for more choice and also in response to price pressures, Coop restored conventionally traded bananas to its shelves in 2006. As a result, sales of fair-trade products fell by 1.6%. Thanks to intensive communication measures and maintenance of adequate supplies – also in organic quality – Max Havelaar bananas continue to account for a high 88% share of Coop's banana sales.

MADE IN SWITZERLAND

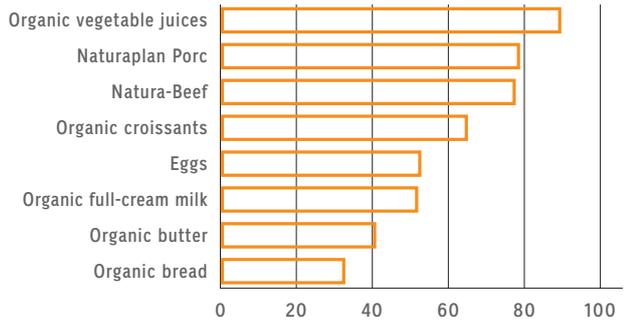
Pro Montagna – fair market opportunities for mountain farmers

With the introduction of the Pro Montagna flagship label at the beginning of 2007, Coop is helping to underpin the future of mountain farming in Switzerland. The Pro Montagna ranges include milk, dairy produce such as cheese and butter, meat and meat products, tea, flowers and plants. All the products stem from Swiss mountain regions and are also processed there. A proportion of the sales price goes to Coop Sponsorship for Mountain Regions, which uses it to implement self-help projects for the benefit of the regions' inhabitants. Pro Montagna helps ensure that traditions such as mountain-pasture grazing and processing activities such as Alpine cheese-making are preserved in Switzerland's mountainous regions, including the Alps. The idea underlying Pro Montagna

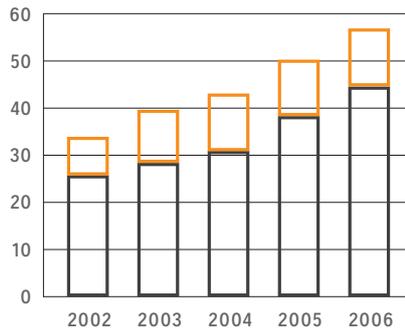
Coop Naturaplan sales
in CHF m.



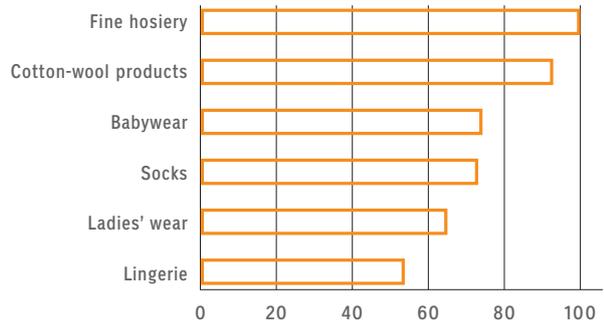
Coop Naturaplan share of sales
in %



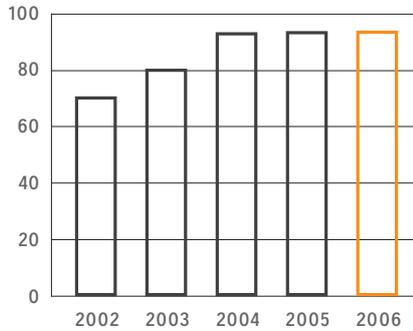
Coop Naturaline sales
in CHF m.



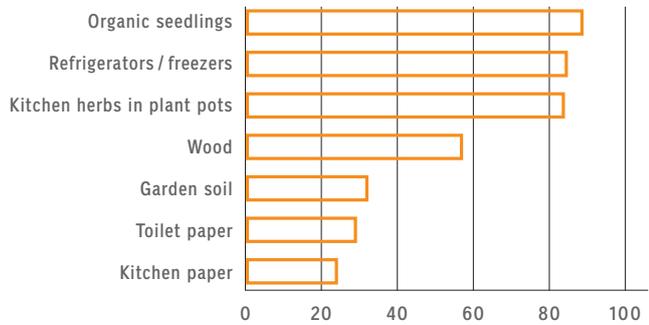
Coop Naturaline share of sales of cotton products
in %



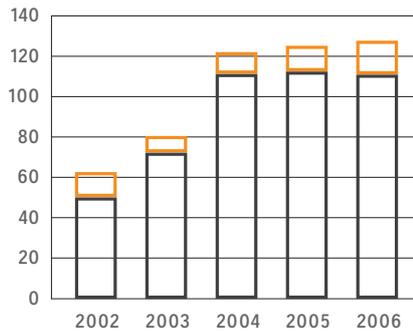
Coop Oecoplan sales
in CHF m.



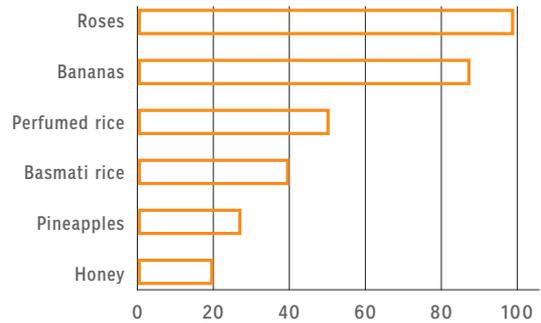
Coop Oecoplan share of sales
in %



Max Havelaar sales
in CHF m.



Max Havelaar share of sales
in %



Coop and GMO-free products

Marketing authorization of genetically modified food is still a taboo subject in Switzerland. Up to the present, no products have been sold that are made with genetically modified primary materials. In Switzerland, this ban also applies to feed for domestic animals. The feed sector is able to supply the Swiss market with conventionally produced soya and maize. While the majority of retailers throughout Europe do not sell GM foodstuffs, this is not the case with the European feed industry. Substantial quantities of GM feed are used in the production of meat and eggs, as this does not have to be declared on the end product. Coop also actively promotes the use of non-GM feed in the production of imported meat and poultry.

is that of fair trade within Switzerland and solidarity with mountain farmers and small processing facilities: the value added of the products stays in the regions, and typical, authentic products of Swiss mountain farming gain fair access to markets.

Suisse Garantie for Swiss products

Coop's customers appreciate food products that are made in Switzerland. The growing liberalization of markets is making the availability of a credible label increasingly important. The Suisse Garantie quality label stands for products of Swiss farms that satisfy the requirements for ecological certification (ÖLN). No genetic engineering is used in production or in animal feeds. The products have to be processed in Switzerland. The short transport routes are a further major ecological benefit. The entire product chain is systematically monitored. Coop has supported Suisse Garantie from the outset and is a member of its Advisory

Board. Coop prints the label of guarantee and origin on all Swiss-made products that satisfy the requirements. Coop Naturaplan products are an exception because they also have to meet the more stringent requirements of organic farming and/or humane animal husbandry with access to range.

> www.suissegarantie.ch

Solidarity with the Swiss poultry sector

Coop supports Swiss production and, if necessary, is prepared to bolster markets with special campaigns – as with poultry, for instance. When auctioning of import quotas was introduced, price cross-subsidizing and its effect of lowering the price of domestic products was no longer possible. As a result, consumption of Swiss poultry has since fallen by about one quarter. Over the last two years, Coop has invested some 1.5 million francs in targeted price-cutting campaigns to boost sales of domestic poultry. This has also benefited consumers. Nevertheless, approximately 10% of poultry producers had to shut down, despite the establishment of a solidarity fund – to which Coop contributed some 500,000 francs – to relieve the most hard hit among them. Together with the poultry sector, Coop is actively seeking the creation of reliable operating conditions for the industry and a free-trade agreement with the EU for agricultural products.

PERMANENT BARGAIN PRICES

Guarantee of fixed low prices

In 2005, Coop launched Prix Garantie, its fixed bargain price label. This label comprises products purchased regularly for everyday use. The attractive prices appreciably reduce the pressure on consumers' budgets.

Since early 2006, Prix Garantie products have been identifiable by their low-key, uniform packaging. Prix Garantie stands for the lowest-priced articles in Coop's offering. The label is being constantly expanded as part of Coop's price offensive. Prix Garantie products are always at least as cheap as the competition's lowest-price labels.

HEALTH AND NUTRITION

The challenge of overweight

The number of overweight people has increased to alarming proportions in the last few years and is now developing into a serious social problem. Part of the responsibility lies with the food industry and the retailing sector. Coop believes that, while food cannot be divided into good and bad, there is nevertheless a good way and a bad way of feeding ourselves. At Coop, therefore, attention will be focused on freedom of choice and consumers' ability to make their own decisions. Coop assumes its share of the responsibility by offering a large selection of products for quite individual customer needs and a broad spectrum of information. In addition, health-related communication measures cannot ignore the subject of physical exercise. Coop supports a number of projects that aim above all to promote exercise among young people.

Coop and Weight Watchers – not a stand-alone solution

In 2005, Coop launched the Weight Watchers label, a service aimed specifically at people who want to lose weight or maintain their desired weight in the long term, or who simply want to eat healthily. The global-presence Weight Watchers dietary organization offers

a long-term weight-loss programme that is recognized by experts in the field. The programme does not banish any type of food from the menu and is based on the principle of a balanced diet. Each product is assigned a certain number of points. A woman can eat the equivalent of 18 to 24 points, and a man 26 to 34 points, a day. By indicating the allocated points on the packaging, Coop's label supports customers who are following the Weight Watchers programme, but without restricting their personal responsibility or freedom of choice.

> www.weightwatchers.ch

Free From for people with food allergies

About 20 % of the population of Switzerland suffers from lactose intolerance and about 1 % from gluten (wheat protein) intolerance. The people affected cannot eat many products or can do so only if home-made, and they can buy them only in health-food shops. With the Free From label, Coop offers such customers a genuine alternative. The label comprises 19 lactose-free dairy products and 20 gluten-free products manufactured by DS Food. Many of these products are innovations by Coop business partners. Coop plans to expand the label to over 100 products in the next five years, with allergies also being included. At the end of 2006, for instance, an egg-free mayonnaise appeared on the shelves. This Coop label, too, is partnership-based. The work of developing and publicizing the gluten-free products, for instance, is carried out in close cooperation with IG Zöliakie, the Swiss gluten-intolerance interest group.

> www.zoeliakie.ch

Délicorn: responding to the international trend to vegetarianism

With the Délicorn vegetarian label Coop is responding to a worldwide trend. Whether for ethical reasons or as a health-conscious variant of a balanced diet, meat-free meals are becoming increasingly popular. Not surprisingly, annual sales of vegetarian products have risen by about 50 % in the last five years, and the upward trend is continuing. All Délicorn products bear the “European V label” and are certified by the Swiss Vegetarian Union. Some of them also bear the Bio Suisse bud label or are suitable for consumption by vegans as well. The focus is on natural ingredients: the primary materials are soya, tofu and organic cereals such as spelt, including unripe seeds, and wheat or millet. No vitamins or minerals are added to the products.

> www.vegetarismus.ch

Health-related information thanks to new nutritional data table

Besides offering a large selection of products that satisfy specific needs, Coop also endeavours to create maximum transparency for customers by providing information on health aspects. This begins at the product-labelling stage. It is based on the Coop Guidelines on Added-value Information for Food and Non-food Products, which ensure uniform data relating to the origin, production process, storage and disposal of own-brand products and branded articles. Starting in January 2007, Coop now prints a new, detailed nutritional-value profile on selected prepacked food items. For instance, it informs customers what content of energy, sugar, fat, saturates and salt a single portion of the product contains and what proportion of the recommended daily allowance this covers. The nutri-

tional information also includes an easier-to-read declaration for people with allergies. With this new nutritional data, which will be applied to all own-brand products in the not too distant future, Coop is aligning itself with the recommendations of the CIAA (Confederation of the Food and Drink Industries of the EU).

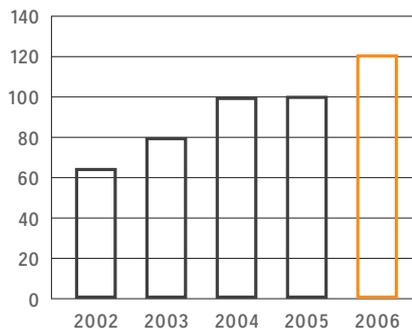
Personal online support for people wishing to lose weight

Since January 2007 Coop has been providing a completely new form of personal counselling in the shape of the online nutrition coach. On subscribing to this service for three, six or twelve months, customers receive online low-cost, personalized advice on diet and exercise, with the aim of achieving permanent weight loss. A team of food and sports scientists draw up individual exercise and dietary programmes, provide tips on recipes and also answer specific questions at any time.

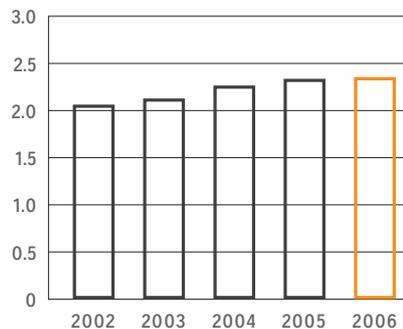
Nutrition Unit's close cooperation with purchasing specialists

The Nutrition Unit is responsible for all nutrition-related information provided by Coop online and in the different brochures. It also answers technical questions submitted to the Consumer Service. The Nutrition Unit is involved in product development for Weight Watchers, Free From and Délicorn, and draws up customer information tailored to these labels. It cooperates closely with purchasing specialists to evaluate and improve different ranges in respect of quality, nutritional value and ingredients such as sugar, types of fat or salt.

Queries to Coop Consumer Service
in thousands



Print-run of Coop member press
in millions



INFORMATION AND COMMUNICATION

Coop Info Service – customer queries are a quality tool

At Coop, the Consumer Service is second only to the sales outlets when it comes to addressing customers' concerns. But it is also an important guarantee of product quality and safety. This is because all customer queries are incorporated into a recipient-friendly reporting system, enabling for instance a popular "bread of the month" to be kept in the range or a product that has been complained about to be withdrawn and subsequently returned to the shelves in an improved form. In addition, responses to customer queries often constitute the basis for solutions that are applied throughout the Group or are incorporated into sales staff training.

Coop member press – Switzerland's most widely read newspaper

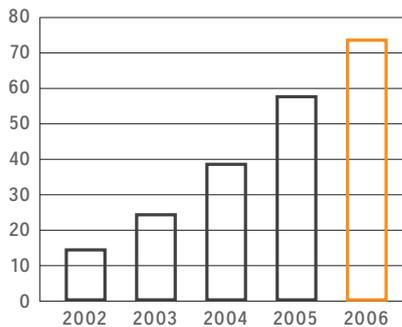
The Coop member press (Coopzeitung, Coop ration, Cooperazione) is published weekly in all three language regions and is the most widely read newspaper in Switzerland. With a print-run of some 2.4 million it is read by more than 3.3 million people in two-thirds of all Swiss households. About 25 % of its readers are in the 14–35 age group. The editorial section reports impartially on topics such as the family, society, consumption, the economy, the arts and entertainment. Specific achievements and activities of Coop are also highlighted. In this respect, the member press is an important platform for sustainability issues. In autumn 2006, Coop issued a supplement informing readers on Coop's activities in this area. Finally, the service section updates customers about developments in the ranges and current special offers.

Website with information, service and shopping pages

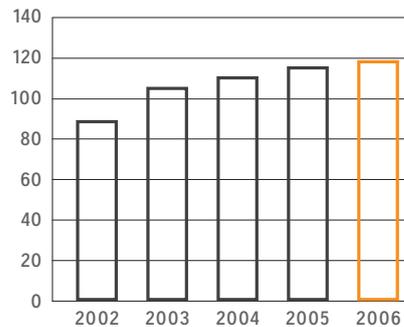
www.coop.ch is one of the most popular websites in Switzerland. According to independent surveys conducted by the WEMF media research company, www.coop.ch is visited by up to 23 % of all Swiss Internet users. The Coop website is a platform for information about the Coop Group, sales outlets, flagship labels and what's behind them, or nutrition and health. The Consumer Service uses the website to answer almost 50 % of queries addressed to Coop. Information is issued increasingly in the form of newsletters. There are currently over 500,000 subscribers to e-mail-based newsletters issued on eleven different topics at weekly, fortnightly or monthly intervals. Besides supplying information, the Coop website also has service and shopping functions, particularly since the online shopping platform coop@home came on stream in summer 2006.

> www.wemf.ch

Pages viewed on www.coop.ch
in millions



Supercard bonus gifts
Value in CHF m.



CUSTOMER SERVICES

Supercard – responsible handling of data

Coop's Supercard is the largest customer-loyalty programme in Switzerland. Some three-quarters of all Swiss households make active use of the card and benefit from the Superpoints they accumulate when shopping at Coop. The enormous volume of data involved requires particularly responsible handling by Coop. The Supercard programme complies fully with Switzerland's data protection laws. Coop does not analyse the data to see who buys what articles. Besides the user's personal particulars, the system records only the place of purchase, the amount spent and the number of Superpoints credited. Coop treats all data as strictly confidential and does not pass them on to third parties. The bonus gifts listed in the Supercard catalogue are exclusive products that are generally not available at Coop Group outlets. Another exclusive benefit is the possibility of using Superpoints to top up CoopMobile phone balances. Coop's sourcing guidelines also apply to the selection and procurement of Supercard bonus gifts.

Supercard plus – not a ticket to the debt trap

Coop Supercard plus, the first no-fee Swiss credit card, was launched by Coop in July 2006 and also met with a lively response. By year end, the partner firm, Swisscard AECS AG, had issued more than 140,000 cards. Coop is aware of the data security responsibilities this service entails. There is, for instance, a strict division of tasks between Coop and Swisscard. While Coop is responsible for promoting the card and acquiring new cardholders, the actual processing is in the hands of Swisscard. It checks the card applications, issues the cards and invoices the customers. Thanks to this divi-

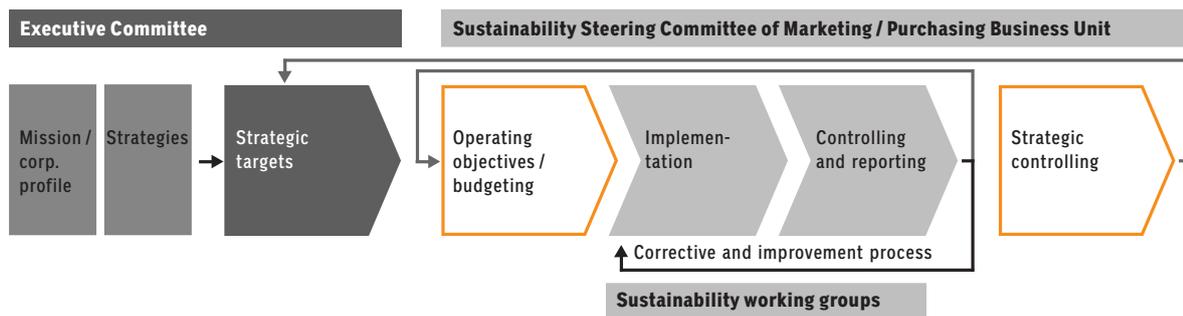
sion of labour (which has been submitted to the federal data-protection authority), data-protection and banking-secrecy requirements are complied with in full. Coop does not inspect the card applications or the credit-card data of Supercard plus-holders. Strict examination of the creditworthiness of all applicants by Swisscard ensures that Supercard plus is issued only to customers who are not at risk of spiralling into debt. This means that many applications have had to be turned down. In addition, when issuing cards Swisscard specifies an individual monthly limit, which may be anything from 500 to 10,000 francs. By specifying a small monthly limit, the risk of customers' falling into debt with Supercard plus will be kept low.

PURCHASING

Guidelines on sourcing ...

Coop is indirectly responsible for the working and production conditions of its suppliers and their subcontractors. This responsibility is particularly important when merchandise is being sourced from developing countries. National labour and environmental laws often do not cover the entire spectrum of international conventions, and monitoring of compliance is often inadequate. As set out in the mission statement and corporate profile, sustainable sourcing is an integral part of Coop's wide-ranging product responsibility. The "Socio-ethical and Ecological Sourcing" guideline applicable to all 3,000 or so suppliers and their subcontractors specifies what Coop means by sustainable production. It is based on the eight core conventions of the International Labour Organization (ILO) and obliges suppliers to comply with their respective national legislation. It also specifies protection of

Socially and ecologically responsible sourcing: overall process



natural resources and of the dignity of animals. New suppliers are audited before supply agreements are signed. Risk-based efforts are being made to improve production conditions at existing suppliers. Nonetheless, Coop cannot ensure that all provisions are complied with by all suppliers and all their subcontractors at all times.

... and cooperation of business partners

With regard to monitoring compliance in the individual production plants, Coop depends on the cooperation of its suppliers. It is becoming increasingly obvious that checks have little effect if knowledge of how to initiate permanent improvements in the plants is lacking. Sensitization of managers to this issue and to their responsibilities, basic and specific further training and the exchange of experience are key prerequisites for lasting improvement. In some countries, changes in legislation or in implementation of existing laws are required. But Coop cannot bring about such changes on its own. Because it generally accounts for only a small part of a supplier’s total production volume (with the exception of the flagship labels), its influence on

production conditions is very limited. It is therefore engaged, along with other retailers, in a number of initiatives aimed at improving production conditions. Coop’s approach to this task is risk-based and gradual. The risk analysis is based on the factors origin, industry and public awareness. The priorities are set by the Sustainable Sourcing Steering Committee in line with their importance for Coop and as a function of volume and the scope for exerting influence.

Special working groups implement guidelines

Actual implementation at Coop is the responsibility of different working groups headed by the respective purchasing manager and supported by the Quality Assurance and Economic Policy/Sustainability sections. The policy is being implemented gradually. Suppliers are requested to provide information about their production set-up and any measures they have taken in the areas of labour law, environmental management and quality management. This information then serves as a basis for a risk assessment and a decision on any action that needs to be taken. Given comparable products and services, Coop undertakes to give preference to suppliers that already satisfy the requirements of the sourcing guideline or can demonstrate that they have instituted improvements. Compliance with the sourcing guideline generally does not generate higher costs if improved management boosts staff productivity or product quality.

Key elements of social audits

- Compliance with laws and conventions
- Freedom of assembly and collective bargaining
- Discrimination
- Remuneration
- Working hours
- Workers’ health and safety
- Child labour
- Forced labour
- Fundamental aspects of environmental protection

Implementing the non-food sourcing guideline

	Self-assessment	BSCI audit 2006 / 2007	International Code of the Toy Industry (ICTI)	SA 8000	External checks of eco-standards
Naturaline	100 %	61	–	12	100 %
Textiles, conventional	80 %	6	–	–	partly Oeko-Tex Standard 100
Toys	90 %	36	8	3	–
Oecoplan	100 %	0	–	–	100 %

Clearly defined social requirements in the non-food sector

Suppliers of the predominantly ecological flagship label Coop Naturaline also have to satisfy the key requirements of no child labour and the assurance of fair working conditions which were added to the monitoring programme five years ago. In addition, Coop also advises its business partners to adopt the international SA 8000 standard and helps them put it into practice. Twelve business partners from the 20 suppliers and 40 subcontractors of Naturaline already satisfy the stringent requirements and others are in the preparatory phase.

An external evaluation conducted by the Zurich University of Applied Sciences Winterthur (ZHAW) for the project “Social management system in sourcing” showed that the SA 8000 route was too time-consuming to be applied to the entire textile range. At the beginning of 2005, Coop therefore became a signatory to the “Business Social Compliance Initiative” (BSCI), an international code of conduct and monitoring programme closely aligned to the model developed by the Foreign Trade Association (AVE) of the German retail trade and the German Society for Technical Cooperation (GTZ). Besides audits and qualification programmes, BSCI attaches great importance to stakeholder dialogue in the defined critical countries. So far, some 60 retailers and textile traders have become signatories to the BSCI. The focus is shifting increasingly from textiles to toys, shoes, sports articles, furniture and food.

> www.bsci-eu.org

BSCI Code instead of Coop Textile Code

On becoming a member of the BSCI, Coop took over the BSCI Code of Conduct and revoked its own code for textile manufacturers, which had been in place since

BSCI procedure

1. The business partner accepts the BSCI principles and signs the Code of Conduct
2. The business partner takes part in a (local) workshop
3. The business partner carries out a formal self-assessment
4. An independent SAI-accredited audit company conducts the initial audit
5. A corrective action plan based on the audit report is implemented after discussion with the customer / BSCI member
6. Support from the customer / BSCI member; qualification measures and training
7. Re-audit after 6–12 months
8. Inclusion in BSCI database; access for BSCI members
9. Repeat audit after two to three years; aim to achieve steady improvement; possible termination of business relationship if no progress is evident

2000. It then set about implementing the BSCI Code, giving priority to Naturaline. Suppliers that had not yet been certified to SA 8000 were audited first. For conventionally produced textiles, BSCI audits of production facilities in critical countries are planned for 2007. The audits are conducted by specially trained auditors from certification firms accredited to SAI (Social Accountability Initiative). They reveal the measures that need to be taken to meet the minimum legal requirements and any further action needed to achieve SA 8000 certification. As a BSCI member, Coop is expected to support its suppliers in implementing the necessary corrective measures.

Sustainable paper products

Paper products and hygiene paper made entirely from recycled fibre have long been offered by Coop under its Coop Oecoplan flagship label. The use of paper from recycled fibre means saving on new wood for paper production. What is more, if recycled paper is produced in energy-efficient plants, it offers enormous ecological benefits. This is why new paper products are, wherever possible, made entirely from recycled fibre. The Coop member press, for instance, is printed almost entirely on recycled paper. For products that cannot be switched to recycled paper, Coop is testing the use of FSC-certified pulp on own-brand articles. Because certification excludes forest overexploitation and requires higher environmental standards from forest owners, FSC-certified pulp offers added value compared with conventionally produced pulp. In the medium to long term, all Coop's own brands and also paper used for packaging, printed matter and brochures will have to satisfy at least the FSC standards.

Audits of business partners

Within the framework of BSCI, Coop has undertaken to have two thirds of its direct suppliers of textiles, toys, shoes and sporting goods from critical countries audited within the next three years. Countries in Asia, Africa, Latin America and Turkey, Romania and Bulgaria are regarded as critical countries. In a workshop held in autumn 2006, Coop showed its German-speaking business partners why it was supporting social, ethical and ecological production conditions, what BSCI membership signified and how the procedures and scheduling functioned. The workshop aroused great interest among the 120 or so suppliers of textiles, toys, paper goods and Oecoplan articles.

Toy Coalition rating leads to talks

In 2006, the "Toy Coalition" – an association of aid agencies and consumer organizations – rated the implementation of social standards in the sourcing of toys. Coop came off satisfactorily, thanks to its efforts to make the supply chain more transparent and to the incorporation of its suppliers in the BSCI process. Many suppliers already comply with the International Code of the Toy Industry (ICTI), which does not cover all the ILO's core requirements, however, and is therefore not recognized by Coop. The rating led to detailed discussions between the Toy Coalition, importers and retailers. Three points in particular were discussed. First, a large proportion of toys come from China, where independent trade unions – a core requirement of the ILO – are not permitted. Second, poor management methods, and also short-term orders and seasonal work peaks, often result in very long working hours. This can be compounded by unhealthy working conditions caused by toxic vapours from paints and adhesives. And third, a relatively large number of labour-intensive manufacturing steps are performed in the workers' homes, making production conditions very difficult to check. Agreement has been reached with the Toy Coalition that audits are important, but that they should be supported by joint training courses for toy manufacturers to create a basis for continual improvement.

Food, too, is a matter of social responsibility

For Coop, supplying good-quality food also means protecting natural resources and treating the people who produce and process the food with respect. In conjunction with partners all over the world, Coop therefore actively supports various initiatives to promote sustainable food production. Coop's main path

to this goal continues to be externally certified, high-quality flagship labels. It offers its partners technical and sometimes also financial support (through the Coop Naturaplan Fund, for instance) in resolving any problems with quality or logistics.

Coop works closely with EurepGAP

From the outset, Coop's approach has been to monitor social requirements on farms cost-effectively and in combination with other checks, with the advantage of operating within an internationally recognized system. The only system that meets these requirements is EurepGAP. With the collaboration of the German Society for Technical Cooperation, the GRASP project (Good Risk-based Agricultural Social Practices) was initiated in 2004. The following measures ensued:

- Implementation of pilot audits and workshops in southern Spain, Kenya, Vietnam, Brazil and Morocco in order to present the social problems and risks objectively in conjunction with the people directly concerned and trade union representatives, authorities and NGOs
- Participation in upgrading the chapter on "Worker's Health, Safety and Welfare" in the EurepGAP standard
- Drafting of a farming-specific module for good social practice, with a guide to auditing
- Manual for farmers as an implementation tool

The insights Coop has gained have been absorbed into the work of the BSCI's new Food Working Groups. BSCI is looking to the suppliers for action and expects them to train their subcontractors and monitor them with an internal monitoring procedure. They can use the GRASP module as a basis. Joint audits are scheduled to be conducted in Spain and Morocco in spring 2007.

> www.eurepgap.org

Stepwise procedure for the product groups

In summer 2006, Coop performed a detailed risk analysis for food and then set up three working groups. As in the non-food sector, Purchasing, Quality Assurance and Communication are represented in the individual working groups. The groups are going about their tasks on a stepwise, project-specific basis:

Working Group for Fruit, Vegetables, Flowers and Plants

Main problems and tasks:

- To ensure proper working and living conditions, also for seasonal and migrant workers
- To reduce and regulate the use of pesticides
- To ensure the economical and sustainable use of water for irrigation purposes

These points are largely covered in the EurepGAP Protocol or will be covered by the GRASP module. Since 2004 Coop has therefore required all its non-Swiss suppliers to be certified to EurepGAP. Swiss suppliers must, by 2007, be able to prove certification to SwissGAP, which is recognized by EurepGAP.

Working Group for Fresh Foods (Meat, Dairy Produce, Eggs, Fish and Seafood)

Main problems and tasks:

- To ensure GMO-free feedstuffs and to dispense with eggs from battery chickens, even in processed products
- To prevent overfishing of seas

Coop sources soya from sustainable production

The Coop Naturaplan Fund's two-year project for responsible sourcing of soya was concluded in 2006 with the first-time import of soya-based feed that complied with the Basel Criteria. The Basel Criteria for responsible soya production guarantee that social standards are complied with and that no ecologically valuable areas such as the Amazon rain forests are destroyed for the purpose of growing soya. The second "Round Table on Responsible Soy" held in Paraguay at the end of August aroused great international interest, thanks to a Greenpeace awareness campaign. With both Coop and Switzerland's State Secretariat for Economic Affairs (seco) participating, the Round Table is now established as a permanent organization with representatives from the entire value chain. Coop will endeavour to ensure that, within the next three years, all soya used in animal feed and foodstuffs in Switzerland complies as much as possible with the Basel Criteria. This will require an awareness campaign directed at large customers in Europe. These will be targeted within the framework of the environmental partnership with WWF Switzerland.

> www.responsiblesoy.org

- To ensure proper working conditions in fish-processing facilities

Coop has collaborated with WWF Switzerland in recent years in promoting GMO-free, sustainable soya production. In the fish sector, Coop actively supports expansion of fish farming that complies with Bio Suisse guidelines. Under the MSC label (Marine Stewardship Council), Coop sells fresh and frozen fish from sustainable wild-catch. Coop is working on optimizing these efforts in the framework of its environmental partnership with the WWF.

> www.msc.org

Working Group for Commodities (Coffee, Tea, Cocoa, Fruit Juices, Preserves, Nuts, Dried Fruit, Sugar, Rice, Palm Oil)

Main problems and tasks:

- To exploit the expansion potential of the flagship labels
- To improve the rest of the offering and impose minimum ecological and social requirements
- To improve transparency in the supply chains and examine critical origins

Coop's previous efforts in these product groups were concentrated on expanding the fair-trade offering. With its own production facilities, Coop carries above-average responsibility for the rest of the offering. Above all, it needs to create transparency with regard to any critical origins and production methods. On a secondary level it will need to define product group-specific standards. In doing so, Coop will take as much account of EurepGAP as possible. In the palm oil segment, Coop has been a member of the International Roundtable on Sustainable Palm Oil since 2005. It is also a founding member of the new multi-stakeholder initiative 4C (Common Code for the Coffee Community), in which producers, coffee roasting facilities and retailers aim to strengthen and coordinate their combined efforts to ensure sustainable coffee production.

> www.rspo.org / www.sustainable-coffee.net

QUALITY MANAGEMENT

Systematic quality

If the expectations of customers and the authorities with regard to total product quality are to be reliably met, systematic quality management that ranges from production, processing and transport to sales is needed. Basically, all Coop employees are responsible in their different work areas for ensuring optimum quality. They receive support in this task from Quality Assurance, which also trains them on quality-related issues. For Coop, quality is an attribute that sets it apart from the competition and is therefore crucially underpinned by systematic strategic-preventive quality management.

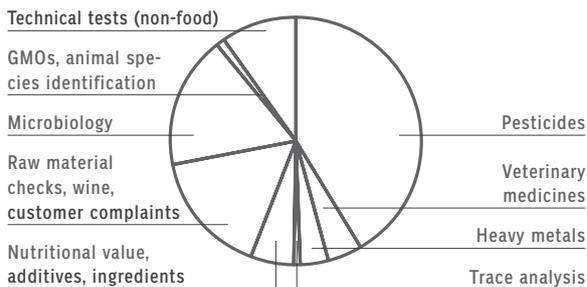
Quality begins with the business partners ...

With every new business partner Coop concludes a comprehensive quality agreement that also includes requirements relating to ecological and socio-ethical aspects. The Coop Quality Centre examines the documentation involved, e.g. certificates and test reports from suppliers, freight forwarders and logistics providers, and conducts product quality tests of its own. If questions arise, audits of the producers are conducted, either by Coop specialists or by independent monitoring companies. Independent monitoring companies also carry out regular audits of all producers of Coop Naturaplan or Coop Naturaline products or other

Reismühle Brunnen takes its responsibilities seriously

In 2003, Reismühle Brunnen became the first such mill in the world to be certified to SA 8000. It can therefore be confident that its 30 or so business partners, most of which are located in Asia, comply with the basic social standards. Since certification involves close scrutiny of the entire supply chain, from cultivation to the end product, it is preceded by a demanding qualification process. Reismühle Brunnen can thus demonstrate that it takes its responsibilities in respect of social and ecological concerns seriously. Reismühle is also a pioneer of fair-trade rice. It is the largest partner worldwide of Fair Trade Labelling Organizations (FLO). 10 % of Reismühle's rice products satisfy fair-trade criteria – and are reaching a growing number of customers outside Switzerland.

Laboratory tests for quality assurance
Total number of laboratory tests: 286,000



flagship labels. Coop is obliged to ensure traceability of products. This guarantees that any quality shortcomings can be quickly addressed in collaboration with the suppliers. With the launch of new product lines and the fast pace of innovation, the challenge of ensuring total quality assurance has grown. Clearly defined processes and binding guidelines are important prerequisites. Coop is also actively committed to promoting quality management in international sourcing; uniform quality criteria and management systems are essential if the full benefits of joint sourcing are to be exploited. The Coop Quality Centre makes crucial contributions to Coop's own Far East sourcing activities together with REWE in Eurogroup and in its sourcing of own brands in the framework of the Coopernic purchasing alliance. This important process is hampered to some extent by divergent provisions in Swiss law.

... and continues at the sales outlets

For the sales outlets and restaurants, quality assurance manuals lay down clear targets and standard operating procedures; compliance is regularly checked as part of the self-monitoring process. In addition, quality assurance officers perform regular checks and sample-taking in the sales regions. Any deviations from the norm are systematically recorded and immediately result in corrective action. In this process, help is provided by an event management system and database on error management and reporting for purchasing and sales.

**Problem & solution 1:
Residues of crop protection agents**

Fruit and vegetable producers are making increasing use of different specifically-acting pesticides to prevent the development of resistance. Coop has stepped up the requirements that suppliers have to meet. If more than three substances are found, the producer must submit a written statement and propose specific measures for improvement. Swiss strawberries, for instance, yield far fewer samples containing residues than Italian or Spanish strawberries, but they contain almost twice as many substances. Coop is still working on the problem of multiple residues, together with producers and universities. In addition, Coop hopes that the implementation of SwissGAP now in progress will enable the problem to be tackled in Switzerland in an even more focused manner.

**Problem & solution 2:
Completion of the ETHZ acrylamide project**

In 2003, a Swedish publication reported on the identification of carcinogenic acrylamide in various foodstuffs. It soon became clear that the problem was not going to be resolved by simple means because this substance forms in food during frying, grilling and baking processes. In Switzerland in the same year, a project – co-funded by Coop – to elucidate the formation of acrylamide was initiated at the Federal Institute of Technology (ETH) in Zurich. Completed in 2006, the project has provided the food industry with important information on how acrylamide levels in the products at risk can be reduced. One direct result is, for instance, the red potato bag, in which potatoes suitable for frying and deep-frying are sold. Another example concerns the baked products segment, for which – with the help of the ETH – recipes low in acrylamide have been compiled. The project is an outstanding example of how science, industry and the authorities can tackle a food-safety problem in an uncomplicated and sustainable manner. An alternative to this solution would have been to set limit values, which would have had expensive consequences.

Quality cycle

Processing of quality-related problems. Draw up, commission and check corrective measures, reporting and controlling, sales.

Correction and improvement

Plan

Risk management

Analysis of risk areas, introduction of international standards at suppliers, business partners and Coop to minimize risk.

Act

The Quality Centre is the "engine" of quality management for purchasing and sales

Do

Auditing of suppliers and advising purchasing managers. Support in selecting and checking external auditing companies. Planning of sample collection and evaluation of investigation findings.

Auditing, Test planning

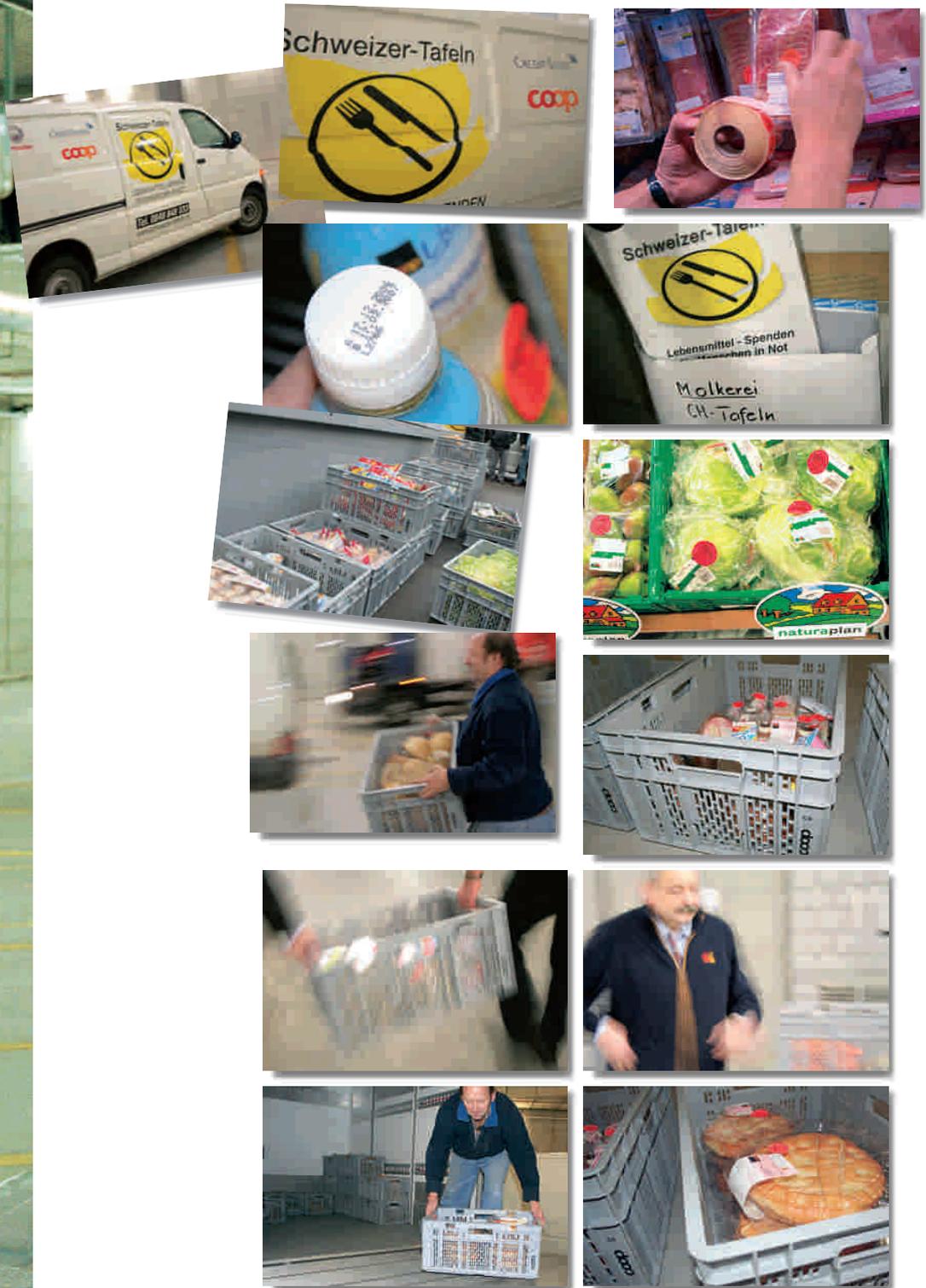
Check

Instructions, guidelines

Develop concepts and basic documentation for quality management. Draw up guidelines and instructions. Support implementation and training.



Peter Schmutz, Hanspeter Wenger and Bruno Maeder
in the Coop Megastore at Berne Wankdorf Centre



**DEALING DAILY WITH FOODSTUFFS,
THE STUFF OF LIFE**

Responsibility Since 2003, Coop has supported two organizations – “Tischlein deck dich” (Table Be Set) and “Schweizer-Tafeln” (Swiss Tables) – that go every day to sales outlets to collect fresh food that has passed its sell-by date.

“Tischlein deck dich” delivers the food to shops where people on income-support can buy it cheaply, while “Schweizer-Tafeln” distributes it to different institutions such as shelters or soup kitchens. This cooperation with the two organizations ensures that products that are past their sell-by, but not their use-by, date are not simply thrown out. The Bern Sales Region works exclusively with “Schweizer-Tafeln”, which regularly collects the merchandise from eleven other sales outlets as well as the Wankdorf Centre.

Peter Schmutz is Manager of the Coop Megastore at Bern Wankdorf Centre. “We do actually care about what happens to food that is still fresh enough to be eaten. After all, food is the stuff of life. So I’m very happy about the voluntary work done by the ‘Schweizer-Tafeln’ people.”

Hanspeter Wenger, Deputy Manager at Wankdorf, focuses on the quality of the food. “We constantly check that food that is past its sell-by date is, at the right time, offered at a reduced price, and then removed from the shelves. And we only pass on products that are past their sell-by, but not their use-by, date.”

Bruno Maeder is Head of Support/Quality Assurance in the Bern Sales Region. In his view, the uncomplicated collaboration with “Schweizer-Tafeln” is a stroke of luck. “We support useful voluntary work and we assume responsibility at two levels: for the quality of the products in our sales outlets and for people in our society who are in need.”





ENVIRONMENT

MORE ECONOMICAL SALES OUTLETS, THE DRIVE TO COMBAT LITTER, AND SUSTAINABLE COOPERATION

ENERGY

Ambitious targets for CO₂ emissions

In 2004, Coop and the Federal Government agreed targets for CO₂ emissions at its sales outlets, distribution centres and manufacturing companies: by 2010, these emissions are to be lowered by 30 % at its sales outlets and by 16 % at its distribution centres and manufacturing companies. Although the energy-saving measures needed to achieve these targets are proving very costly, Coop was encouraged to go ahead with them on account of the forthcoming CO₂ emission charge, from which it can be exempted on the grounds of its target agreements. Coop therefore welcomed the decision by both chambers of parliament at the end of 2006 to approve a CO₂ emission charge on all CO₂-emitting fuels. > www.enaw.ch

New energy concept for supermarkets

As the largest single consumer of energy in the form of heat and electricity, the sales outlets account for approximately 70 % of Coop's total energy consumption. Owing to the sheer numbers involved, any optimization of energy consumption at the sales outlets is bound to prove costly. The CO₂ audit takes account of all the energy sources used, including oil, natural gas and district heating. With the help of external experts,

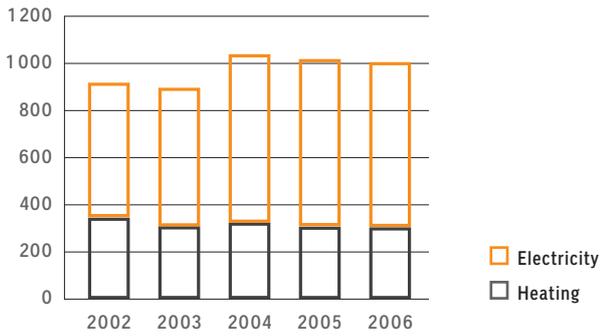
Coop is working hard on its goal of significantly reducing CO₂ emissions. The implementation of its logistics strategy will make it possible for still more freight to be shifted from road to rail. And the new environmental partnership between the WWF and Coop sets an example.

Coop has been able to improve its data collection methods significantly during the past two years and therefore has reliable data for 176 new and modernized supermarkets, representing 23 % of its total sales area. These supermarkets are equipped with a standardized system for collecting and evaluating energy data. Their specific heat consumption has been cut to half the average consumption for the supermarkets as a whole – and this despite offering a higher standard of comfort and making more intensive use of refrigeration units and finishing ovens. Specific electricity consumption has fallen by 7 %.

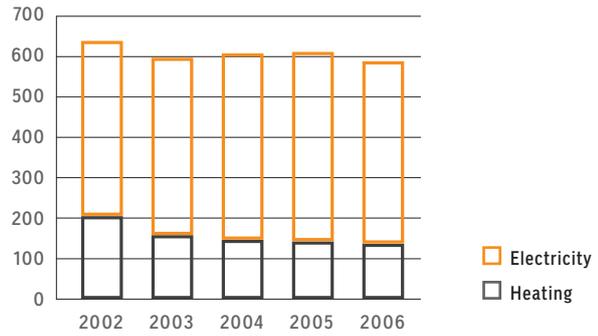
Progress towards Minergie sales outlets

A third of the supermarkets equipped with the new data collection system have an annual heat consumption of less than 40 kWh / m² and so in terms of fuel are well short of the current threshold for Minergie standard sales outlets. The Minergie requirements for sales outlets have been revised with Coop's involvement. A sales outlet that meets the new standard in every respect is already in the planning stage. Even now,

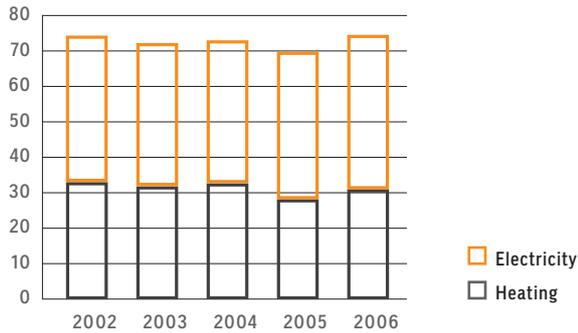
Total energy consumption*
in Gigawatt-hours



Specific energy consumption per sales area
in kilowatt-hours per square metre

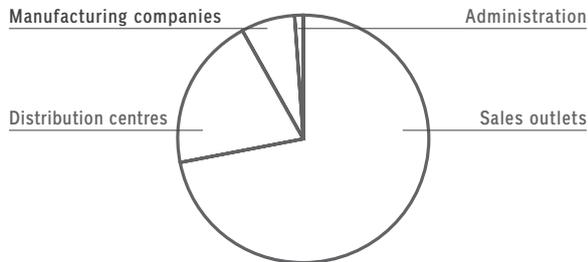


Energy consumption of manufacturing companies
in Gigawatt-hours



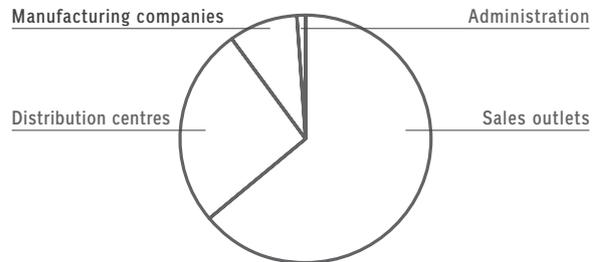
* Manufacturing companies, distribution centres, sales outlets (supermarkets, Coop City, Building & Hobby) and administration

Share of total energy consumption

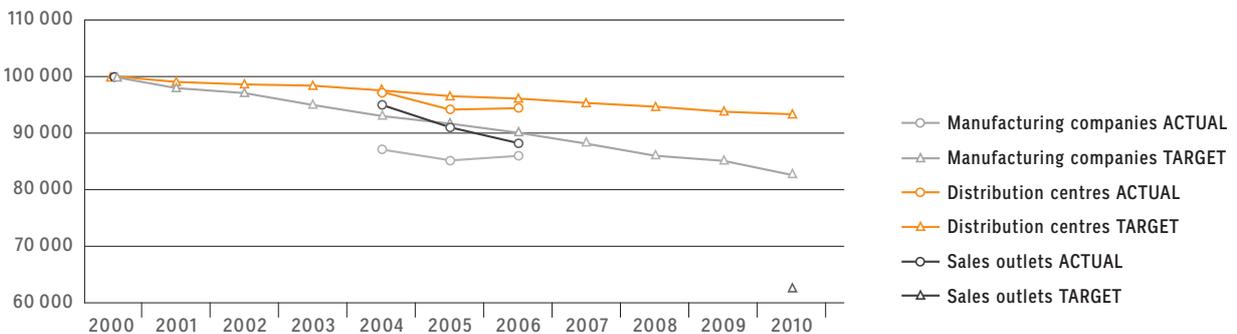


Share of CO₂ emissions

Overall emissions: 60,126 tonnes, transport excl.



Achievement of CO₂ target agreements with Federal Government (EnAw CO₂)
CO₂ emissions in tonnes



Coop has ten supermarkets that require neither heating fuel nor district heating, but are heated completely with a waste heat recycling system. Coop's goal is to equip all its new and modernized sales outlets with such a system, something that has already been achieved in 110 supermarkets. More and more freezer units are being fitted with glass doors and sliding glass lids, while chest freezers are being fitted with glass aprons to prevent cold air from escaping.

This energy concept has already been implemented on 30 % of Coop's Building & Hobby sales area. Specific heat consumption at these sales outlets is barely half as much as that of Building & Hobby centres that have not yet been modernized.

All Coop Retail and Trading sales outlets taken together have lowered both their absolute heat consumption and their CO₂ emissions by 3 % over the previous year. Electricity consumption has meanwhile fallen by 2 %.

Energy-saving measures at the distribution centres and manufacturing companies

While the absolute figures for energy consumption in the manufacturing companies increased slightly – largely owing to higher outputs and the harsh winter – there was progress at the distribution centres. Although their absolute consumption of energy for heating purposes rose by 2 %, their CO₂ emissions fell by 6 %. At the production and distribution centre in Pratteln, the year 2006 saw the expected 30 % reduction in CO₂ emissions following the switch to CO₂-free heat from the nearby fermentation plant. The replacement of an inefficient steam-heat system by a new gas central heating system at the distribution centre in Rapperswil also looks very promising. The new distribution centre in Aclens, which will replace five distribution centres in the French-speaking part of Switzerland, will also bring

Green electricity for Coop

In the 2003–2008 period, green electricity certified under “nature made star” is to account for a good 10 % of overall electricity consumption at Coop's distribution centres, manufacturing companies and administration buildings.

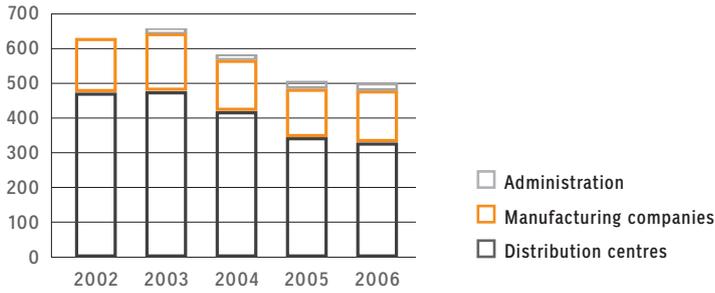
savings. This reorganization of logistics will also necessitate more truck journeys, however, which will be compensated by shifting more freight from road to rail. Pre-cooling of the loading zone at the distribution centre in Givisiez slashed electricity costs in the frozen products section at that centre by 12 %. In the Nordwestschweiz Sales Region, greater concentration on the distribution centre in Basel and the changed function of two other distribution centres reduced CO₂ emissions by 20 % and electricity consumption by 8 %.

WATER

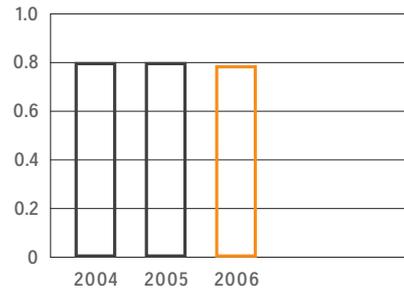
Targeted modernization to save water

Coop has so far collected water consumption data only for its new and modernized sales outlets. At 0.79 m³/m², annual water consumption in 2006 at these 136 sales outlets was slightly lower than in the previous year. Water consumption at Coop's manufacturing companies and distribution centres has long been measured collectively. Water consumption at the manufacturing companies increased by only 1 % in 2006, despite higher output in some cases. The collection of water consumption data for the distribution centres proved rather more difficult, however, owing to the opening of the new centre in Aclens and

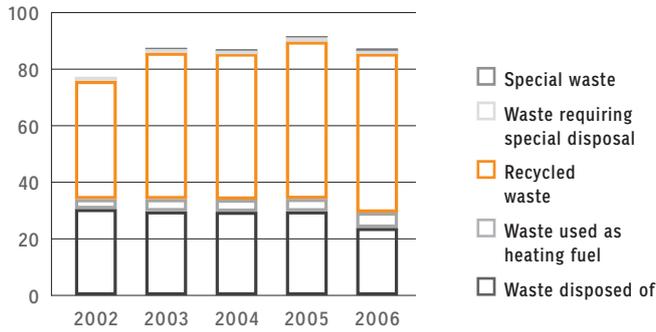
Water consumption in manufacturing companies, distribution centres, administration
in thousands of cubic metres



Specific water consumption per sales area
Only modernized sales outlets
in cubic metres per square metre

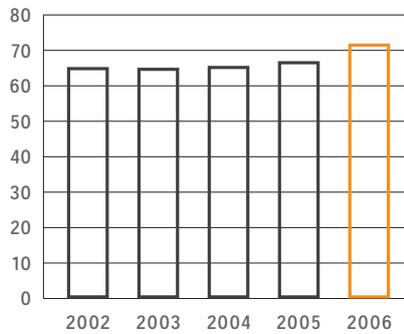


Total waste production*
in thousands of tonnes

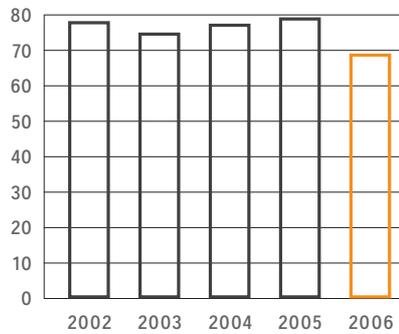


* Manufacturing companies, distribution centres, sales outlets (supermarkets, Coop City, Building & Hobby) and administration

Overall waste recycling rate
in %

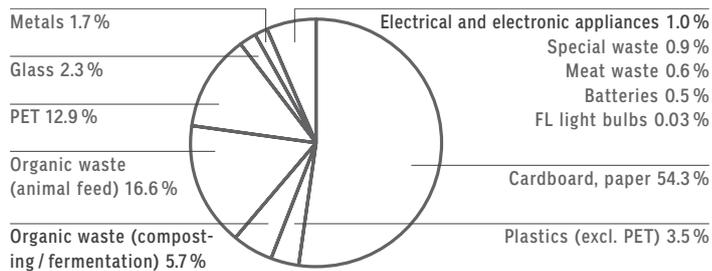


Waste recycling rate of manufacturing companies
in %



Share of recycled waste

Total: 55,906 tonnes, excluding use as fuel



the gradual closure of five old distribution centres. The distribution centres used most water to wash reusable containers.

WASTE AND LITTER

72 % of waste recycled

With few exceptions, the waste generated at Coop's sales outlets is returned to the regional and national distribution centres. At the distribution centres, all the recyclable materials are pressed and prepared for shipping. Thanks to Coop's systematic collection of waste data, the distribution centres can compare their performance with each other and negotiate better prices when selling recyclable materials. The total volume of waste leaving the distribution centres, manufacturing companies and administration buildings had increased steadily between 2002 and 2005. In 2006, it fell by 4.4 %. The recycling rate was raised to 72 %. This recycling rate includes both recyclable materials such as cardboard, paper and PET, which together account for the lion's share, as well as waste used as fuel. Less than one third of the total waste produced is not recycled at all and so ends up in the waste incineration plant. Less than 1 % of the total waste produced in 2006 had to be disposed of as special waste. It consisted mostly of residues such as grease or filter material from the manufacturing companies.

Coop provides a range of recycling options

In its Building & Hobby centres, Coop takes back customers' leftover paints, varnishes and small amounts of chemicals. For safety reasons, Coop employees accept only those chemicals that are still in their original packing. They are also given special

Prepaid recycling charge (vRG)

Working in cooperation with the Swiss Waste Disposal Foundation (SENS) and the Swiss Light Recycling Foundation (SLRS), Coop has been levying a prepaid recycling charge (vRG) on electrical and electronic equipment, energy-saving light bulbs and fluorescent tubes ever since 2002. As the funds for the individual equipment categories are now adequately stocked and the materials returned are if anything gaining in value, this charge has since been lowered significantly. The SENS and SLRS system of prepaid recycling charges is a voluntary system, which makes it all the more important that all retailers – who are in any case bound by law to take back equipment free of charge – and all manufacturers and importers take part in it.

> www.sens.ch / www.slrs.ch

training to prevent potentially hazardous situations. At its sales outlets, Coop has recycling stations at which PET bottles, reusable glass bottles, PE milk bottles, batteries, filter cartridges, whipped cream cartridges and energy-saving light bulbs can be disposed of. Customers can also return electrical appliances to the sales outlets. The Building & Hobby centres also take back fluorescent tubes.

Returns of electrical and electronic equipment have been rising steadily over the past few years. Consumers understand the value of this free service and make extensive use of it. In 2006, 13 % more electrical and electronic equipment was returned. Returns of lighting equipment and energy-saving lamps were up a gratifying 14 % in the year under review. In 2006, Coop supported Switzerland's "National Battery Collection Weeks", during which it stepped up its efforts in sales outlets to make customers aware of battery recycling. The aim was to counteract the 7 % decline in battery

PET recycling in Switzerland

Coop's sales outlets collect 7 700 tonnes of PET bottles for recycling every year. At 78 %, this recycling rate is therefore higher than the national return rate. Thanks to recycling, energy savings in the production of PET bottles of as much as 60 % are now possible. Coop's own-brand beverages are all bottled in new bottles made of 20 % to 40 % recycled PET. Besides these new bottles, recycled PET can also be used to make PET films, packaging or even textiles such as imitation fur. As a member of PET-Recycling Schweiz (PRS), Coop can guarantee a closed product cycle. Thanks to the lowering of the prepaid recycling charge as per January 2007, even more partners have now been won over to this programme. This in turn has made it possible to raise the funds required to increase the public-service contribution with PET bottle banks in schools, railway stations or office buildings and so meet – or even exceed – the mandatory recycling rate of 75 %.

> www.petrecycling.ch

collection. With regard to organic waste, there was a shift from recycling as animal feed to fermentation in the year under review. Fermentation volumes more than doubled. Coop also increased returns of PE milk bottles in 2006. The return quota is now a high 90 %. This means that a valuable raw material can now be largely recycled.

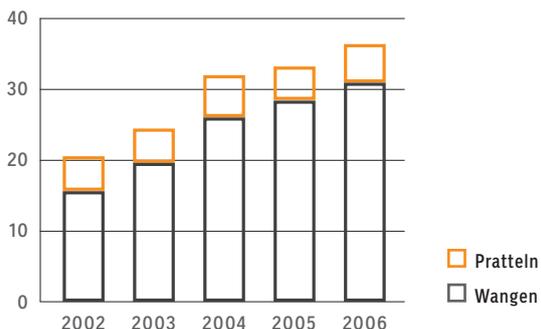
Litter becoming more of a scourge

Litter is widely perceived to be a public nuisance and gives rise to high clean-up costs as well. With its ever wider range of convenience and take-away products, the retail trade has recently been named as one of the chief culprits when it comes to creating litter. Several cities are therefore trying to call retailers to account

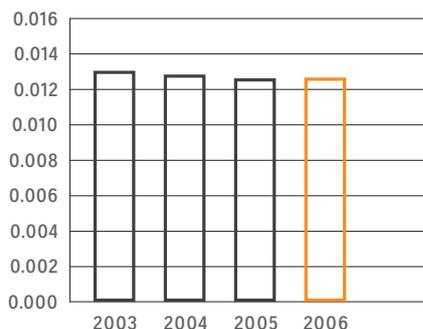
financially. Under the city of Berne's new system for levying waste disposal charges, for example, heavily frequented facilities have to pay a much higher rate per square metre than do other facilities. The Swiss retailers' organization IG DHS (Interessengemeinschaft Detailhandel Schweiz) therefore commissioned a study to ascertain what litter consists of and where it comes from; the aim was to have an objective basis for negotiations with the authorities. The study found that approximately 30 % of all litter does indeed come from products purchased from a member of the IG DHS. The equivalent figure for take-away products is 50 %. What the study also shows, however, is that retailers go to great lengths to combat litter – at least in the immediate vicinity of their sales outlets. IG DHS members also give generous support to large-scale campaigns on the part of environmental organizations. With the aid of this study, the IG DHS is now trying to establish what more the retail trade could do to put a stop to the problem of litter more effectively. Coop invests over 9 million francs a year in its efforts to combat litter.

> www.pusch.ch

Rail freight wagons transporting outgoing goods from the national distribution centres
in thousands



Specific diesel consumption by trucks
in litres per tonne-kilometre



TRANSPORT

The switch from road to rail depends on rail capacity

For several years now, Coop has been increasing the percentage of its freight that is carried by rail, with the result that rail freight now accounts for more than one third of all transports from the national distribution centres. This very sensible shift was made possible by Coop's close cooperation with Switzerland's railways. For Coop, rail freight is important mainly as a means of supplying its regional distribution centres. As the retailer with the largest network of sales outlets in Switzerland, however, Coop still has to rely on trucks for a good and economically viable system of local distribution. Compared with the tolls levied in neighbouring countries, the heavy goods vehicle charge (LSVA) levied in Switzerland constitutes a serious competitive disadvantage for retailers in Switzerland. An increase in the LSVA cannot possibly be in consumers' interests as much of it would have to be passed on in the form of higher prices. Coop would welcome the shift of still more freight from road to rail. The pressures on the main road-transport routes make this an attractive option – but it could be implemented only if there were a significant increase in rail capacity. This is limited, however, and therefore increasing the LSVA would not automatically lead to more freight being carried by rail.

More rail freight between the distribution centres

The opening of the new distribution centre in Aclens marked another milestone in the implementation of a sustainable transport strategy. All goods destined for Western Switzerland now leave the national distribution centre in Wangen by rail, saving Coop up to

3,000 truck journeys a year. Nor is this just an environmental success story; it makes sound economic sense as well. The complete switch was made possible by the newly opened station at Vufflens-la-Ville-Coop. The wagons no longer have to be shunted around a marshalling yard, which saves time and means that Western Switzerland can be supplied efficiently. Complete trains are now assembled in Wangen and reach the distribution centre in Aclens early next morning. Since 2006 – another milestone – all nationwide non-food special offers have been supplied exclusively by rail from the distribution centre in Langenthal. This was no mean feat, given that the Langenthal distribution centre is located on a narrow-gauge railway. The result, however, is a saving of some 4,000 truck journeys a year.

Coop buys new EURO5 class trucks

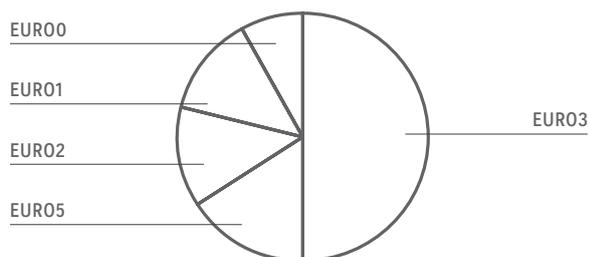
2006 saw Coop further renewing its fleet of vehicles with the purchase of 30 new EURO5 class trucks, which now account for 16% of the total Coop fleet. These trucks use between 3% and 4% less fuel per kilometre than EURO3 trucks, while their nitrogen oxide and soot particle emissions are 60% and 80% lower respectively. Coop will continue this replace-and-upgrade policy in the years to come. Most of the Coop fleet will therefore consist of EURO5 class vehicles well before the statutory deadline in 2009.

MOBILITY

Business travel using combined mobility

Since 2005, Coop has tried to do as much of its business travelling as possible by rail. The user-friendly, time-saving platform SBB Businesstravel has proved to

Class EURO0 to EURO5 trucks



be a great asset in this endeavour, one positive side effect of which has been greater booking transparency. Coop furnishes its employees with a Half-fare Card if they have to travel a lot by train. Employees at its headquarters in Basel can also purchase a concession-rate, regional public transport pass for their own private use. More than 600 individuals have already availed themselves of this offer. Employees entitled to a company car can request a Swiss Railways General Abonnement (travel card) instead. Every single one of the diesel vehicles belonging to Coop's fleet of company cars is equipped with a soot particle filter. Coop also promotes the combined mobility provided by Mobility Car Sharing: under this system, business travellers use rail for long-distance journeys, but switch to a car for shorter trips, which are likely to be more time-consuming. In an effort to reduce business travel, a video conference system is now being tested in one of Coop's sales regions.

TRAFFIC

Sales outlets must be readily accessible

Having sales outlets that are quick and easy to reach is an important factor for success. Even at the location-planning stage, Coop attaches importance to good public transport connections and accessibility for private cars. All plans for the building or modernization of its specialist outlets or larger shopping centres have to be accompanied by an environmental impact assessment. Environmental groups also have a legal right to lodge objections. In recent years Coop, like other retailers, has encountered more and more difficulties in this connection. At the urging of environmental groups, it has had to reduce the number of parking

spaces and traffic movements or has even had to start levying parking fees – in many cases at existing outlets too. This is problematic inasmuch as it discriminates against large shopping centres in favour of smaller outlets, which can provide far more parking spaces per square metre of sales area. This inequitable approach is particularly regrettable when large outlets in a certain area are obliged to levy parking fees to help finance a bus line, but small outlets are exempted from this requirement. Another problem is that of proportionality: whereas trips to the shopping centre account for just 3 % of all car journeys, recreation alone accounts for a massive 44 %. The restrictions being imposed become even more problematic when customer behaviour is analysed objectively: only a tiny percentage would switch to public transport to do their shopping if they could. If parking spaces are restricted or made more expensive, many consumers will simply park elsewhere – either in the neighbourhood, triggering additional traffic as they search for spaces, or at sales outlets that are further away.

ENVIRONMENTAL PARTNERSHIPS

Sustainable cooperation that sets an example

In 2006, the WWF Switzerland and Coop entered into a partnership committed to protecting the environment and promoting sustainable consumption. This is the first environmental partnership on this scale in Switzerland. For Coop it represents the logical continuation of its 30-year-old commitment to protection of the environment. For the performance of the partnership to be quantifiable, targets are defined for each area and checked on a yearly basis. By entering into this partnership, the WWF and Coop are setting an

example that others can follow in the field of environmental protection. As Switzerland's most sustainable retailer, Coop is naturally doing its utmost to meet the ambitious targets it has set.

Areas covered by the partnership:

- Coop has become a member of the WWF Wood Group. Its target here is to increase the percentage of FSC-certified wood and paper products and that of recycling paper in its range. Every wood product must be clearly labelled to indicate both the type of wood and where it comes from. With FSC wood accounting for at least 75 % of its entire wood sale, Coop is already a leader in this field. With regard to paper, preliminary talks with its business partners and a workshop on Coop's expectations took place. Coop is also supporting an innovative project, the goal of which is the FSC-certification of tropical forests and the development of a direct, environmentally and socially responsible product chain right down to the point of sale.
- Coop has also joined the WWF Climate Group. The participants in this new project contribute to climate protection by promoting sales of energy-efficient products, lowering their own CO₂ emissions and using green electricity. In autumn 2006, the group conducted a campaign for the promotion of energy-saving bulbs, Coop's sales of which rose by 12 %.
- Coop is a member of the "Roundtable on Responsible Soy (RTRS)", which was founded officially as a multi-stakeholder organization in November 2006. Coop, in cooperation with the WWF, is committed to making soya produced responsibly according to the Basel Criteria the standard in Switzerland within the medium-term future.

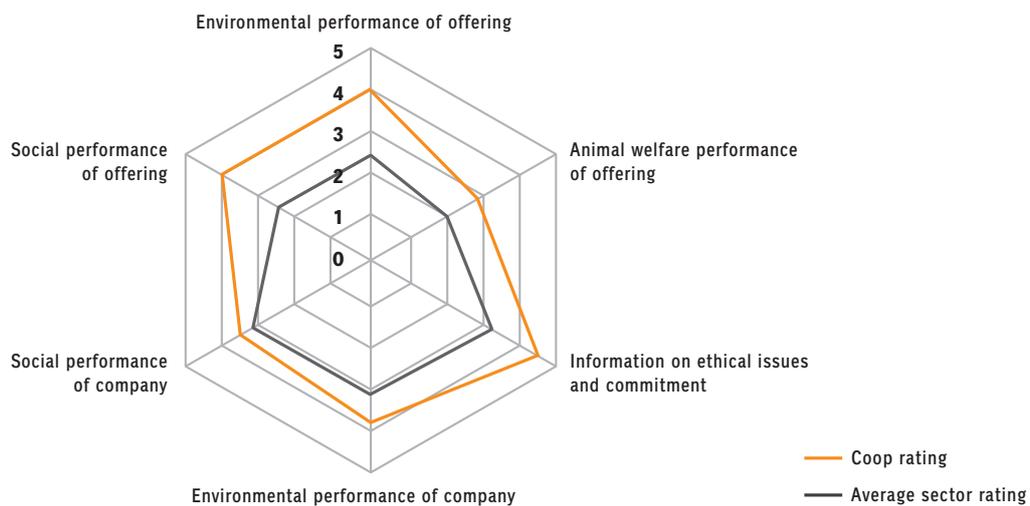
In the service of nature

The WWF (World Wide Fund for Nature) was set up as a foundation in Zurich in 1961. Its international headquarters are now located in Gland on Lake Geneva. The WWF has 55 offices on all five continents. It has 4,500 employees and 4.6 million supporters. The WWF has created two million square kilometres of new protected areas and national parks in the last ten years alone.

> www.wwf.org

- With regard to fish and seafood, Coop is a committed supporter of wild-catch from MSC-certified fisheries. In the case of farmed fish and shrimps, it gives preference to fish farms that are certified to the Bio Suisse standard. Working in cooperation with the WWF, Coop monitors the current fish offering for endangered species and tries to find alternatives.
- As a member of the "Roundtable on Sustainable Palm Oil (RSPO)", Coop also promotes the use of palm oil produced sustainably according to RSPO-approved principles.

Results of 2005 sustainability rating
by performance area



Coop performed well in sustainability rating

Coop was rated the best retailer in the sustainability rating performed by the WWF and the animal welfare organization “Vier Pfoten” in 2005. Coop outperformed the sector as a whole, sometimes by a large margin, in all performance areas. It received a particularly high rating for its range of socially and environmentally sourced products and its successful information activities on ethical issues.



Carol Marty, Guy Théoduloz and Pierre-André Bruchez
at the Aclens distribution centre



THE MOST IMPORTANT PROCESSES GO UNNOTICED – AND THAT’S A GOOD THING

Efficiency The inauguration of the regional distribution centre in Aclens marked the completion of the measures implementing Coop’s Logistics Strategy. The Aclens distribution centre came on stream in 2006 and serves the Vaud, Fribourg, Geneva and Valais regions.



The Strategy focuses on the intermediate storage of a large part of the Coop range in seven national distribution centres, while regional distribution centres supply the sales regions with fresh products and specific fast-turnover items. It replaces five smaller distribution centres in the French-speaking part of Switzerland, which were closed down in 2006.

Carole Marty, who works in the bakery as a packer, is impressed by her new workplace: “All functions are combined under one roof here, and there’s always something going on – whether it’s in deliveries, transport, the bakery or the warehouse. It’s quite something to see all the different work that has to be done before the right products can arrive on the right shelves at the right location.”

Pierre-André Bruchez is Head of Support for the Suisse Romande Logistics Region. “Aclens is a huge step forward for us. The new distribution centre means that we can vastly improve warehousing and transport processes in the French-speaking part of Switzerland. It’s like with a jigsaw puzzle: with the right piece in the right place, everything’s easier. That’s how logistics work.”

Guy Théoduloz, Head of the Suisse Romande Logistics Region, underscores the importance of logistics: “Logistics are a strategic component of our business. They’re very important for the new Coop – especially since, taking place behind the scenes, they often go unnoticed. In our logistics we’ve been able to achieve a large part of the efficiency improvements we needed to be able to lower prices further for our customers and raise delivery standards.”



STAKEHOLDERS

DIALOGUE, SHARED INTERESTS AND VALUES FOR SOCIETY AS A WHOLE

Different partners, different partnerships

The Coop Group is fully integrated in the social, economic, cultural and natural environment in which it operates and takes an active, aware and socially responsible approach

to all its stakeholders. By far the most important stakeholders are its customers and its members. It is their trust that enables a responsible, long-term business policy to be pursued and thus the success of Coop to be secured. But Coop also interacts every day in various ways with its employees as its human capital, its suppliers as its business partners and the state as the legislative and controlling authorities.

Thanks to the inclusion of a statement of added value, Coop's financial reporting also reflects the ways in which Coop contributes to society. While just a small percentage of the net value added is used to service loans and set aside as reserves, the largest share is distributed among the various stakeholders. Coop had a net value added of 3.90 billion francs in 2006.

Coop promotes customer satisfaction by taking an innovative approach to its sales outlets and it is committed to fairness in its dealings with business partners. The employee survey is a good indicator of the working atmosphere at Coop. And the Coop Naturaplan Fund has already promoted sustainability in a variety of ways.

CUSTOMERS

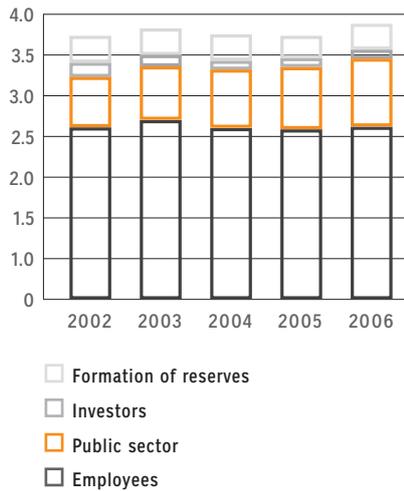
Studies show customer satisfaction

One of the tasks of Coop Market Research is to measure customer satisfaction and monitor any action taken as a result of the survey. Every year, in cooperation with a market research institute, it conducts a survey of brand strength in which it asks consumers to comment on key aspects of the different sales formats. The survey enables the trend of various image indicators and of customer satisfaction to be measured over time and with reference to the competition.

Coop in dialogue with customers

Coop also relies on qualitative as well as quantitative market research. It has set up customer forums, creating a new opportunity for engaging in dialogue with consumers and for gauging and addressing their needs even more directly. A customer forum is an approximately two-hour long, chaired discussion in which about 20 customers take part. Each forum is held in or near a sales outlet, which is also repre-

Value added distribution
in CHF b.



2006 Coop brand strength

Selected composite indicators, scale of 7 = very good to 1 = very poor

	Supermarkets	Coop City	Building & Hobby
Shopping ambience	5.9	5.6	5.9
Customer orientation in stores	5.9	–	5.5
Location / Accessibility	6.1	5.7	5.9
Friendly sales staff / Good advice	5.5	5.3	5.2
Broad, high-quality range	6.0	5.4	5.6
Attractive prices	5.7	4.9	5.4
Freshness / Health	5.9	–	–

passabene

Queuing up at the check-out desk to pay is – as customer surveys show – the most criticized aspect of shopping. The check-out procedure is one of the key factors of customer satisfaction. Coop addressed the problem of long queues in 2003 and has since made many technical and organizational improvements – for instance equipping the check-out desk with fast scanners and card terminals, improving staff shift scheduling in accordance with precise customer frequency analyses, and training check-out staff. After successful piloting, the passabene self-scanning system is now being set up in about 80 sales outlets and will radically change shopping behaviour. Thanks to passabene, customers can scan their purchases themselves by means of a hand-held scanner. After selecting the items they want, the customers hand in the scanner at the passabene check-out desk and the cashier initiates the payment process. The purchased items do not have to be removed from the shopping trolley and placed on the conveyer belt. The check-out procedure is greatly simplified and shortened. The system offers the greatest possible transparency for shoppers because the running total is always displayed on the hand-held scanner. Incidentally, Coop made a conscious decision not to opt for an unmanned self-check-out system, because with passabene, personal contact with the check-out staff is still possible.

sented at the event. By maintaining active contact with its customers, Coop aims to create confidence in the Group – and by this means enhance medium- to long-term customer satisfaction. The experience gained with the forums has been good so far. The participants obtain important information at first hand about corporate decisions and current products and services, and they also have a say in the forum, and can discuss their needs and concerns – about the com-

pany, the offering or, for that matter, the specific POS. This approach also makes the participants from Coop more aware of the customer's viewpoints and of the specific potential for improvement. The first customer forums were held in Berne, Basel and Dübendorf. In 2007, they will also be held in other towns in all sales regions.

EMPLOYEES

Coop's employees are its most important resource

Following the CoopForte merger project in 2001, the Coop Group's workforce grew steadily until 2003, largely as a result of acquisitions. In 2004 and 2005, the number of employees declined, owing to streamlining of department stores and to various process improvements and simplifications, particularly in logistics. In addition, the challenging market environment means that Coop has to regularly review and adapt all areas of personnel costs. The drop in Coop staff numbers was achieved largely through natural fluctuation, with departing or retiring employees in all sales regions and in administrative departments and logistics not always being replaced. In 2006, the headcount was stable again for the first time in several years. For a retailer that aims to offer quality, the specialist knowledge, skills and commitment of its employees are probably its most important resource. Coop will continue to be an attractive employer that can count on motivated and well trained staff.

Coop's stakeholders and what they do

Organizations	Stakeholders' main concerns	Achievements / Events 2005 – 2006
General economic conditions		
Swiss retailers' organization (IG DHS)	Political conditions conducive to retailing, in terms of both consumers and those who work in retailing	Two economic surveys on retailing; each presented at a press conference; position paper on "Cassis-de-Dijon" principle (unrestricted import of products produced in the EU under less stringent conditions) and parallel imports, study and position paper on litter
espace.mobilité	Good political conditions in the areas of transport, building and business-location policy	Press conferences; presence at various events; participation in various cantonal consultation exercises; various position papers, dialogue with the authorities
Federal Department of Economic Affairs (DEA); Customs Administration; Competition Commission; Price Supervisor	Bringing high Swiss prices into line with neighbouring countries; strengthening Switzerland as a business location; sustainable growth; real competition that benefits consumers	Discussion of parallel imports and dismantling of technical trade barriers; abolition of bureaucratic obstacles
Socio-ethical sourcing		
Max Havelaar Foundation; BioRe; Business Social Compliance Initiative (BSCI); Berne Declaration; Clean Clothes Campaign; ISCOM; Toy Coalition; Common Code for the Coffee Community (4C); Seco; German Society for Technical Cooperation (gtz); EurepGAP	Fair trade with producers in disadvantaged countries in the southern hemisphere; implementation of socio-ethical sourcing, especially of textiles and toys; promotion of sustainable coffee; improvement of working conditions for agricultural workers	Coop is one of the world's largest retailers of fair trade products; marked expansion in flowers; two workshops for suppliers on BSCI; Coop the only retailer to become a founding member of 4C; drafting of social criteria for food production; strengthening the social aspects of the EurepGAP Standard
Transparency International	Combating corruption, raising awareness among managers	Tightening of Switzerland's anti-corruption laws; tightening of internal guidelines and controls
Ecological sourcing		
WWF Switzerland; Marine Stewardship Council (MSC); Roundtable on Responsible Soy (RTRS); Roundtable on Sustainable Palm Oil (RSPO); Forest Stewardship Council (FSC); ProSpecieRara Foundation (PSR); Pro Natura	Protection of forests against overexploitation; sustainable fisheries; promotion of the production and sale of sustainable soy and palm oil, promotion of awareness and sales of FSC products, energy-saving appliances and energy-saving lamps; promotion of biodiversity and the preservation of heirloom varieties and species	Drafting and approval of the "Basel Criteria" at the initiative of Coop and WWF Switzerland; official founding of the RTRS as a member organization; first consignment of soya certified to the Basel Criteria; switch to sustainable palm oil for almost all baked goods; FSC training for sales staff; lights campaign; expansion of ProSpecieRara range; promotion of ProSpecieRara diversity gardens; standard fruit tree project
Swiss farming		
Bio Suisse; Research Institute of Organic Agriculture (FiBL); Swiss Farmers Union (SBV); Federal Office for Agriculture; Agromarketing Schweiz (AMS); Proviande; IP Suisse; SwissGAPP	Promotion of the production and sale of organic food; improving the long-term competitiveness of Swiss farming; clear positioning of Swiss products, image advertising for "made in Switzerland" products; quality assurance	25th anniversary of Bio Suisse; "planète bio suisse" project to promote awareness among young people; various research projects in organic farming and on the inner quality of produce; regular exchanges with the SBV; position on AP 2011; exploration of a possible agricultural free-trade zone with the EU; coordination of control activities; wide range of Suisse Garantie products at Coop; active involvement in the Suisse Garantie support group; presidency of Proviande; start of Swiss GAP implementation
Coop Sponsorship for Mountain Regions; Schweizer Berghilfe (Swiss Mountain Aid)	Preservation of added value in mountain regions, promoting sales of produce from mountain farmers	Launch of the Pro Montagna line; Swiss National Day "Weggen" (bread roll) campaign to raise funds for Swiss mountain farmers

Organizations	Stakeholders' main concerns	Achievements / Events 2005 – 2006
Animal welfare		
Schweizer Tierschutz (STS) and Vier Pfoten (animal welfare organizations); SVAMH (Swiss Association of Foster and Suckler Cow Breeders); IG Coop Label Porc / CLP (producers' organization); Federal Veterinary Office	Animal welfare; promotion of humane husbandry of foster and suckler cows; long-term success of Coop label meat; development of guidelines for Coop Naturafarm with partners	Drafting of Coop Naturaplan veal guidelines with STS; Coop as "Swiss Champion 2005" in animal welfare; retailer rating by WWF and Vier Pfoten; Coop as the most important buyer of Natura-Beef (approximately 90 %); expansion of organic meat; study of the impact of herd size on animal welfare
Consumer affairs		
Federal Commission for Consumer Affairs; different consumer organizations (SKS, Kf, FRC, ACSI)	Consumer-friendly legislation; more transparent value for money of products and services; bringing high Swiss prices into line with neighbouring countries	Discussion of the consumer information and protection act (KISG); transparency working group; detailed position on the revision of food legislation; discussion of "Cassis-de-Dijon" principle and parallel imports
Nutrition and health		
Federal Food and Nutrition Commission, Federal Office of Public Health; cantonal chemical officers; Weight Watchers; Swiss Nutrition Association; Diabetes Society; IG Zöliakie (coeliac-disease group); Swiss Vegetarian Union	Food safety and the prevention of misleading labelling; preventive health measures (nutrition, exercise, addictive behaviour); products for people with allergies and vegetarians, prevention of pandemics	Discussion of nutritional value labelling and health claims; revision of food legislation; pesticide residues, food safety enforcement; expansion of Weight Watchers product line: sponsorship of nutrition and exercise activities; drafting of nutritional brochures; launch of Free From and Délicorn product lines; launch of online nutrition coach
New technologies		
Publifocus on Nanotechnologies; Werkstatt Ernährung und Gentechnologie (nutrition and genetic engineering working group)	Drafting of constructive solutions involving the authorities, consumers and business representatives; public discussion of the opportunities and risks of genetic engineering and nanotechnology	Information events and brochures, raising of awareness among the authorities; discussion of animal feed labelling and evaluation of vitamins and additives produced by fermentation; call for limit values on GMO not approved in Switzerland
Environment		
WWF Switzerland	Promotion of environmentally compatible behaviour and of sustainable consumption; conservation of biodiversity	Conclusion of an environmental partnership with the subprojects Wood Group (wood and paper), Climate Group, Soy (Roundtable on Responsible Soy) and Sea Group (fish and seafood)
Swiss Association for Ecologically Aware Company Management (öbu); Pusch (Foundation for Practical Environmental Protection); Federal Office for the Environment; Greenpeace, Pro Natura; Swiss Energy	Promotion of environment-friendly products; waste reduction; raising of public awareness; energy-saving technology; shifting of freight from road to rail	Cooperation on the updating of eco-audits; financial support for "Wahre Werte" (True Values), a campaign to promote waste awareness; campaign for energy-saving bulbs
Various recycling organizations: PRS, SENS, SLRS, Ferro, Igora, Inobat, SSK; FES (waste-disposal organization affiliated to the Association of Swiss Cities)	Promotion and practical organization of recycling; calculation and administration of prepaid recycling charges	Restructuring of prepaid recycling charge (vRG) for PET, significant reduction of vRG for lighting and electrical appliances (SENS / SLRS)
Employees		
Social partners: KV Schweiz, Unia, Syna / OCTS; Association of Salaried Employees of Coop, professional organizations	Representation of employees' interests; minimum wage as a function of training; equal pay for men and women; a fair system of profit-sharing; training and continuing education, conduct of final examinations	Pay negotiations 05 / 06; collective employment agreement with generous paid leave; no work on demand, new "Verkauf.CH" retailing traineeship

Co-determination

It is important for Coop that its employees also have a say. Formal co-determination at the corporate level is based on the legal provisions and Coop's Articles of Association. An employee representative has a seat on the Board of Directors. The workforce is also represented on the regional councils and their committees and at the Delegate Assembly. As stipulated in the collective employment agreement, employee committees are active in all sales regions. Coop appreciates the valuable contribution they make to the corporate atmosphere, supports their activities and offers their members opportunities for specific continuing education.

Regular meetings with the social partners

Coop attaches importance to a good relationship and frank communication conducted in a spirit of mutual respect with employee representatives and the unions. Some 35,000 Coop employees are currently covered by the nationwide collective employment agreement. Coop concluded this agreement with its social partners, the Unia and Syna/OCTS trade unions, KV Schweiz (Swiss federation of commercial employees) and the Association of Salaried Employees of Coop, VdAC. Contractually stipulated meetings are held at regular intervals by a commission in which employers and employees are equally represented. Coop is represented by the heads of personnel at the national and sales-region levels. As a deliberate policy, Coop has no knowledge of any membership of its employees in trade unions or employee associations.

Minimum wage of 3,500 francs a month

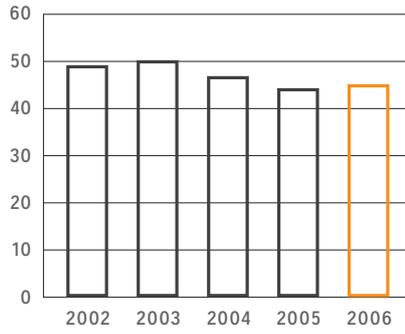
Coop has steadily increased the payroll by some 200 million francs since 2001. By 2006, the guaranteed minimum wage has risen from less than 3,000 to 3,400 francs. As a result of the wage negotiations for 2007, the present minimum wage is 3,500 francs a month, or 19.80 francs an hour. Coop has defined 3,600 francs a month as the reference wage for employees with two years' training, i.e. after a certified two-year traineeship, 3,800 for employees with three years' training and 4,000 for those with four years' training.

2007 wages –

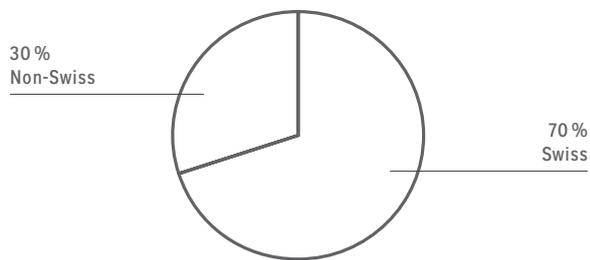
Coop boosts employee purchasing power

The 2006 wage negotiations with the contractual partners were constructive and frank. Coop increased the overall payroll for 2007 by a total of 2.5 %. All employees with a gross monthly wage of less than 4,500 francs were awarded an additional 100 francs a month. This measure ensures systematic improvement of the lower-pay segments, in which large numbers of female staff are employed. Of the overall payroll increase, 0.5 percentage points were reserved specifically for increases in the pay of female employees. The remaining employees have received individual, performance-based pay increases. As a token of appreciation for their dedication, all employees also received a bonus in the form of shopping vouchers in January 2007. All Coop employees benefit from the many staff discounts such as five-fold Superpoints on food items, a 10 % discount on non-food items, preferential interest rates at the Coop Depositenkasse or a 20 % discount on the purchase of Reka cheques.

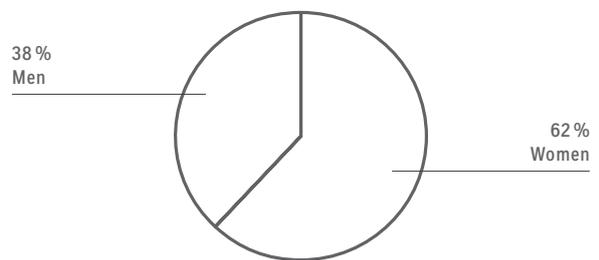
**Number of employees
in thousands**



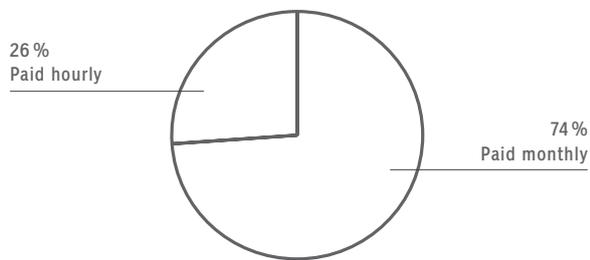
Nationality



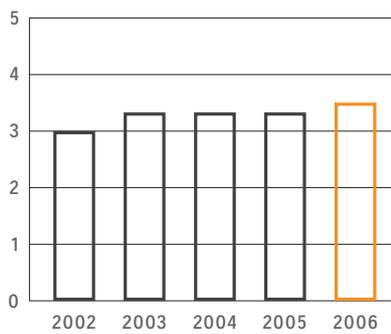
Gender



Type of employment



**Increase in minimum wage
in CHF thousands**





Angela Callà, Fabio Marinelli and Dario a Marca at the Coop supermarket in Tenero



PRODUCTS ARE ONLY AS GOOD AS THE SKILLS DEPLOYED IN SELLING THEM

Skills Coop invests over 60,000 working days a year in the training and continuing education of its employees. Professional training of sales staff by the sales regions accounts for a large part of this investment.



Such training includes, for instance, the special course on dairy produce for the respective section heads at the Ticino sales outlets. This course is not restricted to the classroom. Participants also do practical work in the sales outlet and visit an external partner of Coop – to see where the products come from, how they are produced and what they require in terms of transport, storage and display.

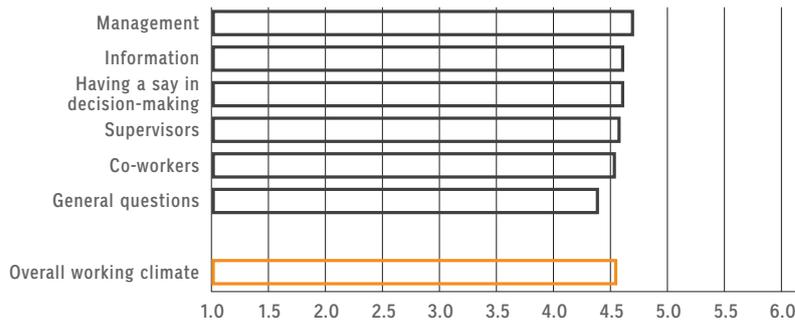
Fabio Marinelli organizes, coordinates and, as a trainer, leads a wide range of professional courses in Ticino. “For me the main thing is for section heads to be able to put themselves in the shoes of their customers from time to time and consider what these expect of the section and what their specific requirements are.”

Dario a Marca is a special advisor on dairy produce for the Ticino Sales Region. “The professionalism of the sales staff – and, hence, their training – is a decisive factor. After all, dairy produce is very challenging in terms of storage and presentation. We focus especially on the flagship labels. Obviously, in this demanding area we want to be sure that we can always answer any customer queries professionally!”

Angela Callà, Head of the Dairy Produce section in Bellinzona Centro, also appreciates the opportunities for training because of the exchanges involved. “It’s always interesting to see how the others do things. A course like this is also good for motivation. Work is simply more fun if you can offer customers not just good products but also professional advice.”



Results of 2006 Veritas employee survey
1 is the lowest rating, 6 the highest



Customer-friendly staff as training goal – “Accueil”

Two years ago, Coop City instituted special training called “Accueil” for sales staff. It is aimed at differentiating Coop from the competition by its enthusiastic, customer-friendly staff. The participants underwent a training course consisting of four two-hour modules to become “Accueil people”. “Accueil people” are genuine, attentive, helpful. And they are motivated to consciously fill their role as sales experts. “Accueil” – which is French for “welcome” or “reception” – does not provide traditional sales courses so much as behavioural training. The staff set themselves goals for the day and organize themselves so that they can spend as much time as possible with customers, making these the absolute focus of their activities. The programme has now been completed and is largely integrated into Coop’s corporate culture. A number of specific “Accueil” elements have been deliberately retained, for instance the ongoing collection of suggestions for improvements or the regular selection of “Best performer”.

Veritas – second employee survey since 2002

In spring 2006, Coop carried out the second Swiss-wide “Veritas” employee survey (the first one was in 2002). Some 39,000 employees of the entire Coop Group were given an opportunity to express their views on specific topics such as management, supervisors, co-workers, information, having a say in decision-making, and on more general topics. The response rate was a good 50.5 %, about 10 % higher than four years previously. Employees were able to rate their workplace on a scale from 6=very good to 1=very poor by answering a number of questions. The survey yielded an overall average rating of 4.56 for the Group as a whole, while ratings of the individual topics ranged from 4.71 to 4.40. In other words,

general employee satisfaction was slightly greater than in the 2002 survey.

Well structured enterprise, increasingly hectic pace

Overview of the survey findings: Coop is basically perceived as an enterprise with clearly defined structures, the working climate is considered to be pleasant and employees feel well supported by their co-workers. Coop’s goals and philosophy give employees the feeling that their work is important. They endeavour to work to a high standard. They point to potential for improvement in the feedback culture, indicating that they would appreciate more recognition, praise or encouragement. They would also like to have the opportunity of greater involvement. They perceive the growing pressure and increasingly hectic pace of work as negative factors.

As in 2002, when the outcome led to specific action being taken, the latest survey is not an end in itself but is aimed at improving the working atmosphere and employee satisfaction. The initial findings have therefore already been taken into account in the 2007 goal-setting process.

Trainees for 23 occupations

In the year under review, Coop invested about 1 % of net sales in training and continuing education. To help combat growing youth unemployment, Coop decided to raise the number of traineeships stepwise by 2008. At the end of 2006, the workforce included 2,323 trainees – 306 more than in the previous year. The aim in 2008 is to have a total of 2,500 traineeships in 23 different occupations. Most trainees are engaged in the new basic sales traineeship “Verkauf.CH”, which Coop played a key role in developing and which aims to make

working in sales more attractive. They will qualify either as a certified retail assistant after a two-year training period and / or as a retail specialist after three years of training. Coop also provides traineeship in the commercial field, IT and different technical occupations, particularly in logistics. As it is increasingly difficult for training managers in the sales regions to find enough candidates that meet the requirements, a number of traineeships remain vacant every year. In 2006, however, suitable candidates were found for virtually all positions. Training at Coop is as popular as ever. Some 70 % of trainees will continue to work at Coop after completion of their traineeships. Coop offers certified two-year traineeships in logistics as well as sales; these traineeships are suitable for young people whose strengths are more practical than academic.

Continuing education

In 2006, Coop offered its employees about 50,000 internal training days of continuing education, plus external courses on a similar scale. The new Training Strategy 2010+ was approved in the year under review. It sets priorities in the areas of professional training, system and process training, leadership training and career and personal development programmes.

The focus of professional training will be on actively promoting on-the-job learning. Line managers with responsibility for training will receive the necessary support, and professional training will be more decentralized and geared to specific shop formats.

The aim of system and process training is to bring knowledge of processes and systems know-how into line with the requirements of everyday work, in accordance with the needs of specific target groups.

Coop supports child care

Coop grants 16 weeks of maternity leave to employees from their sixth year of employment at Coop. It also endeavours to offer employees part-time jobs after their maternity leave. Whenever there are appropriate vacancies, it encourages the subsequent return to work of mothers who have brought up their children. 2007 will see the start of the "Coop Child Care" programme, which helps single parents on low incomes to meet the cost of external child care.

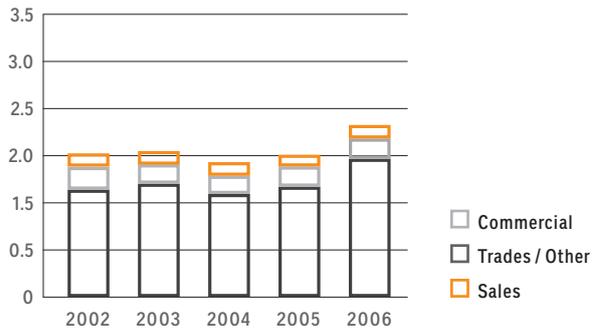
Leadership training will concentrate on certain techniques for developing core leadership skills in line managers. Efforts will above all be directed at promoting "learning from one another", for instance through the organized exchange of experience, or through learning partnerships and group coaching.

Lastly, the career and personal development programmes will include seminars for sales staff moving to senior posts. Talented administrative staff can participate in the "Move" personal development programme, which fosters business skills and methodology know-how.

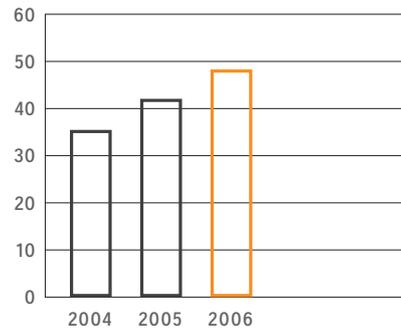
Promoting personal development

Whatever their level, virtually all employees receive twice-yearly feedback on their performance. In a one-on-one appraisal of goals and performance with their supervisor, their personal development is discussed and any action required is defined. For members of the different executive grades, the extent to which they have achieved their goals is a co-determinant of profit-sharing. The only employees who are not subject to a performance appraisal are those on fixed-term contracts. All new employees are, after the three-

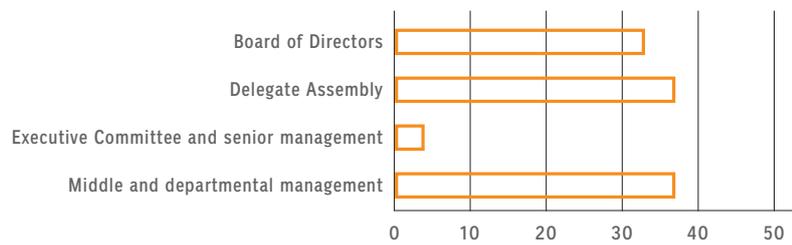
Number of trainees
in thousands



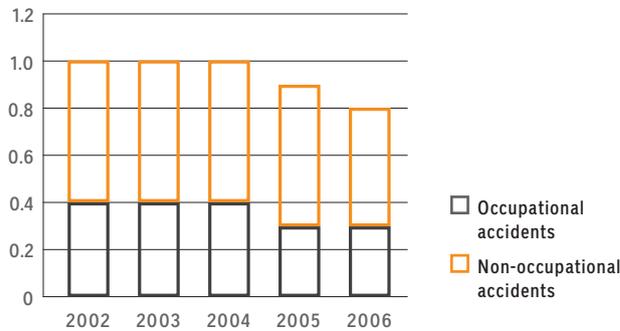
Internal training and continuing-education days
in thousands of participant days



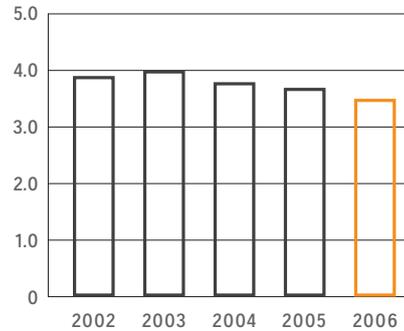
Women in board and management positions
in %



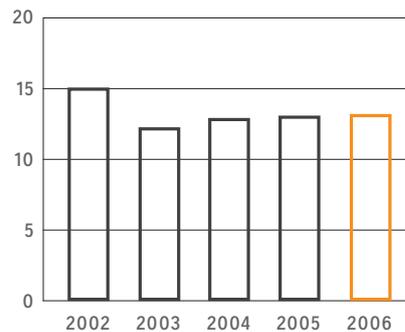
Accident rate
Absences as % of total working days



Sickness rate
Absences as % of total working days



Employee turnover
Percentage of total salaried employees
leaving per year



month probationary period, invited to a meeting with their supervisor to discuss their progress to date and to see what action needs to be taken to promote their personal development. In the retail trade more than in most sectors, young employees, particularly in sales, benefit from the speed at which they can assume responsibility and make a career.

**Equal opportunities –
integration into working life is the key**

Coop works together with specific social service authorities and regional job-seeking centres to offer individual posts that enable long-term jobless persons to be reintegrated into the labour market.

At the end of 2006, the workforce included some 370 people on disability, working at Coop on a part-time basis. Coop cooperates in various areas with the state disability-insurance authorities to provide fixed-term jobs for people with long-term illnesses.

In Basel, Coop is participating in the pilot project “Traineeships instead of youth unemployment” of the Schule für Brückenangebote, a school organization that seeks to bridge gaps in training: young people who have not yet found an apprenticeship are given an opportunity to complete a full-time one-year traineeship, with the possibility of subsequent integration into working life if they do well. Coop is backing a similar project in the French-speaking part of Switzerland.

Single-case management of absences

After a steady increase in absenteeism due to illness or accidents, Coop took the necessary action in 2004 and introduced an absence management system. Absences are now examined, contact is maintained with the employees during the absence period and the absence is discussed on their return to work. The line

managers involved in the process receive support from the personnel departments. In problem cases, Coop’s social services department may be called in to help find solutions. In addition, Coop provides special training for all supervisors, including a course on conducting problematic discussions.

A national work safety group has been set up to coordinate Coop’s measures to prevent accidents and occupational diseases and to promote preventive healthcare. It organizes training and continuing education courses and conducts two campaigns a year on specific work-safety topics.

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. Equality

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

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 at times of excess supply 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 or abet tax offences.

BUSINESS PARTNERS

Reciprocity

Coop cooperates with more than 3,000 suppliers, which it deliberately treats as business partners rather than mere suppliers. And it has 150 or so strategic business partners with which it cultivates an intensive dialogue aimed at joint development of markets. Coop's business partner rating system provides the basis for the continuous further development and deepening of these business relations. Besides sales figures, the rating also takes factors such as reliability of deliveries, quality shortcomings or innovation into account. Coop attaches great importance to fair, long-term relations that enable reciprocal services to develop to the satisfaction of both parties.

With the CoopForte merger project in 2001, Coop initiated a long-term programme aimed at improving competitiveness and gaining market share. The business partners were required to grant Coop a sales-based "CoopForte bonus" in return for the above-average services Coop provided. After a long investigation, the Swiss Competition Commission dismissed the charge that Coop was abusing its dominant market position. It came to the conclusion, based on a survey of all of Coop's business partners, that the bonus was justified by Coop's demonstrably value-adding services and possible cost-savings due to streamlining of processes. CoopForte has paid off – customer frequency has been improved and new market share acquired. Coop's suppliers and business partners also benefit directly in the form of higher sales.

Coop Natura Prize 2006 to innovative, responsible business partners

Coop awards its Natura Prize every two years to single out particular achievements of its business partners in the form of outstanding products or market services and to reward commitment to Coop's environmentally and socially responsible flagship labels. The prize, which is worth a total of 100,000 francs, was presented to three winners at the Business Partner Conference held in September 2006: Holz Zollhaus AG in Schwarzsee is one of the Swiss wood industry's most innovative companies. It has been providing building wood for sale under the Coop Oecoplan label at the Building & Hobby centres since 2001. The former saw-mill uses FSC-certified wood almost exclusively and is the first European company to have been granted the natureplus label.

Brauerei Locher AG in Appenzell pioneered the development of the first organically produced wheat beer for Coop Naturaplan. The brewer's beer – which Coop has stocked since 2003 – is not only of the best Swiss quality, but is also a pleasure to drink.

Traxler AG Strickwarenfabrik, Bichelsee, has made a strong contribution to the development of Coop Naturaline fashion-wear thanks to its creative collaboration with Coop. The knitted-goods company's high ecological production standards embody its pioneering spirit and its commitment to the environment.

Transparency ...

Coop has renegotiated terms and conditions with all its business partners on the basis of annual uniform prices, thereby demonstrating the importance it attaches to the business principle of transparency. Compared with the previous situation, when the prices for every special offer had to be negotiated separately, this new approach creates greater certainty for both

sides. Improved transparency will also result from the bi-annual Business Partner Conference, at which the Executive Committee provides a frank insight into Coop's future strategies. This is particularly important for providers of branded articles, now that the platform for such items has been further diminished by the disappearance of PickPay from the Swiss market.

... and fairness

Coop has implemented training courses for buyers from all divisions in order to emphasize the tighter provisions of the revised antitrust law with regard to sourcing operations. An easy-to-understand brochure tailored to everyday retail requirements will help employees in cases of doubt. In addition, Coop has streamlined procedures to such an extent that potentially critical agreements are always subjected to prior scrutiny by its Legal Service. Following the introduction of tougher provisions against active and passive bribery under Swiss criminal law and their extension to companies in the last few years, Coop has further tightened its monitoring of compliance with existing internal guidelines. As a member of Transparency International, Coop has long been sensitized to the problem of corruption and will give it even more importance in the training of its buyers.

POLITICS AND THE AUTHORITIES

Coop states its position

Every year Coop states its position on an average of five draft laws – some of them extensive – and just under 10 new ordinances. In 2004, the Consumer Information Law (KISG) and the new legislation on chemicals entailed major consultation exercises. In

2005, the headliners were the revision of the right of associations to appeal against new development projects in the Environmental Protection Act and the large-scale package of measures resulting from the “AP 2011” agricultural policy. The focus in 2006 was on various ordinances concerning labelling and the regulation of Alpine and other upland produce or the products of free-range chickens in the context of avian-flu warnings.

Coop uses the opportunity to state its views in order to bring its specialist knowledge to bear but also to draw attention in good time to possible enforcement problems. One of its major concerns is the need for EU-compatible regulations, because divergent product and labelling rules can lead to new technical trade barriers and then to higher prices. Coop is concerned about the trend it perceives towards cantonal divergences in the regulations governing protection of the young, in restrictions on advertising or bans on smoking. In the absence of any national overview of the

Dialogue with the authorities

Coop attaches great importance to the avoidance of congestion and to clean air and vibrant town and village centres. It has therefore teamed up with other investors to create the “espace.mobilité”. This organization uses studies, lectures and participation in discussions with the authorities to draw attention to the causal relationships between spatial development and traffic volumes. espace.mobilité takes part in cantonal hearings on local master plans and on legislation pertaining to building and planning. It also engages in constructive dialogue with the authorities at both federal and cantonal level.

> www.espacemobilite.ch

different cantonal regulations, the time and energy a Swiss-wide enterprise like Coop has to invest in the matter is very great.

Representing the interests of Swiss retailing

Coop is politically neutral and does not support any political party or any parliamentarians with donations. It does, however, cultivate informal exchanges of ideas with a number of parliamentarians and draws attention to the implications of specific parliamentary business for the retail trade. In the process, Coop also actively promotes general conditions that are conducive to sustainable consumption. Since 2006, Coop has been a member of IG DHS, an interest group that seeks to improve operating conditions for the Swiss retail trade. IG DHS concentrates on areas such as duties and taxes, or bringing high Swiss prices into line with those of neighbouring countries by opening up new markets and dismantling technical trade barriers, or farming policy, food law and waste management and environmental regulations. The success of efforts to allow Sunday shopping at railway stations and airports in the November 2005 referendum demonstrated that the retail trade could communicate its concerns – and therefore those of consumers as well – more effectively by presenting a united front. Coop also plays an active role in various debates beyond the legislative process. It has, for instance, been involved for many years in the interdisciplinary “Nutrition and Genetic Engineering Working Group”, and has played an active role in the debate about the application and regulation of nanotechnology in the consumer-goods sector.

> www.igdhs.ch

Coop Naturaplan Fund
Funding by general topic / focus
 in CHF

	2006	2005
Sustainable agriculture and nutrition	3 230 000	2 367 000
Biodiversity and nature conservation	966 000	952 000
Renewable resources	525 000	1 281 000
Fair trade / Third World	299 000	518 000
Information and awareness	4 010 000	3 528 000
Product development	973 000	889 000
Employee information and events	–	291 000
Total	10 003 000	9 826 000

COOP NATURAPLAN FUND

Coop promotes sustainable development

The Coop Naturaplan Fund was set up in 2003 to mark the tenth anniversary of Coop Naturaplan. Coop will use it at least until 2012 to provide support to the tune of ten million francs a year for projects with a sustainability dimension. About half the contributions from the fund go to external projects of a purely developmental nature, and the other half to projects that benefit Coop itself, its customers or its business partners in the medium and long term. Since the fund was

set up, a core team has evaluated some 250 project proposals. Of these, 43 projects have received or are receiving support from the Fund. Given the growing competitive pressures, the Fund is very important because it enables sustainable projects to be implemented that would not have been commercially feasible. They include efforts by non-profit organizations to promote biodiversity, but also projects for the basic research and development of innovative products in organic farming. Coop thus promotes sustainable development in Switzerland in two ways: directly, by supporting many ecological and social projects, and indirectly, by strengthening its leadership position in environmentally and socially responsible products and services.

**Project example 1:
 bioRe demo farms**

The farmer's know-how is a key factor in organic cotton production. Hence, passing on this know-how is also the key to expansion of the bioRe cotton projects that supply the material for Coop Naturaline. The farmers must, on the one hand, have full faith in the organic ideal and, on the other, be familiar with the principles and criteria of organic farming. The project managers only had theoretical arguments with which to communicate this knowledge. This deficit was the starting point for the demo-farms and training-centres project that the Coop Naturaplan Fund financed from 2003 to 2005. Today, Maikaal (India) and Meatu (Tanzania) each have their own training centre, where farmers are taught organic cultivation and harvesting methods with reference to practical examples, and where they also receive board and accommodation when courses last several days. The training courses are conducted by local advisors, who also look after the experimental plantations and visit the farmers in their villages at regular intervals. The training centres also offer social activities. They have been shown to foster a sense of identity and play an important role as meeting places, also – and particularly – for women.

Current projects

- Wide-ranging ecological partnership with the WWF for joint activities aimed at protecting the environment and promoting sustainable consumption, particularly of wood, electrical appliances, fish, soya and palm oil (WWF Switzerland, 2006 – 2009).
- Partnership with Slow Food to promote culinary standards and protect biodiversity and high-quality, artisan agricultural products (Slow Food Switzerland, 2006 – 2009).
- “FiBL Quantum Leap”: various projects to promote the production of organic seed, the external and internal quality of organic produce and improve the quality of organic milk (Research Institute of Organic Agriculture FiBL, 2006 – 2008).
- Promoting the use of beneficial organisms as an alternative to chemical-synthetic insecticides in the storage of cereals and foodstuffs (FiBL, Andermatt BIOCONTROL AG and Desinfecta Dienstleistung AG, 2006 – 2008).

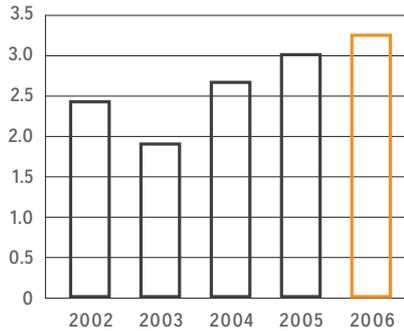
- Promoting the cultivation and seed propagation of varieties of organic wheat and organic spelt (Sativa, Genossenschaft für Demeter-Saatgut [Cooperative for Demeter Seed] and Getreidezüchtung Peter Kunz [grain producer], 2006 – 2008).
- Comparative study of the contribution of organic farming to food safety, combating of poverty and conservation of eco-systems in tropical and sub-tropical regions (FiBL, 2006 – 2007).
- Information campaigns and special offers to mark the 25th anniversary of Bio Suisse (2006).
- Award of the 2006 Natura Prize (2004 – 2012).

**Project example 2:
Naturaplan_Biogas50 – energy from farming**

Biogas technology in farming has great potential. Modern biogas plants equipped with efficient motors and catalysts could enable biogas-generated electricity to be used in Switzerland on a large scale. At present, however, an additional financial incentive is required because of the low legally stipulated price of feeding it into the power supply. This incentive is provided by the Coop Naturaplan Fund, in collaboration with the Federal Energy Office, through the “Naturaplan_Biogas50” project, which aims to contribute 50,000 francs to each of 50 biogas plants. This support will focus on community biogas plants, in which mostly Coop Naturaplan livestock farms will recycle their farmyard manure. The project will also make a substantial contribution towards reducing the problem of slurry run-off, i.e. the pollution of soil, waterways and the air as a result of animal husbandry. On the other hand, the 50 biogas plants could produce electricity to cover the needs of at least 7,000 households and reduce CO₂ emissions by 15,000 tonnes. In addition, the financial incentive offered by the Coop Naturaplan Fund could trigger more than 30 million francs' worth of investment in farms.

- “Naturaplan_Biogas50”: support for the construction of 50 biogas plants on the farms of Coop Naturaplan producers (producers, Swiss Federal Energy Office, Swiss Energy, 2005 – 2010).
- Increasing the awareness of young people about sustainability issues and models for the future. Programme of project weeks for school classes at the Future Workshop in Cudrefin and support for more far-ranging projects at home (Cudrefin.02 Foundation, 2005 – 2008).
- Project concerned with the sourcing of products from organic aquaculture (2005 – 2007).
- Various small-scale projects to promote the environmentally and socially responsible flagship labels (2005 – 2006).
- Biodiversity projects to protect highly endangered species of butterfly in five regions of Switzerland (Pro Natura, 2004 – 2008).
- Various studies to develop painless methods of piglet castration. Study of the effect of integrated veterinary stock management in the calf-rearing industry (Agroscope Liebefeld-Posieux Research Station ALP; Department of Clinical Veterinary Medicine of Berne University, 2004 – 2008).
- Development of scientific basis for organic aquaculture operations, antibiotic-free prevention / treatment methods and preservative-free food processing (Naturland – Association for Organic Agriculture, Germany, 2004 – 2007).
- Drafting of criteria for the sustainable cultivation of soya without destroying forest in Brazil (WWF, 2004 – 2006).
- Partnership with Natureplus in the field of environmental building materials (2004 – 2006).
- Development and promotion of the “Regional organic specialities” line (2004 – 2006).

**Total donations collected by
Coop Sponsorship for Mountain Regions
in CHF m.**



- Stepping up of marketing communication for Coop Naturaplan (2003 – 2012).
- Sourcing-oriented FiBL projects aimed at improving existing and introducing new organic products (2003 – 2008).
- Promotion of electricity produced from water, wind and sun under the “nature made star” label by financing the environmental added value; purchase of green electricity for Coop’s own use (2003 – 2008).
- Support for the construction of a new visitor and information centre at the Swiss National Park in Zernez (Swiss National Park, 2003 – 2006).
- Information and product development for ProSpecieRara products (2003 – 2006).
- Support for ProSpecieRara diversity gardens, orchards and Ark farms in Switzerland (ProSpecieRara, 2003 – 2006).

- “planète bio suisse”: experience-oriented visits to organic farms for school classes, group activities aimed at promoting understanding of organic farming and consumer behaviour, development of corresponding teaching material (Bio Suisse, 2003 – 2006).

COOP SPONSORSHIP FOR MOUNTAIN REGIONS

A future for mountain farming

Coop Sponsorship for mountain regions is a cooperative society with 22,000 members and a ZEWO-certified aid agency. It supports mountain farmers and their families by providing top-up project financing if they lack capital for major investments such as modernization or conversion work. By its efforts Coop Sponsorship safeguards the future of many upland farms in Switzerland’s mountain regions. In many cases, it works closely with other aid agencies. It is financed both by its members and by private donations. As the administrative costs are borne entirely by Coop, every single franc donated can be used for aid purposes. In 2006, Coop Sponsorship launched two fund-raising drives and the traditional annual Swiss National Day “Weggen” campaign (involving the symbolic donation of a bread roll on 1 August) at Coop supermarkets. For every roll sold in this campaign a specific sum – which was then doubled by Coop – went straight to the projects being supported. In 2006, Coop Sponsorship received donations worth about 3.3 million francs and supported 106 projects.

Reviving Alpine farm businesses in the Valais

The takings from the 1 August “Weggen” campaign were passed on to the Alpagnes Chandolin in the Val d’Anniviers. Thanks to Coop’s support, this historically valuable mountain cheese-maker can now continue operating. But modernization work urgently needs to be done if it is to comply with animal-welfare and water-protection standards. This work will begin in spring 2007 and will include the livestock housing, accommodation, water catchment tanks and the main building, which was built in 1947 and contains the cheese-making plant. Coop Sponsorship provides similar support for the revival of Alpine farms on the Ossona-Gréféric plateau in Saint-Martin in the Val d’Hérens, which have been largely abandoned over the last few decades. The aim is to open up these hamlets to tourism in an environmentally friendly manner and to offer accommodation to passing ramblers.

SOCIAL COMMITMENT

Uncomplicated assistance and donations

Coop invests large sums in a wide range of different charitable and non-commercial projects in Switzerland. It also often provides often swift and unbureaucratic support in the event of natural disasters and storms all over the world. In the areas of environmental protection, sustainability and fair trade, this assistance stems primarily from the Coop Naturaplan Fund. Sums generally amounting to about one million francs a year are donated to social projects. The six regional councils each spend 50,000 francs a year on social projects. For instance, they support the two organizations “Schweizer-Tafeln” (Swiss Tables) and “Tischlein deck dich” (Table Be Set), which collect unsold food from Coop stores and pass it on to people in need. The “2 x Weihnachten” (Two Times Christmas) campaign also benefits regularly from Coop: between Christmas and New Year 2006, the Swiss Red Cross collected – for the tenth year – donated parcels of unused Christmas presents and distributed them among children’s day-care centres, nursing homes and income-support recipients in Switzerland and disadvantaged people in Romania, Belarus, Moldova and Bulgaria.

> www.schweizer-tafeln.ch / www.tischlein.ch

SPONSORSHIP

Sponsorship invests the brand with emotions

Coop’s approach to sponsorship is based on the values enshrined in its corporate profile, with a focus on the mission factors of dynamism and enthusiasm. The intention is for the Coop brand and the different range lines to benefit from targeted image transfer.

Beach volleyball, for instance, stands for enthusiasm, zest for life and dynamism. Thanks to Coop sponsorship of beach volleyball events, these emotions are transferred to the Coop brand. Coop is the title sponsor of the “Coop Beachtour”. It supports both top players and beach volleyball as a popular sport and backs projects aimed at popularizing the sport in schools.

Eco-aware consumers also appreciate the experiences that nature offers. For instance, they enjoy taking part in an unforgettable cross-country skiing marathon along with thousands of fellow enthusiasts. Thanks to its sponsorship, Coop makes this possible. People who live a healthy life and would even like to shed a few pounds are now going in for nordic walking. Coop is present wherever large numbers of people gather to engage in this sport.

Culture for families and children

Coop attaches particular importance to projects aimed at young families and children, which Coop regards as a very important target group. When selecting projects, it focuses on topics such as nutrition and physical exercise, but also on the mission factor “enthusiasm” that is enshrined in the corporate profile – enthusiasm for, say, the children’s musical “Pippi Longstocking in Taka Tuka Land”. Coop is to further expand its sponsorship of activities for children.

Coop also seeks image transfer from cultural events designed for a broad public, such as musicals, concerts or open air festivals. In the year under review, for instance, the musical “We will Rock you” at the new Theater 11 in Zurich met with an enthusiastic response.

REPORTING IN ACCORDANCE WITH GRI GENERALLY RECOGNIZED GUIDELINES

This Business and Sustainability Review, together with the Financial Report, is designed to provide the fullest possible information on the economic, ecological and social performance of the Coop Group.

The reporting is based closely on the indicator list of the Global Reporting Initiative (GRI). The GRI is an international organization that draws up generally recognized guidelines for sustainability reporting.

In the present set of reports, the outline of the Coop Group's sustainability performance is not broken down by GRI indicator but by the most important areas in which Coop is active, with a view to making the publication more readable and in order to clearly signal Coop's priorities and interests. On key points, the reporting goes further than GRI requirements.

On Coop's website a detailed overview shows where and how the present reports provide information on GRI indicators.

> www.coop.ch/nachhaltigkeit

> www.globalreporting.org