Coop Group

2007 SUSTAINABILITY REPORT

SUSTAINABILITY HIGHLIGHTS OF 2007

Coop Group

The Coop Naturaplan Fund is renamed the "Coop Sustainability Fund" and will have an annual sum of CHF 15 million at its disposal.

Despite increases in the prices of many raw materials, Coop is able to lower its overall prices by 1.6 %, thanks in part to Coopernic, the European purchasing alliance.

Partners in Finland and France add textile goods produced under the Coop Naturaline label to their ranges.

The new, expanded collective employment agreement includes paternity leave and, for employees aged over 63, eight weeks of paid leave.

Rapper Stress sings "On n'a qu'une terre" (We've got only one Earth) as part of an advertising campaign to encourage people to take more responsibility for the environment.

Products and services

Coop switches paper products with a sales volume of CHF 20 million to the FSC label.

Products from particularly humane animal husbandry are offered under the Coop Naturafarm label.

The new JaMaDu line promotes a balanced diet for children.

Coop expands its range of energy-saving lamps and cuts prices sharply.

The new Pro Montagna label promotes added value in mountain regions.

Environment

Coop offsets the CO_2 emissions of all business trips, air freighting of goods and transport generated by coop@home.

The first Minergie sales outlet opens its doors. All new sales outlets are to be built to the Minergie low-energy standard.

As the first member of the WWF Seafood Group, Coop dispenses with the sale of acutely endangered fish species.

Coop takes part in the campaigns of the WWF Climate Group to promote the use of energy-saving lamps and energy-efficient appliances.

After widening the scope of the Guideline on Wood and Paper Products, Coop gradually switches entirely to FSC paper for internal use and in advertising.

Stakeholders / society

Coop increases the number of traineeships to over 2,700 – about 40 % more than in 2004.

The Coop food profiles on 1,000 products and the Online Coach provide information and tips on a well-balanced diet.

The Coop member press publishes a special issue on sustainability and dedicates a weekly page to it entitled “ecological and fair”.

Coop helps draw up a code of conduct to provide protection for the young from certain categories of DVD and video.

The Coop Child Care project provides single-parent employees with financial support for child care.

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INTERVIEW

WE CAN NEVER REACH OUR GOAL

Anton Felder, Chairman of the Board of Directors, and Hansueli Loosli, Chief Executive Officer, got together at Coop's first Minergie-standard supermarket in Schönenwerd on 22 January 2008 to address topics such as sustainable development, the future of Coop and the contents of their own fridges.

Jean-Christophe Aeschlimann and Franz Bamert from Coop Member Press conducted the interview.

Coop was successful with its offering of sustainable products in 2007. Sales of organic foodstuffs grew by 8 %, while organic textiles were up 13 %. What's behind this marked growth?

Anton Felder: The disproportionate focus on prices over the last few years had pushed aspects such as the value and the additional benefits of products onto the sidelines. The price issue has now been reduced to a level that it merits, and more importance is being attached again to the key issue of sustainability. People in Switzerland are particularly responsive to questions concerning the preservation of valuable living spaces and unspoiled nature. This sensitivity has certainly been strengthened by the publication of the UN report on climate change. In addition, Coop has further stepped up its efforts as a leading marketer of environmentally responsible and humanely produced products.

What does Coop do to stand out from the competition?

Hansueli Loosli: We offer quality and credibility. On foodstuffs and agriculture, for instance, we cooperate closely with Bio Suisse and our organic food products are consistently awarded the organization's bud label. And also the other labels such as Coop Naturafarm are monitored by independent organizations. On top of this, we offer added value at various levels. We're the only retailer that donates twelve or more million francs a year from a sustainability fund to projects that promote sustainability in Switzerland and abroad. With money from the fund we also offset carbon emissions caused by any air-freighting of goods and any business trips on the part of our employees.

So what's next? What can still be done?

Anton Felder: There's still a lot to do. In global terms, we're just in the early stages of a solution-oriented process of sustainable change. Coop's importance in Switzerland is such that the Group is both obliged and determined to take on responsibility. At the moment, reducing fuel and energy consumption is a major topic. The savings targets have already been defined. We're currently funding 50 biogas plants on innovative farms. We can conceive of using such plants at our distribution centres, too. All new supermarkets are to be built to the Minergie low-energy standard, as here

in Schönenwerd. Action will also have to be taken with regard to packaging materials. We're engaged in a wide-ranging sustainability partnership with WWF that is unique in the retail sector. This will certainly generate new ideas.

And what's happening in the sales outlets?
Hansueli Loosli: First and foremost, we'll be maintaining our dense network of stores in the next few years. For social as well as economic reasons. The network will also always include small supermarkets in remote areas. As a retailer, we want to be close to our customers. Energy consumption in the sales outlets is a much discussed topic. This must and will be reduced. Recycling is also important to Coop – it's something we do very systematically.

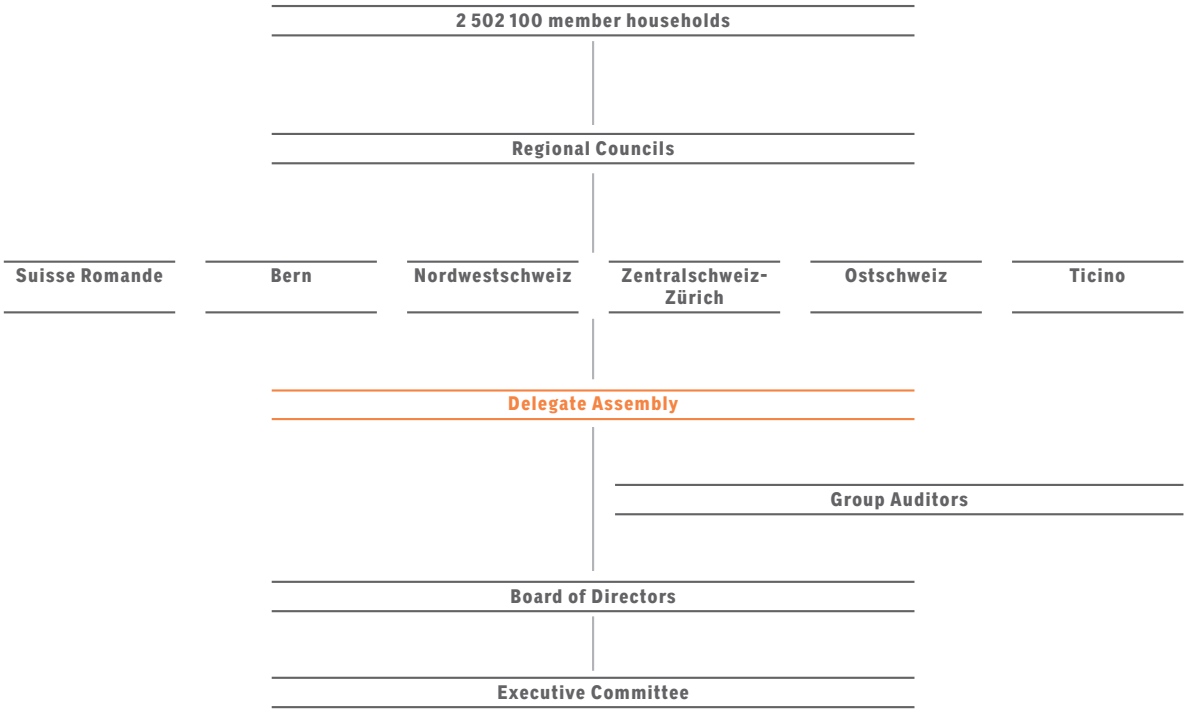
Can Coop influence or even shape consumers' attitudes towards sustainability?
Anton Felder: We're focusing on products & services and on the provision of information to the customers. We want to offer people choices that enable them to shop and behave in a way that is sustainable. It's always up to the individual to decide whether or not to take advantage of these opportunities. What counts is that we retain our credibility and that we set an example as a company.

What role do the employees play in sustainable development?
Hansueli Loosli: Our employees are one of the cornerstones of sustainability at Coop. That's something that has also evolved over time. Many were sceptical to start with, and there was a repeated need for persuasion, training and special events. But these efforts were successful in the end, and now Coop's employees are the most credible ambassadors of sustainability.

Does the assumption of responsibility for environmental and socio-ethical concerns always pay off commercially?
Hansueli Loosli: Yes. Ecology without economic viability is not possible. Economic viability and ecology are therefore mutually dependent, and this interdependency grows with tine. And prudent management of finite resources is also a social task. But it's a long haul, and the rewards can often be reaped only years after the seeds have been sown. Take the organic cotton textiles of Coop Naturaline, for instance: They certainly didn't make a profit from day one. They're making money now, but they're also creating well paid jobs in a healthy environment for thousands of people in India and Tanzania.
Anton Felder: Companies are being increasingly judged by the extent to which they accept responsibility for the social consequences of their decisions. Our decisions always take sustainability concerns into account. And this means sustainability in the broadest sense. We want the Coop Group to go on developing successfully for a long time to come, while also satisfying demanding socio-ethical and ecological conditions.

What about sustainability in your own personal environment?
Hansueli Loosli: Look, even my socks (lifts up his trouser legs as proof) are from Naturaline! And everything in our fridge is organic anyway. That's not just for sustainability, it's also what we enjoy. Organic products simply taste better. Fifteen years ago, we didn't even know there were such things as energy-saving lamps. Now it's absolutely normal to use only energy-saving lamps and appliances.
Anton Felder: When I started at Coop over thirty years ago, protection of the environment was already enshrined in the articles of association. With this "constitutional" basis to lean on, I was increasingly able to develop and drive forward my personal convictions about environmentally responsible and animal-friendly methods of production. This commitment is, of course, reflected in my personal life as well. I attach particular importance to sustainably produced products, particularly in the food and textiles sectors. But if I take a critical look at myself, I find I still have a considerable way to go. It's pretty obvious that we can never reach our goal because there's still so much to improve. Both at Coop and at the personal level.

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

Chief Executive Officer

Hansueli Loosli

Members of the Executive Committee

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

The Coop Group's Executive Committee at its meeting of 25 February 2008 in Basel

1 Hansueli Loosli
2 Rudolf Burger
3 Hans Peter Schwarz
4 Jürg Peritz
5 Leo Ebneter
6 Jean-Marc Chapuis

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COMPANY PROFILE AND ACTIVITIES

RESPONSIBLE OFFERS AND SERVICES – AND SUPPORT FOR GOOD IDEAS

Coop's commitment to sustainability is integrated into its core business. Coop sets specific goals and audits the extent to which they have been achieved. The upgraded Coop Sustainability Fund supports sustainable activities in a wide range of fields.

SUSTAINABILITY WITHIN THE COOP GROUP

This is the only world we have

Retailers have a twofold responsibility for sustainability. Besides being responsible for the successful, long-term development of their company, their choice of business partner and their range of products play a crucial role in achieving a level of sustainable consumption. The more the consumers in Switzerland and the rest of the world know about the environmental effects of the products they buy and the more they apply this knowledge to their consumption decisions, the greater is the potential for environmental protection and ethical behaviour. Coop has therefore invested in raising awareness about sustainability, drawing attention to our joint responsibility in advertisements, posters and brochures. A TV commercial in which the rapper Stress sings about taking more responsibility for the environment against the backdrop of the dry bed of the almost extinct Aral Sea attracted particular attention. And the Coop member press, which is read by some 2.4 million households, has reserved a double page in the most prominent position for sustainability issues.

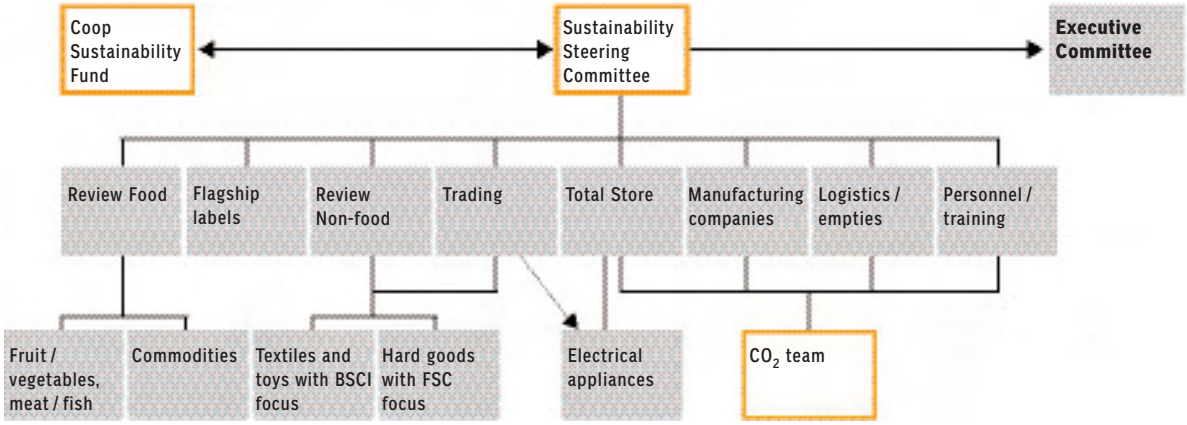
Clear labelling of air freight

Coop's decision to identify all products transported by air freight with a special "By Air" label and to offset the associated CO_2 emissions in future has attracted considerable attention in Switzerland and abroad. It immediately triggered three positive developments. Clear labelling enables consumers to decide consciously for or against air freighting of goods. In addition, wherever possible Coop studies the potential for shifting freight from air to sea / river, and, finally, it offsets the remaining CO_2 emissions by promoting renewable sources of energy.

Greater awareness of sustainability at Coop

Rising prices for energy and raw materials, increased government regulation or financial incentives and greater awareness among both customers and employees have resulted in more importance being attached to environmental protection and sustainability issues in the Group. After the Executive Committee had approved the 14 sustainability principles in 2006 and made them binding throughout the Coop Group, the emphasis in 2007 was on making them known to employees. Another important step in institutionalizing environmental and social topics is the revised definition of Coop's missions: enthusiasm, ecology

Sustainability Steering Committee



and ethics, dynamism, innovation and profitability. The newly formulated mission "ecology and ethics" has led to sustainability topics being incorporated in the annual goal-setting process. This means that these goals are accorded the same significance in Coop's everyday business as the commercial goals. Coop does not view sustainability as an end in itself, but as a contribution to cost management, to setting Coop apart from its competitors and to safeguarding long-term sourcing.

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 Montagna 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 Sustainability 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.

Social and environmental management

The Sustainable Sourcing Steering Committee has been replaced by a Sustainability Steering Committee in which all business units are represented. This committee supports and monitors the implementation of Coop's sustainability targets within the Coop Group. This will be addressed, and also communicated, by a greater groupwide focus on ecological concerns in building standards, logistical improvements, mobility choices and the implementation of Coop's CO_2 reduction targets. As a result, important decisions will also be reflected in the relevant, generally binding guidelines.

GOALS, GOAL ACHIEVEMENT AND AWARDS

Coop reports on the achievement of its goals

Goals in the 2006 report	Measures taken	Goal achievement level
Strategy and management		
Include all Coop divisions in the process for defining sustainability goals	– Underscoring of sustainability as a shared, overriding goal in the 2007 goal-setting process – Establishment of a Sustainability Steering Committee	Medium
Integrate the sustainability goals in Strategic Controlling	– Addition of ethics and ecology to Coop's missions – Definition of two new strategic goals in the sustainability field	Medium
Expand systematic risk management; extend the integrated audit system IKS to other areas besides Logistics / IT	– Inclusion of quality assurance and sourcing processes	Medium
Products and services		
Consolidate Coop's leadership position in environmentally and socially responsible products	– Thematic Motivation Day for 1,600 employees – Increase in the environmentally and socially responsible flagship labels to eight, expansion of ranges – Sales growth above the market average – Greater transparency from the new Coop Naturafarm line, which replaces Coop Naturaplan's former blue line	High
Become the market leader in healthy nutrition	– Launch of the Online Coach – Partnership with "5 a day" – Introduction of a full food profile on own-brand products – Successful launch of the JaMaDu line for a healthy diet in young schoolchildren – Launch of new Weight Watchers and Free From products – Activities in the field of trans fats, aimed at dispensing completely with hydrogenated fats by 2008	High
Become the market leader in gourmet food	– Launch of Slow Food products – Support for own Slow Food presidia groups – Launch of Jamie Oliver line – Launch of new Fine Food products – Communications on gourmet topics in the Coop media	High
Expand the range of fish and shellfish from sustainable breeding or from wild-catch (MSC)	– Founding member of WWF Seafood Group – Drawing up of a detailed action plan – Dispensing with the sale of four seriously endangered species of fish – Introduction of new organic products	High
Expand the range of organic cotton products offered under the Coop Naturaline label	– Expansion of the range of men's shirts – Development of a smart and attractive children's line – Development of the fashionable accessories range (caps, scarves)	Medium
Expand the range of energy-saving appliances	– Range of energy-saving lamps extended and reduced in price – Launch of a Coop Oecoplan coffee machine – Complete switch to efficiency class A+ and A++ refrigerators	Medium
Expand the range of wood products with the FSC label	– Delays in the WWF-partnered innovation project	Low
Expand the range of paper products with the FSC label and products made from recycled paper	– All Coop own-brand tissue articles switched to FSC quality – Previous Guideline on Wood Products extended to paper and internal purchasing	High
Successfully market products from the mountain regions under the new Pro Montagna label	– Launch of the Pro Montagna label with some 70 products – Transfer of 350,000 francs to Coop Sponsorship for Mountain Regions	High
Purchasing		
Expand joint sourcing with Eurogroup and Coopernic in compliance with comprehensive quality guidelines	– Organization of various workshops on sustainable sourcing – Selection of joint projects on sustainable sourcing – Strengthening of quality assurance for fruit and vegetables in southern Spain and Italy in the context of Eurogroup – Inclusion of Naturaline in the range of Coopernic partner E.Leclerc as of 2008	Medium

Goals in the 2006 report	Measures taken	Goal achievement level
Auditing of textile and toy suppliers in critical countries in accordance with BSCI guidelines	– 66 producers audited to BSCI standard, 3 of them with completed BSCI process with a "good" rating – 13 producers certified to SA 8000 – 5 suppliers which are BSCI members	Medium
Prepare an offer to train producers in China	– Review of various offers, implementation planned for 2008	Low
Ensure participation in round tables (stakeholder dialogue) in China and India	– Postponed for scheduling reasons	Low
Ensure monitoring and acceptance of social requirements among fruit and vegetable producers on a stepwise basis	– Further audits and initial training in Almeria, workshops and audits in Morocco – Launch of stakeholder dialogue in South Africa (BSCI) – Approval of guidelines on implementation of environmental and social standards	Medium
Raise the proportion of coffee produced in accordance with the Common Code of the Coffee Community (4C) to 25 %	– Founding member and first retailer member – Launch of 4C on 1 October 2007 – Purchase of eight container loads of 4C coffee – Communications in the Coop media and with consumer organizations	Medium
Shift completely to soya produced in accordance with the Basel Criteria	– Lobbying for Swiss-wide switch in animal feeds – Activities as Board member of the Roundtable on Responsible Soy – Switch to soya lecithin at Chocolats Halba as of 2008	Medium
Step up switch to sustainable palm oil	– Use of sustainable palm oil raised by 70 tonnes to a total of 1,050 tonnes – Survey of business partners on the type and origin of the fats they use – Call to switch to sustainable palm oil as of the end of 2008	High
Ensure that no eggs from battery hens are used in Coop's own brands or in processed branded articles	– Call to all business partners to stop using eggs from battery hens	Medium
Risk analysis of Sunray sourcing of primary materials	– Auditing of most suppliers – Preference given to geographically closer suppliers if commercially feasible	Medium
Environment		
Reduce CO_2 emissions in line with the target agreement drawn up with EnAW (Business Energy Agency) and the Federal Government	– Implementation in accordance with CO_2 agreements, annual audit of CO_2 balances – Eco-Drive training for all Coop drivers	Medium
Reduce energy consumption in the sales outlets	– Lights switched off from 10 p.m. onwards – Energy consumption optimized in new and refurbished buildings – Systematic compliance with in-house standard for building technology – Periodic monitoring of energy consumption	High
Open the first Minergie sales outlet in 2007, apply to other sales outlets in 2008	– Supermarket in Schönenwerd, December 2007 – All new sales outlets to be build to Minergie standard	Medium
Increase proportion of waste recycled	– Development of an internal benchmark to improve recycling efforts	Medium
Increase proportion of recycled or FSC paper in printed materials, advertising and packaging	– Survey of consumption and switchover potential – Scope of the Guideline on Wood and Paper Products extended to internal purchasing, first successes of implementation	Medium
Shift more goods to rail	– Stagnation of shift to rail in 2007 because the limitations of the railway system were reached – Further shift in 2008 (adaptation of BLR, broadening of SBB Cargo services, etc.) – Shift from air freight to sea freight	Low
Increase the proportion of trucks with EURO5 engines	– Number of low-emission EURO5 trucks raised by 38	High

Goals in the 2006 report	Measures taken	Goal achievement level
Introduce carbon offsetting on flights	– Executive Committee decision to offset CO_2 emissions caused by all air-freighted goods, business travel and coop@home deliveries in future – Implementation through WWF of projects in Switzerland and abroad that comply with the WWF Gold Standard – ITS Coop Travel customers are offered a voluntary offsetting option for carbon emissions caused by their flight	High
Improve information about the environmental impact of consumption	– Labelling of air-freighted goods as of September 2007 – Full customer information on the subject of sustainable fish farming and overfishing of the world's oceans	High
Stakeholders		
Improve customers' price awareness	– Further price-cutting rounds despite much higher raw-material prices – Transparent communication of higher prices of milk and cereals due to the cost of raw materials	High
Improve customer awareness of the sales staff's friendliness and professional expertise	– Extension of the "Accueil" (welcome) training programme to Coop Building & Hobby centres – "TOP4" further training for sales staff on freshness, service, quality and range – Good findings of national customer survey	High
Implement the Coop Child Care programme	– Pilot scheme started in 2007, extended to part-time employees in June 2007, continued in 2008	High
Increase the number of traineeships to 2,500 by 2008	– Number of trainees in 2007: 2,728	High
Remedy the weak points identified in the employee survey	– Interim feedback in autumn 2007 in the form of guidelines – At least two training days a year for each sales employee	High
Implement 50+ programme	– Partial retirement possible as of 2008 thanks to new CPV Regulations, additional week of paid leave from age 63 – A pilot scheme on "Keeping older employees up to the job" is in the planning stage	High
Draft Personnel Strategy 2010+	– Revision of Personnel Strategy	High
Initiate sustainable innovations with financing from the Coop Naturaplan Fund	– Long-term future guaranteed by being transformed into the Coop Sustainability Fund, removal of the 2012 time limit and gradual increase to 15 million francs a year – Support for innovative new projects	High
Expand sponsorship, focusing on mass participation sports	– Sponsorship of the Swiss Gymnastics Festival involving 60,000 participating gymnasts and a public of about 100,000	High
Finance attractive sponsorship projects focused on the family	– "Fit4Future" with Coop JaMaDu, a new sponsorship project focusing on physical activity and a healthy diet and aimed at rounding off existing projects for children and young people – Various cultural projects for families and children	High
Enhance customer value through attractive offers in the Coop member press and on the Coop website	– Launch of Online Coach – Launch of Family Coach – Customer-friendly revamp of Coop member press	High

Goals for the years 2008–2010

Strategy and management
- Include all Coop divisions in the process for defining sustainability goals
- Integrate the sustainability goals in Strategic Controlling
- Integrate Coop Personalversicherung CPV in the sustainability process

Products and services
- Consolidate Coop's leadership in environmentally and socially responsible products
- Include internal purchasing in the scope of the Coop Guideline on Socio-ethical and Ecological Sourcing
- Expand the range of fish and shellfish from MSC-certified sustainable farming or wild catch
- Expand the range of energy-saving appliances
- Expand the range of wood and paper products with the FSC label and products made from recycled fibre
- Successfully market sustainably produced goods made in Switzerland
- Identify potential for reducing the use of materials in packaging and consumables

Purchasing
- Introduce a supplier management system, also at the manufacturing company level
- Audit suppliers of textiles, toys, Coop Oecoplan and Trophy products in risk countries in accordance with BSCI standards, training in sustainability
- Train suppliers of fruit and vegetables in Spain, Morocco and Italy in matters relating to quality, ecology and social standards
- Increase the proportion of soya, palm oil and coffee from sustainable production
- Define and exploit synergies with Eurogroup and Coopernic in relation to sustainable sourcing

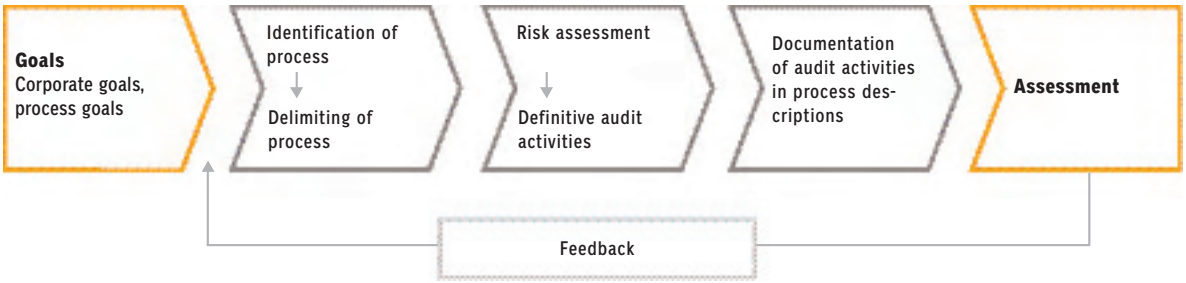
Environment
- Reduce CO_2 emissions in accordance with the targets agreed with the Federal Government
- Increase the proportion of green electricity in overall electricity consumption
- Reduce energy and water consumption in the sales outlets and in central departments
- Promote the eco-awareness of employees in relation to the work place and their personal surroundings
- Increase the proportion of recycled or FSC paper in printed materials, advertising and packaging
- Reduce motor fuel consumption by gradually switching to low-consumption company cars
- Offset CO_2 emissions caused by business travel and air-freighted goods in cooperation with WWF
- Improve information about the environmental impact of consumption

Stakeholders
- Integrate sustainability issues into employee training at all levels
- Promote a balanced diet and more physical activity among employees at all levels
- Promote sustainable production and sustainable consumption to the best possible effect with contributions from the Coop Sustainability Fund
- Determine the potential for creating family-friendly working-time models
- Expand sponsorship activities in the nutrition and physical activity fields
- Step up communication activities relating to sustainability
- Step up political activities relating to environmental protection and sustainability

Milestones on Coop's path to sustainability: awards

1997	GfM Swiss Marketing awards Coop its Prize for exceptional innovation in recognition of Coop's leading role in the marketing of food from organic farming and humane animal husbandry, making it the first large distributor to receive this accolade.
1997	The Natur & Wirtschaft (Nature & Economy) foundation awards Coop's Schafisheim distribution centre the quality label "Nature Park". This label is awarded to companies which, by giving their premises a natural setting, help preserve the native biodiversity of industrial and business estates.
1999	The Coop distribution centre in Wangen is awarded the "Nature Park" label by the Natur & Wirtschaft foundation for its natural setting.
2001	The "Legacy of the Future" Foundation of the Environmental Institute in Freiburg, Germany, awards Coop Naturaline its prize for sustainable products.
2002	Coop Naturaline receives the Intercot Organic Textile Award for trade in organic textiles at the 3rd International Conference on Organic Textiles in Düsseldorf, Germany.
2002	In connection with Coop Naturaline, Coop and Remei AG are awarded a prize for sustainable partnerships at the UN Earth Summit in Johannesburg.
2003	The Esprix Foundation set up by the Swiss Association for Quality (SAQ) awards Coop's subsidiary, Swissmill, the Esprix Award, an annual prize awarded to companies notable for their pursuit of excellence.
2004	The Swiss animal-welfare organization STS awards Coop the title of "Swiss Animal-Welfare Champion" for its systematic guidelines on the rearing of animals and the high share of sales accounted for by meat from humane, free-range animal husbandry.
2005	Coop's first Sustainability Report is awarded First Prize by the Swiss Association for Ecologically Aware Company Management (öbu).
2005	The Naturaline project is awarded the Hans E. Moppert Prize (second place) by the Hans E. Moppert Foundation for Sustainable Development.
2006	Coop and its Naturaline partner Remei AG receive the Swiss Award for Business Ethics. The prize is awarded by the Competence Centre for Business Excellence in cooperation with the newspaper Cash.
2006	Coop is singled out as the best retailer in the sustainability rating performed by WWF and the Vier Pfoten animal welfare organization.
2007	"Public Eye on Davos" confers the Public Eye Positive Award on Coop for its commitment to organic farming.
2007	Coop again tops the animal-welfare rating of the STS and is awarded the title of "Swiss Animal-Welfare Champion".
2007	Top place for Coop Building & Hobby in the WWF building supplies rating.

IKS closed loop system (internal audit system)



INTERNAL AUDIT SYSTEM (IKS)

Audits systematized and documented

The internal audit system (IKS) covers all those auditing activities and measures which, being fully integrated in Coop's business processes, support compliance with the corporate goals. IKS makes processes more reliable and more efficient; it also makes it easier for mistakes to be avoided and serious risks to be reduced to an acceptable minimum. In view of the more exacting requirements now made of financial reporting, Coop has decided to standardize its IKS, monitor it closely and improve it wherever necessary. Starting with the financial statements for 2008, moreover, legislators will require external auditors to verify the existence of an internal audit system. The successful introduction of IKS in the logistics core processes and the human resources support process was completed in 2005 and 2007 respectively. Its introduction in other core processes such as purchasing and marketing, as also in support processes, is still in progress. Coop hopes that the IKS will ensure that its sustainability goals are consistently achieved.

Closed-loop control system to secure processes

The IKS closed-loop control system starts with the corporate goals or the goals of a core or support process such as logistics. This is the vantage point from which the various main processes – incoming goods, for example – are defined and delimited. The next step is to assess the risks pertaining to each main process. This indicates the corresponding audit activities, which are part of a record that documents the process. What is crucial is the subsequent – and in each case new – IKS evaluation of each main process, in which the following three questions are asked: have the processes, including the various touchpoints and responsibilities, been properly documented? Are the audits effective, i.e. do they cover all the most important risks? Are the audits efficient, i.e. automated, wherever possible? Each main process can then be optimized on the basis of this evaluation. This constant feedback makes IKS not so much a method as a mindset that promotes employees' appreciation of the need for such audits. A possible drawback is that this concentration on risks could result in opportunities being neglected.

SUSTAINABILITY – THE KEY ISSUES

Concentrated commitment

To maximize the impact of its efforts, Coop has chosen to focus its commitment to sustainability on just a few key issues. These were selected in a comprehensive internal and external evaluation process that took account of the relative urgency of the problems, their proximity to Coop's core business, and the specific opportunities for action. One of the most important motivating factors for Coop is its wish to supply products that meet its customers' daily needs on a reliable, long-term basis. But it is also aware that the Swiss population of today is living at least in part at the expense of future generations – and that those countries and peoples whose modest standard of living makes them the least to blame for our environmental problems are now suffering the most on account of them.

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MY OWN EXPERIENCE OF COOP:
SIMONE STAMMBACH, WWF PROJECT MANAGER, ZURICH

Does the customer get the message? A transparent declaration on the type and origin of the wood used in products and a systematic switchover to FSC-certified articles are part of the agreement that Coop has concluded with the WWF WOOD GROUP. WWF project manager Simone Stammbach was at the Coop Building & Hobby centre in Volketswil on 12 November 2007.

ALMOST 75 % OF COOP'S WOOD PRODUCTS ARE FSC-CERTIFIED.

Motivation is everything. Important as it is to have firm backing for an environmentally compatible purchasing policy at the Executive Committee level, we can be successful only if people at all corporate levels pull their weight.

Motivation of salespersons, for instance, is crucial. This is why WWF and FSC have joined forces to hold regular training courses for Coop sales staff. We clarify such questions as: What is FSC? Why does WWF support FSC? I really enjoy giving these courses because we often receive interesting and enthusiastic feedback. For the buyers it's not always easy to find new FSC-certified suppliers. But because WWF has good international connections, we can turn up the pressure: demand for FSC products from customers in different countries helps motivate suppliers to switch to FSC. This is much more effective than if only one company were to threaten them with de-listing.

But the lean years are slowly but surely coming to an end. There have been very encouraging successes. The partners in the WWF WOOD GROUP Switzerland posted sales of FSC products amounting to about 100 million francs in 2005; a year later the figure had risen to as much as 180 or so million. Almost 75 % of Coop's wood products are FSC-certified. What's also important for us is transparent labelling. We at WWF make high demands in this respect and we apply them consistently. What kind of wood is involved? Where does it come from? In which country has the product been processed? All this information must be clearly and prominently labelled.

Only then do consumers really have the option of making an informed decision to buy a product obtained from good forestry management. Coop is very active in this area. The many switchovers to FSC products, the growing sales and the expanding share of FSC forests all confirm that my work is worth while. And that, of course, is highly motivating.

Climate change

The UN report makes it quite clear: global warming is a fact and the influence of humans on the climate is undeniable. The consequences will cause untold human suffering, lead to a drastic decline in the biodiversity of both flora and fauna and be extremely costly. Only a concerted, worldwide effort can slow down this development. As a retailer, Coop is duty bound in two respects: not only must it reduce, or at least offset, the CO_2 emissions caused by its own operations and those of its suppliers, but it must also help consumers to reduce their CO_2 emissions too.

Biodiversity

Having recourse to a heterogeneous stock of genetic material is important if we are to be able to produce food in sufficient quantities to feed the world population in future years. Yet intensive farming, the illegal logging of ancient forests and urbanization are all resulting in a loss of biodiversity throughout the world. Coop makes a conscious contribution to the preservation of biodiversity by promoting organic farming both in Switzerland and abroad, supporting biodiversity and sustainable forestry projects, taking part in efforts to combat illegal logging, collaborating with ProSpecieRara and marketing regional products.

Overfishing of the world's oceans

Modern, efficient fishing methods coupled with the inadequate enforcement of quotas and rising demand for fish and seafood and for fish protein in animal feed have led to many of the world's oceans being all but emptied of fish. Sustainability – in the sense that only as many fish are taken out of the sea as the sea itself can replenish – is still a long way off. Not only are countless species being lost, but local populations are losing an important, and in many cases their sole, source of protein. Coop supports the WWF Seafood Group for sustainable fisheries by promoting organic fish farms and the MSC label and by refusing to stock the most acutely endangered species.

Drinking water

Somewhat overshadowed by the impending shortage of fossil fuels is what, for many regions, will be the much graver shortage of drinking water. Ground water levels are falling drastically as more and more water is siphoned off for irrigation, tourism and ever larger cities. The desalination of sea water is a very energy-intensive, and hence increasingly costly, process. The growing shortage of drinking water is not yet acute in Switzerland. Coop is nevertheless looking into ways in which it can contribute as a retailer to the solution of this problem.

Fair working conditions

Sustainable production also means fair conditions for all those involved in the value chain. Fairness means both safety and rights at the workplace, fair wages, opportunities for training and personal development, transparent pricing, and investments that are worthwhile even for small farmers. Coop's commitment to fair trade is most clearly in evidence in its flagship labels Max Havelaar, and Coop Naturaline for textile products made of organic cotton. Coop also supports various initiatives aimed at ensuring that certain minimum social requirements are met even in its standard range.

A healthy diet and plenty of exercise

A balanced diet and plenty of exercise are essential to a high quality of life. As a food retailer, Coop has to help promote a healthy diet by offering its customers a well-balanced range at affordable prices and providing nutritional information on the product packaging and in the various media. Offering a plentiful supply of fresh fruit and vegetables is very important for this goal. Coop's sponsorship activities include support for mass-participation sports and projects aimed at raising awareness of nutritional issues among children, young people and parents.

COOP SUSTAINABILITY FUND

Commitment to ecology and ethics through the Coop Sustainability Fund

Coop has not only done pioneering work to promote the sustainability of its range, but in 2003 set up the Coop Naturaplan Fund to mark the tenth anniversary of the Coop Naturaplan label. With an annual endowment of ten million francs, this fund has supported countless projects undertaken in cooperation with organizations such as WWF, Pro Natura, Bio Suisse or the Research Institute of Organic Agriculture (FiBL). Yet even within Coop, there is still potential for change: Coop is working hard on reducing its own impact on the environment and in 2007 began offsetting its CO_2 emissions from business trips and the air-freighting of Coop products with contributions from its own carbon offsetting fund. To bundle its resources and promote a more holistic approach to sustainability, Coop will be merging these two funds in the course of 2008 to create the Coop Sustainability Fund, whose annual endowment will be increased in steps to a total of 15 million francs in 2011. The Sustainability Fund will also have a new strategic orientation, its overriding goal being to promote environmental awareness and sustainable consumption.

The four key areas

Climate: climate protection (CO_2 emissions), renewable resources (recycling, forests)

Water: as a global resource, overfishing

Plants, animals and soil: organic farming, animal welfare, biodiversity

People: fair trade, healthy / balanced diet, food as a cultural asset, regional added value, education & training in developing countries

The five stages of sustainable consumption

Basic research: in the specified key areas

Innovative solutions: to meet the challenges encountered in the pursuit of sustainability

Product development and sourcing: for a sustainable range that is otherwise not commercially viable

Marketing and sales promotion: of environmentally and socially responsible brands and their added value

Sensitizing the public at large: to promote awareness of the need for sustainable development

Coop Sustainability Fund

Promotion of environmental awareness and sustainable consumption

Key areas / Stages of sustainable consumption	Climate	Water	Plants, animals and soil	People
Basic research		**6a** **Organic aquaculture** Basic research project	**8, 9, 10, 11, 12** **Research organic farming and animal husbandry** FiBL Quantum Leap, Organic seed, Veau sous la mère, Research studies on animal husbandry, Organic farming in tropical regions	**21** **bioRe projects**
Innovative solutions	**1, 2, 3** **Climate protection / renewable energy** Naturaplan_Biogas50, Green electricity, CO_2 offsetting		**13** **Use of beneficial organisms to protect stocks** **4d, 4f** **WWF Roundtables** Soya, Palm Oil	
Product development and sourcing	**4a, 4b, 4e** **WWF environmental partnership** Wood Group, Climate Group, Innovation project: wood	**6b** **Organic aquaculture** Sourcing project **4c** **WWF environmental partnership** Seafood Group	**14** **Sourcing of organic products**	
Marketing and sales promotion			**15a, 16, 17** **Promotion and marketing of sustainable products** Communication, ProSpecia Rara, Regional organic specialities, Coop Naturaplan	**22a, 22b** **Slow Food** Communication, Presidia groups in Switzerland and abroad
Sensitizing the public at large	**5** **Cudrefin. 02** **4g** **WWF environmental partnership** Communication	**7** **Exhibition: Tropenhaus Frutigen**	**15b, 18, 19, 20** **Eductional and awareness-raising projects** ProSpecieRara diversity gardens, National Park Centre Zernez, ProNatura Butterflies, Krax	

Projects

1 Naturaplan_Biogas50
2 Green electricity
3 CO_2 offsetting
4 WWF environmental partnership
  a) Climate Group
  b) Wood Group
  c) Seafood Group
  d) Innovation project: soya
  e) Innovation project: wood
  f) Roundtable on Sustainable Palm Oil
  g) Communication
5 Cudrefin.02
6 Organic aquaculture
  a) Basic research project
  b) Sourcing project
7 Exhibition: Tropenhaus Frutigen
8 FiBL Quantum Leap
9 Organic seed
10 Veau sous la mère
11 Research studies on animal husbandry
12 Organic farming in tropical regions
13 Use of beneficial organisms to protect stocks
14 Sourcing of organic products
15 ProSpecieRara
  a) Communication / marketing
  b) Diversity gardens
16 Regional organic specialities
17 Flagship labels
18 National Park Centre
19 ProNatura Butterflies
20 Krax
21 bioRe projects
22 Slow Food
  a) Communication / marketing
  b) Presidia groups in Switzerland and abroad

External projects of a purely developmental nature

Project-no.	Description
1	Naturaplan_Biogas50: support for the construction of 50 biogas plants on the farms of Coop Naturaplan and Naturafarm producers (producers, Federal Office of Energy, Swiss Energy, 2005–2012)
2	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 (2003–2012)
3	Offsetting of CO_2 emissions caused by unavoidable air-freighting of Coop products and business trips (WWF, 2007–2012)
4a – g	Wide-ranging environmental partnership with WWF for joint activities to protect the environment and promote sustainable consumption, particularly of wood (b and e), marine fish (c), soya (d), palm oil (f), energy / climate protection (a) and awareness-raising (g) (WWF, 2004–2009)
5	Raising the awareness of young people about sustainability issues and models for the future. Project weeks for classes of schoolchildren at the Future Workshop in Cudrefin and support for more far-reaching projects at home (Cudrefin.02 Foundation, 2005–2008)
6a	Development of a scientific basis for organic aquaculture, antibiotic-free methods and preservative-free processing (Naturland, Association for Organic Agriculture, Germany, 2004–2007)
7	Exhibition at Tropenhaus Frutigen (THF) on organic aquaculture as a solution to the global problem of overfishing, a healthy and balanced diet and sustainable energy production (THF, 2007–2008)
8	"FiBL Quantum Leap" – basic research on the production of organic seed, the external and internal quality of organic products and improvements in the quality of organic milk (Research Institute of Organic Agriculture FiBL, 2003–2008)
9	Promotion of 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], 2003–2008)
10	Veau sous la mère – basic research on suckler-cow husbandry in calf-fattening as the most natural and animal-friendly form of cattle rearing, with particular attention to husbandry and feed regimens (SVAMH, 2007–2008)
11	Various studies aimed at developing 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 (formerly: Federal Research Institute for Farm Animals and the Dairy Industry); Department of Clinical Veterinary Medicine of Berne University, 2004–2008)
12	Comparative study of the contribution of organic farming to securing the food supply, combating poverty and preserving eco-systems in tropical and subtropical regions (FiBL, 2006–2012)
13	Promoting the use of beneficial organisms as an alternative to chemical-synthetic insecticides for the storage of cereals and foodstuffs (FiBL, Andermatt BIOCONTROL AG and Desinfecta Dienstleistung AG, 2006–2008)
15b	Promoting ProSpecieRara diversity gardens, orchards and 'arks' throughout Switzerland in order to raise public awareness of endangered species and varieties (ProSpecieRara, 2003–2009)
18	Support for the construction of a new visitor and information centre at the Swiss National Park in Zernez (Swiss National Park, 2003–2008)
19	Projects for the protection of endangered species of butterfly in five regions of Switzerland (Pro Natura, 2004–2008)
20	Krax – an STS school project to raise awareness of animal welfare issues among schoolchildren and young people (STS, 2007–2010)
21	Promotion and underpinning of innovative social projects in the training, health and nutrition fields for bioRe cotton producers and their families (bioRe Foundation, 2007–2011)
22a – b	Partnership with Slow Food to promote food culture and protect biodiversity and high-quality, artisan agricultural products in Swiss presidia groups (Slow Food Switzerland, 2006–2008)
23	Small projects for raising public awareness and promoting the environmentally and socially responsible flagship labels (2005–2012)

Internal projects of direct benefit to Coop's range of sustainable products

Project-no.	Description
6b	Sourcing of products from organic aquaculture (2005–2007)
14	Sourcing-oriented FiBL projects aimed at improving existing, and introducing new, organic products (2003–2008)
15a	Communication and development of ProSpecieRara products (2003–2009)
16	Creation and promotion of the "Regional organic specialities" line (2004–2008)
17	Stepping up of marketing communication for Coop Naturaplan (2003–2012).

Coop Sustainability Fund
Funding, by key areas
in francs

Key areas	2006	2007
Climate	1 011 418	2 132 568
Water	332 595	90 170
Plants, animals, soil	8 224 732	6 929 884
People	434 255	1 587 400
Total	10 003 000	10 740 022

Innovative projects for sustainability

The main activity of the fund remains its commitment to sustainability and support for projects that for purely commercial reasons could not otherwise be financed. The carbon offsetting projects will continue to be supported to the tune of 2 million francs a year. Half of all the other contributions, which in 2007 totalled 10 million francs, goes towards supporting external projects of a purely developmental nature with no direct commercial benefit to Coop, while the other half is spent on projects likely to be of benefit to Coop itself, its customers and / or business partners in terms of creating a sustainable product range. In 2007, 61 project proposals from a variety of NGOs, research institutes and private individuals were submitted. The fund is currently financing 30 different projects, 26 of which are commercially independent of Coop. The remaining five projects have some bearing on Coop's medium or long-term goals. Since the fund was launched in 2003, some 300 project proposals have been considered and 48 projects have received support. Each project is presented to the decision-makers on the Coop Executive Committee, the necessary background information having been prepared by a broadly-based team of experts, which can draw on the support and advice of Prof. Thomas Dyllick, Head of the Institute for Economy and the Environment at the University of St. Gallen.

For example:
Tradition with a future in the Valais

Coop intends to step up its promotion of the Slow Food range by creating 20 "presidia" groups to promote these products in Switzerland. Because the products were not produced in sufficiently large quantities to be marketed commercially, the Sustainability Fund is providing the necessary financial backing. This explains how the typical original Valais rye bread has made it to the shelves of Coop's sales outlets. If not only the recipe, but even the starter dough date from great-grandfather's time, and if there is only one baker from the village of Simplon who still knows how to make this bread, then this really is a Slow Food product par excellence! The starter dough is now being used by the fourth generation of bakers, and it is jealously guarded: after all, any contamination could upset the finely tuned microbiological equilibrium that lends this bread its unique character. And the baker not only has a passion for baking, but intends to pass his knowledge of the time-consuming production process on to his son as well, who, thanks to Coop's interest in his father's rye bread now sees a future for the family-run bakery. As every loaf of "Simpilär" rye bread contains a little bit of the past, it is impressive proof of the food culture that Slow Food stands for - respect for nature, taking time for the preparation of food and simply enjoying it!

For example:
Organic fish for the future

All over the world, aquaculture and fish farms are slowly but surely replacing wild-catch fish, crustaceans and shellfish because they are an alternative to overfishing of the world's oceans. Conventional fish farms are not a sustainable alternative as these often keep far too many fish in far too small an area. The consequences include the excessive use of fertilizers, pollution, spread of disease and overuse of antibiotics. Against this backdrop, the organic aquaculture of fish and other forms of marine life is becoming increasingly important as it is the only approach that uses the resources needed in a consistently and uncompromis-

ingly environment-friendly manner. The Sustainability Fund is therefore supporting a programme lasting several years for the promotion of organic aquaculture. The aim is also to develop new breeding methods and to add new organic products to the range. This project is now nearing completion and customers are already benefiting from the world's first organically farmed cod, organic tilapia fillets and the universally popular organic fish fingers. And the results of the research are being used to draft guidelines for organic aquaculture.

For example:
Africa's future will be more organic
"If we don't want to die of bad food or lack of food, then the whole of Africa will have to become more organic." That is what the Swiss Ambassador to Kenya said when welcoming Simone Niggli-Luder to that country in October 2007. The World Orienteering Champion was there as an ambassador of BioVision, an organization committed to improving the situation of people and the environment in Africa. She was visiting a farming project that is supported by BioVision, the Swiss Agency for Development and Cooperation (SDC), and Coop. This project, which also involves suppliers of organic cotton for Coop's Naturaline in Meatu, Tanzania, is attempting to establish whether organic farming in Africa can provide enough food, combat poverty and protect the environment in tropical and subtropical regions. For the project coordinator, however, there can be no doubt that Africa's future is organic: "Many farmers are poisoning both themselves and their environment with agrochemicals. Besides leaving soils infertile, this also makes farmers dependent on the agrochemical multinationals," she says, adding that Africa's cities have seen a drastic increase in both allergies and diseases such as cancer. More and more doctors are therefore urging their patients to switch to organic products – demand for which is rising sharply.

For example:
Young people shape the future
In September 2007, some 100 young people from all over Switzerland flocked to Cudrefin on the Lake of Neuchâtel for the second "Future Day", an event initiated by the "noW future!" project that has the support of the Coop Sustainability Fund. The idea is to encourage young people, classes of school children and youth groups to develop projects that will enable them to proactively shape their own future. On "Future Day" at Cudrefin, they have a chance to present their projects both to the public and to national-level decision-makers, and may even find partners to help them make their ideas a reality. The projects presented in September were concerned with the environment, nutrition, energy, climate change and prevention of violence. The event was once again held at the "Building Site of the Future" – an old barn just outside the village of Cudrefin that can now look forward to an unspecified but very promising future: its development has been entrusted to the young people who go there to test and apply their ideas on sustainability, especially those concerning the use of renewable resources. The guiding principle of the Cudrefin.02 Foundation responsible for this project is "thinking, acting, impacting" – a motto that Coop, too, finds very convincing!

2

PRODUCTS AND SERVICES

DELICIOUS LOCAL PRODUCE, WELL-BALANCED PRODUCTS FOR CHILDREN AND QUALITY FROM AROUND THE WORLD

Coop has established an innovative partnership with WWF and offers a wide range of sustainable products. In doing so, it assumes responsibility for product safety, environmental compatibility and socially responsible working conditions.

PRODUCTION IN SWITZERLAND

Coop's added value is yielding results in Switzerland

Coop was again able to achieve a slight rise in its hourly productivity rate in 2007. Of the Coop Group's total net added value of 4.10 billion francs, 67.1 % is transferred to employees in the form of wages, 20.5 % is paid out to the public sector in customs duties, taxes and fees and 3.9 % to the providers of capital. The rest is used to create reserves. In its 2006 study of the economic significance of the retail industry, Basel Economics (BAK) assumed a multiplier effect of 3.3: every franc of added value created by the retail industry generates an additional 2.3 francs of added value in other Swiss sectors.

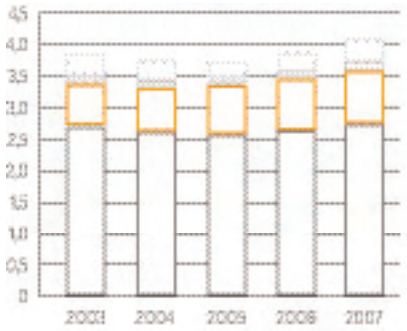
Sustainable production in Switzerland

The Swiss market is important for Coop, which therefore seeks to make a conscious contribution to the variety of products and services available in Switzerland. The fifth of Coop's sustainability principles states: "We contribute to a high level of added value in Switzerland through our sourcing policy". The background to this statement is the three dimensions of sustainability: it is ecological to keep transport routes short, it is social to keep jobs in the regions, and Swiss products have potential for success because consumers attach importance to domestic production, particularly of food. Quality is another factor that favours Swiss-made products.

Strict animal welfare ...

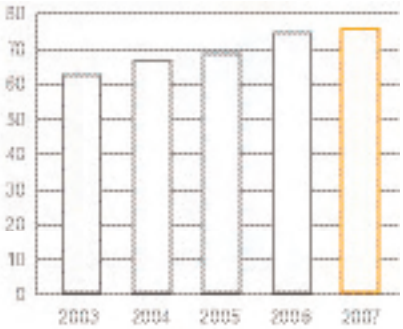
Swiss legislation on animal welfare is strict by international standards. In particular, consumers attach great importance to the general ban on battery hens introduced in 1980. Coop has signed agreements with suppliers to ensure that eggs from battery hens are not used even in processed own-brand products sourced abroad. This voluntary step goes beyond the statutory requirements. Swiss regulations on pig farming and calf rearing have stricter requirements than many other countries regarding space, light and freedom of movement. Although this increases production costs, it has a positive effect on animal health. Furthermore, Switzerland has introduced two animal husbandry programmes that promote regular access to range (RAUS) and especially animal-friendly housing (BTS) with corresponding direct payments to producers. Coop sells meat from producers that fulfil the conditions of both

Value added distribution
in billion francs



Creation of reserves
Investors
Public sector
Personnel

Hourly productivity
Sales per hour worked, in francs



programmes under the Naturafarm label. Compliance with these conditions is monitored by specially trained inspectors of the Swiss animal welfare organization STS much more frequently than is required in the official programme. *> www.animal-protection.net*

... guaranteed quality

Coop sources a large part of its fresh produce in Switzerland and highlights this with the Suisse Garantie label of origin and quality. Suisse Garantie stands for food products that originate on farms in Switzerland, satisfy the requirements for ecological certification (ÖLN), do not use any form of genetically modified organisms and are processed in Switzerland. Coop has supported Suisse Garantie from the outset and is convinced that credible labelling of Swiss products is important for both consumers and producers. *> www.suissegarantie.ch*

... and good agricultural practice ...

State controls of fruit and vegetables are inadequate to fulfil the increased statutory requirements of documentation, traceability and hygiene. In 2006, the obligation of self-monitoring was extended to agriculture. Because it is impossible to exclude the possibility of traces of pesticides even in Swiss products, since the beginning of 2008 Coop has required its Swiss suppliers to be certified to GlobalGAP. This international standard for good agricultural practice has been compulsory for foreign suppliers since 2004. Coop supports the initiative of the industry associations to combine, under the name SwissGAP, the requirements of GlobalGAP with the existing controls for ecological certification (ÖLN) and the industry regulations. Coop will continue to pursue this goal, despite its rejection by the Swiss potato producers. *> www.swissgap.ch*

From practice

Rabbits have a good life at Coop

Rabbits like a lot of movement and, in particular, contact. In the wild they generally move about in groups. For breeding and fattening they are therefore housed in particularly animal-friendly, generously proportioned enclosures.

Both in open sale and in self-service Coop offers only rabbit meat from especially humane animal husbandry. In collaboration with Swiss farmers and the Test Centre for Animal Housing, Coop has developed a system of housing rabbits that is unique in the world. For breeding purposes several females live together with one male in a hutch that is the size of a horsebox. Each female has its own nest to which it withdraws before giving birth. For the first 16 to 18 days the offspring feed exclusively on their mother's milk. The young are weaned in four to five weeks, after which they are transferred to the rearing hutch, where as a rule 25 rabbits live together as a group. In the rearing hutch the animals have fresh straw, niches into which they can withdraw and raised surfaces to sit on. Large windows let in adequate daylight and fresh air.

In focus

Switzerland does not want GM foods

Coop wanted to know exactly, and so in 2007 it conducted another representative survey of its customers. Once again, a huge majority of 85 % stated that they did not want any genetically modified foods.

Not only that: they said they did not want any milk or meat from animals fed on genetically modified animal feed. Coop takes its customers' concerns seriously. It therefore does not carry any genetically modified products in its offering, and it also supports the use of GM-free animal feed in animal husbandry. Compliance with this requirement means a thorough clarification of practices at Coop's business partners: whereas the animal feed used for products that originate in Switzerland is guaranteed as GM-free, in the case of products sourced abroad this has to be negotiated and monitored for each supplier. Coop is – once again – counting on the collaboration of WWF as an independent partner. Coop and WWF work together to import "clean" soya as animal feed into Switzerland. This soya is not only GM-free, but also comes from production in South America that is sustainable because it spares the tropical forest.

AOC label of origin for diversity from Switzerland

In recent years, people have grown more aware that Switzerland, too, has a rich trove of traditional specialities. Interestingly, it was the market liberalization and successful marketing of foreign regional and traditional specialities that opened people's eyes to the riches in Switzerland's own back yard. To use the AOC (Appellation d'origine controlée) label, products have to be manufactured according to a set of standards recognized by the Federal Government and come from a defined area of origin. These products are protected against imitations produced in Switzerland or abroad. Coop markets a broad range of AOC products. It supports and promotes AOC labels, provided that they are not used to force existing competitors out of the market.

> *www.aoc-igp.ch*

Good things from the mountains ...

At the beginning of 2007 Coop launched its Pro Montagna line with the goal of using successful marketing in the valleys to keep added value in the mountain regions. The raw materials for the products sold under the Pro Montagna label are sourced and processed in the mountain regions in accordance with the Federal Ordinance (BAIV) governing the use of the terms "mountain" and "alpine" to label foods. The products are popular with consumers. As a result, Coop has already expanded its range to include about 60 products. These include the first non-food products, with toy animals made from FSC-certified wood coming on the market. A portion of the sales price of every product sold under the Pro Montagna label is donated to Coop Sponsorship for Mountain Regions. Coop's commitment is a contribution to sustaining the competitiveness of Swiss farming in mountain regions. With the increasing openness of borders this endeavour is of growing significance.

... and also from the valleys

Finally, by promoting Slow Food in Switzerland, Coop is demonstrating its commitment to supporting particularly traditional and rare specialities. Slow Food is an international non-profit organization. Its goal is to rediscover forgotten foods, preserve regional products and natural production techniques and to carry on local traditions passed down through generations. There are about 300 Slow Food project groups, or pre-

sidia, around the world, each dedicated to a protecting a specific speciality. Coop has supported the establishment of three new groups in Switzerland: the shortcrust pastry biscuits known as "pastefrolle" from the Valle Bedretto, the original rye bread from the Valais, and "paun sejel", a type of flat, or pitta, bread from Val Müstair. This is another example of how Coop promotes Swiss culinary diversity.

Innovation and service as Swiss quality

Coop also relies on Swiss business partners in the non-food segment. Price alone is not enough to survive in the cut-throat world of international competition. Other important factors include exceptional service and innovative products. Flawa AG, Flawil, for example, collaborated closely with Coop and Remei AG in its pioneering work that led to the development of all of the cotton-wool products for Coop Naturaline. Techno Bloxx AG, Zug, produces, in Switzerland, a very innovative, high-quality learning-by-playing building system for children of various age groups that uses building blocks that can be either plugged or screwed together.

Coop also produces in Switzerland

The Coop Group's manufacturing companies in Switzerland employ a total of 858 people, including 37 trainees. All Coop manufacturing companies satisfy high standards in both the efficiency and the quality of their work processes. Swissmill and Reismühle Brunnen, for instance, are both certified to SA 8000, which means that they meet the highest social standards. The proximity to Coop, their main market, also makes the manufacturing companies competitive in export markets. All manufacturing companies are active exporters and will expand these markets in the future. Coop invested around twelve million francs in the manufacturing companies in the year 2007. This includes significant investments in environmental protection and energy saving.

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE FLAGSHIP LABELS

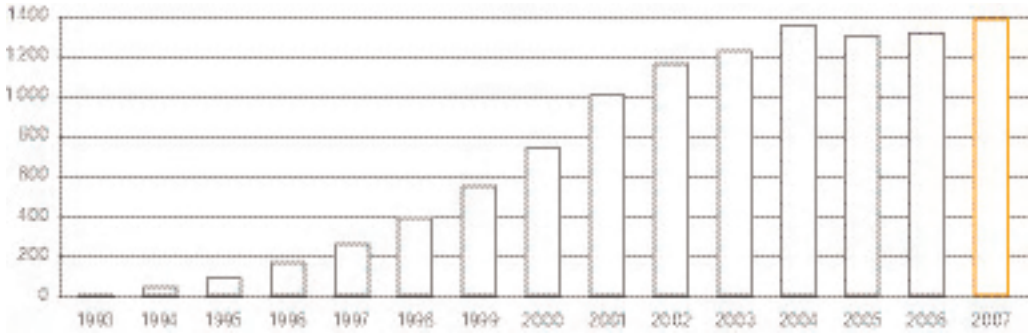
Greater transparency

Since spring 2007, meat and eggs from humane, free-range animal husbandry but not produced by organic methods have been sold under the new Coop Naturafarm flagship label. These products were previously distinguished from the green-packed organic products by their blue packaging. By marketing the former "blue line" as a separate brand, Coop is able to position it more clearly and ensure more transparent communication: all forms of animal-friendly meat production in Switzerland are sold under the Coop Naturafarm label, whereas Coop Naturaplan is an exclusively organic label – and carries the Bio Suisse bud logo.

New organic lifestyle

In September 2007, Coop expanded its organic range to include a number of innovative products. These include probiotic yoghurt drinks – in organic quality a global novelty – and various smoothies in which, in contrast to fruit juices, the entire flesh of the fruit is processed. These products are intended to stimulate new developments and speed up the new growth trend in the market for organic goods. But they also satisfy the needs of modern target groups that attach importance to fair and organic production in their search for enjoyable and healthy products. LOHAS, the acronym for "Lifestyle of Health and Sustainability", refers to a new lifestyle and a new type of consumer that is geared to health and sus-

Sales trend of the environmentally and socially responsible flagship labels
Coop Naturaplan, Coop Naturafarm, Coop Naturaline, Coop Oecoplan, Max Havelaar, ProSpecieRara, Slow Food, Pro Montagna
Sales in million francs



tainability. The new trend is towards sustainable living without giving up pleasure, let alone luxury. LOHAS combines self-centred motives like pleasure and health with altruistic feelings of fairness and equity: people want to spoil themselves while saving the world. As the market leader in the field of sustainable consumption, Coop has to respond to this environment – with new products on the one hand and with information about specific added value on the other.

Organic farming as a contribution to climate protection

Food and its agricultural production are major sources of CO_2. Agriculture is responsible for about 15 % of global greenhouse gas emissions. If processing, packaging and distribution are included, nutrition accounts for about 20 % of such emissions. Organic farming makes a valuable contribution to reducing the emission of greenhouse gases in agriculture. On the one hand, it uses natural fertilizers produced in the cycle of agricultural operations and therefore does not need any artificial fertilizers, which require a lot of fossil fuel. Furthermore, the balanced crop rotation of organic farming stops soil erosion. This prevents the release of CO_2, which is bound in the humus layer. Indeed, humus accumulates in organic soils. Finally, the strict Bio Suisse guidelines, which Coop alone applies to imports, ensure that the eco-audit of organic products is positive. Food carrying the Bio Suisse bud logo signifies that the distances over which it has been transported are as short as possible. Preference is given to Swiss products wherever possible, and there is a general ban on the air freighting of products carrying the bud logo. And production methods should be economical: for example, organic greenhouses may not be heated in winter. *> www.biosuisse.ch*

Organic farming strengthens the regions

In 2004, Coop launched its regional organic specialities. It was well aware that certain products could not be produced in the quantities needed for national distribution and large sales. On the other hand, products from customers' own region or favoured holiday region certainly meet a need. The regional organic specialities are popular – people have taken to these authentic products. Since 2006, the Coop "Organic – fresh from the region" line has offered regionally grown, seasonal organic vegetables and organic fruit for all people who value local products. This line promotes added value in the local region and allows Coop customers to feel its closeness to organic farming: farmers deliver their produce daily direct from the farm to the regional distribution centre, which distributes the food to the nearest points of sale. In 2007, Coop expanded this offering to more than 200 supermarkets.

Naturaline – organic production plus fairness

It is not only in Switzerland that organic farming is generating change. In particular, the cultivation of organic cotton in countries of the South is producing valuable gains in various fields. Environmental protection is one of them – for 25 % of all pesticides sold worldwide are used on conventional cotton fields. The use of chemicals affects not only the environment, but also the cotton farmers. The exhausted soils of cotton monocultures require huge quantities of artificial fertilizer. Farmers who cannot afford to buy them cannot grow a crop and therefore cannot earn a living. Such farmers have no choice but to borrow – and get caught in the debt trap. By dispensing with monocultures, pesticides and artificial fertilizers, the cultivation of organic cotton offers a cheaper, more sustainable and healthier form of production.

An idea goes international

Since 1995, Coop has been buying organic cotton for the Coop Naturaline fashion range from the bioRe farming projects that it established with Remei AG in India and Tanzania. More than 9,500 farming families in these countries already benefit from fixed purchase guarantees, premium prices and secure jobs as well as from communal amenities such as training centres, schools and medical facilities. Naturaline is not only the farmers' good fortune, but also a success for Coop, which is now one of the world's biggest customers for organic cotton. Naturaline has also acquired an international reputation as a success story and for sustainability along the entire value chain. Since last autumn, SOKOS, the largest Finnish department store chain, has been carrying Naturaline clothes. E.Leclerc, Coop's French partner in Coopernic, the European purchasing alliance, also has plans to add Naturaline textiles to its product range in future. Through its growing international dimension, Naturaline is making a crucial contribution to spreading the word about sustainability in the textile industry.

From practice

Small contribution, big difference

Many farmers in Maikaal in India who grow organic cotton for the bioRe Association lack direct access to medical care because their villages are so remote. Instead of just sitting on their hands, the bioRe Association searched for an affordable, but effective solution.

Since 2006 the Health Mobile has been doing the rounds in Maikaal: a bus equipped with a team of doctors and all the necessary diagnostic equipment travels a fixed route, visiting each of the 13 villages that have a bioRe advisory centre twice a month. The Coop Naturaplan Fund financed the investment – as development aid that is sustainable and functional because it is commensurate to the situation. The school in the village of Narsinghpura is a similar success story. There the Foundation provided the local farmers with 10,000 francs to build a village school in order to spare the children the six-kilometre walk to the nearest school – and to ensure that the children, despite the ban on child labour, were not forced to work in the fields. This action is impressive proof that small amounts of money can make a big difference.

SUSTAINABILITY IN THE STANDARD PRODUCT RANGE

Coop's responsibility

Coop is indirectly responsible for the working and production conditions of its suppliers and their subcontractors. As set out in the corporate profile, sustainable sourcing is an integral part of Coop's wide-ranging product responsibility. Coop's practice is laid out in its Guideline on Socio-ethical and Ecological Sourcing, which is being extended to cover wood and paper products and fish and seafood. More wide-ranging requirements apply to Coop's environmentally and socially responsible flagship labels. To implement its sourcing guideline, Coop works through partnerships with other retailers and other companies in Switzerland and abroad.

Environmental partnership with WWF

In 2007, Coop's environmental partnership with WWF was effectively extended to the field of sustainable sourcing. The founding of the WWF Seafood Group

resulted in detailed definitions of targets and measures for Coop's fish offering. Within the framework of the WWF Wood Group, the focus was on sourcing paper products that complied with FSC guidelines or were made from 100 % recycled material. Thanks to the Climate Group, the range of energy-saving lamps was substantially expanded and prices reduced. Coop will continue to actively participate in all three groups to optimize product improvements. *> www.wwf.ch*

No end to overfishing

Fish is an increasingly popular item in people's diet. It is considered to be a very healthy food as it has little fat, lots of high-quality protein, important minerals and vitamins. Growing global demand, increased fishing and intensive fishing methods have led to serious overfishing of marine stocks. As a result, the future of the world's oceans is acutely threatened. Three quarters of the world's commercially exploited fish stocks are endangered or massively overfished. Important fish species such as cod could soon become extinct. If species continue to die out at the current rate, by 2050 numerous stocks of marine fish and other sea creatures will have been wiped out. Hence, the sourcing of fish in accordance with sustainability criteria is a matter of utmost urgency. Besides lowering catch quotas for individual fish, it is necessary to ban destructive fishing methods and act against illegal fishing.

Coop is the first member of the WWF Seafood Group

Already in its Fish Guideline of 2000, Coop set itself the long-term goal of switching its full product range of marine fish, crustaceans, mussels and freshwater fish, whether farmed or wild-catch, to aquacultures and fisheries that are sustainably operated and environmentally compatible and preserve stocks. As the first member of the WWF Seafood Group, Coop critically reviewed its entire offering of fish products. As an immediate measure, it stopped selling the following acutely endangered species: groper, skate, alfonsino and bluefin tuna. Coop had stopped selling shark, sturgeon and caviar from wild-catch years ago. It has undertaken to search for alternatives by the end of 2008 for other fish whose stock has been heavily overfished, such as swordfish, cod, John Dory and halibut. In the absence of alternatives, Coop will also remove these fish from its offering.

Pioneering work on organically farmed fish

Coop goes further than simply removing endangered fish species from its offering. It supports fish from sustainable breeding and sustainably operated fisheries. In particular, organic fish and organic seafood from aquacultures offer genuine alternatives. All organic fish farms comply with the strict Bio Suisse guidelines and use only certified feed. The feed for predatory fish is prepared from waste obtained from edible-fish processing. The bycatch of proven sustainably operated fisheries, for instance those with MSC certification, can also be used. Coop is a pioneer in this field: besides the well-known organically farmed fish such as Swiss trout and Irish salmon, Coop has also sourced other species of organically farmed edible fish such as sea bream and sea bass from the south of France and pangasius from Vietnam. It has also found a solution for the popular, but similarly endangered cod: for the past two years cod has been organically farmed on the Shetland Islands. The first organic cod farm in the world has signed a cooperation agreement with Coop. The fish are farmed in conditions that are very similar to their natural environment.

MSC label for sustainable fishing

Ocean fishing can also be sustainably operated. For years, the Marine Stewardship Council (MSC) has been the pioneer in this field. The MSC label indicates a fishery that allows only so much fishing that the fish stocks are able to constantly regenerate. Compliance with these requirements is certified by independent bodies. The UN world food organization, the FAO, has classified the MSC label as the only one that identifies sustainable wild-catch. Coop has carried products with the MSC label since 2000. In this field, too, Coop regularly expands its offering as soon as further fisheries are certified. At present, 19 articles in the Coop product range carry the MSC label – eight fresh fish products and eleven in the frozen food range. One very popular product is fish fingers made from Alaskan pollack.
> www.msc.org

Market leader in sustainable fish products

A varied choice of fish products is clearly compatible with sustainability: with about 40 articles from controlled organic aquacultures, Coop's fish department offers the widest range of organic products in the business. Fourteen percent of the entire range of fish and seafood products bear the Bio Suisse bud logo. About 60 % of all shrimps and a good third of farmed fish are already available in organic quality. Fish with the MSC label already account for about nine percent of the wild-catch products and about four percent of the entire fish offering. All in all, about 18 % of all fish and seafood sold by Coop comes from certified, sustainable fishing or from correspondingly certified farming.

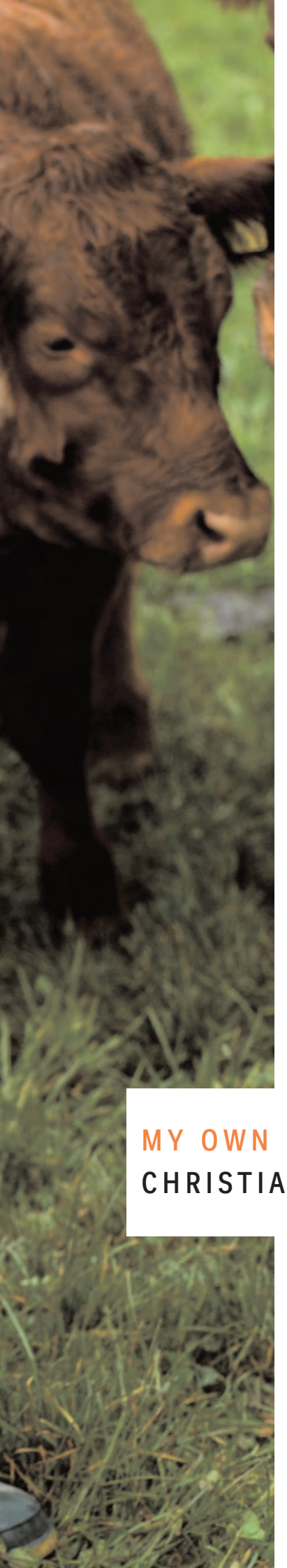
FSC guarantees sustainable wood

One in five trees felled around the world ends up as paper. It is estimated that about 17 % of them come from virgin forest. In Switzerland alone, 5,000 trees worth of wood is needed for paper every day. Healthy forests are vitally important. Worldwide, however, an area of forest the size of 40 football pitches disappears every minute. According to WWF, about one million cubic metres of wood from illegally felled trees enter Switzerland each year. The long-term consequences are obvious to everybody: animals and plants disappear, the local population loses the basis for its survival and the ecological balance is thrown out of joint. The Forest Stewardship Council (FSC) label guarantees that wood originates from sustainably managed forests, without overexploitation, without clear-cutting and without endangering biodiversity. FSC-certified wood offers a social and ecological alternative for people and for the environment.
> www.fsc-switzerland.ch

Coop's sustainable paper offering

Coop is switching most of its paper offering to FSC-label products. FSC-quality paper guarantees that wood from FSC-certified forests is used to make fresh pulp. This includes household and toilet paper, paper handkerchiefs, cosmetic wipes and stationery products – all in all a sales volume of some 20 million francs. The switch to the FSC label for fresh pulp paper is not taking place at the expense of recycled paper. Coop continues to carry the Oecoplan line of paper products made entirely from recycled waste paper. Now, more than 40 % of the hygiene paper and stationery products in the Coop range carry the FSC label or are made entirely from recycled paper.

> Page 38



MY OWN EXPERIENCE OF COOP:
CHRISTIAN RUBIN, FARMER, AESCHI BEI SPIEZ

He most likes to prepare for meetings when he's working with his cows. He's doing something with his hands, his mind is free to roam and he can jot down the most important ideas at his desk later on. Clear ideas were what Christian Rubin needed in Basel on 18 October 2007. This was the day on which the project group "Veau sous la mère" was convened to meet at Coop headquarters.

AFTER ALL, WE'RE NOT DEALING HERE WITH SCREWS, WHERE EACH ONE IS THE SAME AS THE NEXT, BUT WITH LIVING BEINGS.

My parents were passionate about farming. My father's 80 now and still goes up to the alpine pasture every year. I always wanted to be a farmer, but the custom in the Bernese Oberland is for the youngest son to take over the parents' farm. In our case that was my younger brother. But I had an opportunity to buy three smallholdings. Today we farm 17 hectares of land and have an alpine pasture with 15 suckler cows. I had already switched over to suckler-cow husbandry thirty years ago. It's actually the most natural form of animal husbandry because the calf is suckled by its mother. But nobody had done this in Switzerland until the 1970s. The calves were bottle-fed so as to leave as much milk as possible for human consumption.

As the president of our association, I represent suckler-cow breeders from some 4,500 farms throughout Switzerland. After the great success of Natura-Beef, we're now working again with Coop, this time to market veal that also stems from suckler-cow husbandry. The project is still in its infancy, and so there are lots of questions to be sorted out. And there are many ideas we'll just have to put to the test. After all, we're not dealing here with screws, where each one is the same as the next, but with living beings.

We regard Coop as a fair partner that was quick to recognize that natural production methods involved additional expense. A partner that's willing to pay for what it wants. Of course there are discussions about how the added value is distributed, but they never get as far as actual conflict. We are, after all, pursuing the same goal: offering consumers a high-quality product that's compatible with nature.

Cooperation with WWF on paper and wood

The switch to FSC-certified paper is another measure resulting from the Coop Group's environmental partnership with WWF – in this case through membership of the WWF Wood Group. The proportion of wood products sold by Coop under the FSC label already exceeds 75 %. Most of the solid wood furniture sold by the Toptip furniture chain is of FSC quality. Various items of furniture made of wood materials are also sold at Toptip under the FSC label. Coop's goal is clear: it is working on gradually switching further wood and paper products to the FSC label, while focusing on recycling among paper products.

Sustainable paper for internal use

About 400 tonnes of recycled paper is produced every week for the Coop member press. The goal of gradually switching completely to the FSC label also affects the internal consumption of paper at Coop. The revision of the Coop Guidelines on Wood and Paper Products created the basis for switching largely to, for instance, FSC-certified copy paper or advertising brochures. The latest generation of Coop paper carrier bags will be made of sustainable FSC Mixed label paper.

In focus

Top place in building supplies rating

In 2007, WWF commissioned an environmental rating of building / DIY supplies markets. The survey focused in particular on wood and wood materials, paints and varnishes, building materials and garden products. The rating shows that Coop's environmental performance is considerably better than that of the foreign competition.

For example, Coop is the leader in sustainable FSC-certified wood products. Among solid wood products the FSC-certified proportion is an impressive 90 %. Coop is also the star performer among retailers of ecological and organic garden products. According to WWF, there is room for improvement in Coop's range of building materials. Among paints and varnishes, for instance, the proportion of ecological products sold under the Oecoplan label is only about ten percent. However, this conclusion overlooks the fact that a good two thirds of own-brand paints fulfil the requirements of Germany's Blue Angel, the world's first eco-labelling programme. However, owing to Coop's desire not to compromise the higher standards of the Coop Oecoplan label, Blue Angel is not included on the packaging. Moreover, none of this has escaped the attention of Coop's customers: sales of Oecoplan paints increased by 20 % in 2007.

SOCIO–ETHICAL STANDARDS IN SOURCING

Coop is a member of the Business Social Compliance Initiative

Coop is gradually getting all of its business partners to commit not only to quality standards but also to standards of social responsibility. In addition, in the non-food segment Coop participates in the Business Social Compliance Initiative (BSCI). Coop is active in various working groups and represented on the Supervisory Board. The number of participating companies and purchasing groups is now more than 100. As the BSCI has grown, the individual working groups have expanded, and contact groups have been established at the national level. These groups have the common goal of improving social and working conditions in the producing countries. They encourage the exchange of

Implementation of socio-ethical sourcing in non-food sector according to BSCI Database, status December 2007

	Number
Producers audited to BSCI standard	66
Of which producers with completed BSCI process	3
Suppliers which are BSCI members	5
Producers certified to SA 8000	13

experience, organize training courses for employees and suppliers and cultivate contacts with stakeholders. The national contact group in Switzerland has also held its first meetings. After several false starts, the BSCI succeeded in initiating an institutionalized stakeholder dialogue on social requirements on the international level at the end of 2007.
> *www.bsci-eu.org*

International successes and challenges

BSCI now offers its self-assessment questionnaire on social requirements for suppliers online. In addition, better use can be made of the supplier database in monitoring of compliance. Training courses in the fields of sensitization and qualification were offered in China, India and Turkey. Around 900 suppliers attended the sensitization workshops in China alone. Interest is huge in China because the requirements under the new labour law that takes effect in 2008 are practically identical with the BSCI's Code of Conduct. The intensive dialogue with the Chinese authorities at all political and business levels appears to be bearing fruit. In 2007, various BSCI members faced accusations of using child labour, particularly in India. In all cases, the root of the problem was the outsourcing of individual production steps to non-audited subcontractors. BSCI reacted by compiling a guide for buyers.

Goal: SA 8000 social standard

BSCI also achieved improvements in the quality of the audits. Help in this respect came from the checks performed by Social Accountability International (SAI), which is responsible for training and accrediting BSCI's auditors. Indeed, there was greater cooperation between BSCI and SAI in general. This is important because a growing number of suppliers have made the necessary efforts and achieved certification to the demanding SA 8000 social standard. This group includes a number of suppliers producing for Coop Naturaline.
> *www.sa-intl.org*

Project on social standards in the food segment

The multiyear GRASP project organized by Coop and the German Society for Technical Cooperation (GTZ) to integrate social requirements into the international standard for good agricultural practice (GlobalGAP) was concluded. The project report as well as an implementation manual for farms and a checklist for auditors were approved by the Board and published. Coop is currently applying GRASP's findings to the training of suppliers in southern Spain and Morocco. At the same time, efforts are being made in these two risk areas to determine how best to network BSCI's requirements for suppliers with GlobalGAP's voluntary social requirements for farming. > *www.globalgap.org*

HEALTH AND NUTRITION

Eating means enjoyment

As the second largest retailer in Switzerland and a provider of a full range of products, Coop also has a social responsibility. This applies particularly to the rapidly spreading global problem of overweight due to poor diet or lack of exercise. In this respect, Coop has consciously chosen not to pre-select the contents of its offering or to restrict it to "good" food; the emphasis is more on enjoyment combined with awareness. Coop tries to encourage its customers to adopt healthy eating habits through clear product labelling and information and by offering specific products.

In focus

Basel Criteria for sustainable animal feed

Rising meat consumption in emerging markets such as China has increased demand for soya, large quantities of which are used in animal feed. On account of huge demand, pressure is rising on the remaining non-farm areas, e.g. the Amazon rain forest.

However, even here, signs of climate change have resulted in greater sensitivity. By now, even the soya growers and processors and the animal feed and food industries recognize the need for the Roundtable on Responsible Soy (RTRS) founded in 2006. There is also greater awareness of the need for minimum ecological and social standards. The "Basel Criteria for responsible soy production", drawn up by Coop and WWF, anticipate these standards. Many Swiss feed manufacturers are also purchasing increasing quantities of soya produced according to the Basel Criteria. In 2007, some 50 % of the soybean meal imported into Switzerland came from responsible farming that did not involve clearing of tropical forest.

Further expansion of Coop Weight Watchers

For Weight Watchers, too, enjoyment is as important as health. Coop Weight Watchers is an exclusive product range intended specifically – but not only – for people who want to lose weight using the programme of the globally active dietary organization. In the year under review the offering was further expanded and continues to be extremely popular. Because of their lower fat and sugar content, Coop Weight Watcher products have fewer calories and usually also a lower salt content. A tasting team ensures that the products are not only healthy but also enjoyable: the team examines the taste and appearance of every new product before it goes on sale. *> www.weightwatchers.ch*

Coop food profiles already on about 1000 products

Coop's health-specific product labelling exceeds the statutory requirements. In January 2007, Coop became the first retailer in Switzerland to introduce a new, easy-to-read, comprehensive nutritional information labelling system for its packaged own-brand foods. On the front of the packaging the food profile gives details of the energy, sugar, fat, saturated fatty acids and salt in a portion of the product and how much of the average daily requirement these amounts cover. By defining the values in terms of a portion, e.g. three biscuits, one yoghurt or one ready meal, the nutritional values are immediately apparent. A conscious decision was taken to place the food profiles not only on "healthy" products, but on all products to enable the consumer to make a real comparison and an informed purchasing decision. By the end of 2007, about 1000 products already carried food profiles. Coop's medium-term goal is to include this product labelling on all of its approx. 4,000 own-brand and flagship label products. The nutritional information is based on the recommendations passed by the Confederation of the Food and Drink Industries of the EU, CIAA, in 2006.

Online Coach exceeds all expectations

For all those who want to actively lose weight and keep their figure, Coop has offered a new service, the Online Coach, since 2007. The interactive programme is

available on a monthly subscription. Subscribers simply enter their personal details and goals and the Online Coach puts together an individual dietary and exercise programme. This includes menu suggestions with recipes and specific fitness tips. The Online Coach uses charts to keep track of current progress. In addition, it offers a community in which all participants can swap experiences. A team of nutritional and fitness experts is available to answer individual questions. At the end of 2007, the Online Coach, which Coop offers in cooperation with x-well AG, already had around 10,000 participants, thereby exceeding all expectations.

Family Coach tips for the whole family

As a logical extension of the Online Coach, since September 2007 Coop has offered the Family Coach, a programme with suggestions for improving exercise and eating for the whole family. Besides playful elements, it provides information and tips on how to apply what has been learnt to everyday life. The Family Coach also has a forum for exchanging experience and a team to answer individual questions.

JaMaDu motivates children to eat a balanced diet

The new JaMaDu own-brand label underscores Coop's long-time commitment to a healthy, balanced diet and plenty of exercise for children in particular. Since April 2007, JaMaDu has offered well-balanced food products made especially for children aged four to nine. The label now offers 40 products with portion sizes appropriate for children. The colourful packaging with JaMaDu, the small ruffed lemur, appeals to all children. In collaboration with external nutrition specialists, Coop's Nutrition Unit ensures that only products that contribute to a balanced diet are sold under the JaMaDu label. Other Coop services such as the JaMaDu Special in Coop Restaurants, the Family Coach and the "Fitness for Kids" project, which encourages children at school to engage in more exercise and sport, underscore the JaMaDu message.

From practice

Much-loved baked goods without trans fats

Coop is taking action against unhealthy trans fatty acids. Trans fats are created when fatty acids from vegetable oils are converted into solid and semi-solid fats in an industrial process.

This not only extends their shelf-life, but makes them easy to spread and thus easier to process. Unfortunately, trans fats are present in sweet baked goods and pastries – in other words, in much-loved foods that many will not or cannot give up. Coop is therefore making it easier for its customers and will remove all hydrogenated and partially hydrogenated fats from Coop own-brand products by the end of 2008. The only exceptions will be products for which a manufacturing process without hydrogenated fats cannot be introduced by that date. In such cases, Coop aims to reduce the trans fat content to a maximum of 2 % – and will include the trans fat information in the food profile on the packaging. All JaMaDu and all organic products in the Coop product range were already free of trans fats at the end of 2007. The bakeries are working all out to adapt various recipes. Incidentally, not only hydrogenated fats will be removed but also, wherever possible, the equally unhealthy saturated fatty acids.

In focus

More vegetables and fruit – with Coop and "5 a day"

Old habits are easier to change if change is made easy. At the end of October, Coop customers had the opportunity for one week to fill a carrier bag with seasonal vegetables of their choice for CHF 6.95; many came back, often more than once.

The "Autumn Market" campaign signalled the start of Coop's cooperation with "5 a day". With the backing of the Federal Office of Public Health, the Swiss Foundation for Health Promotion and the Swiss Cancer League, this campaign aims to promote the consumption of fruit and vegetables in Switzerland. Fruit and vegetables, together with beverages, form the basis of the food pyramid and are absolutely essential for a balanced diet. An adult should eat 600 g of fruit and vegetables a day, preferably divided into five portions of 120 g each, i.e. "5 a day". And because Coop attaches such importance to a healthy diet, many foodstuffs at Coop have been labelled with the exclusive "5 a day" logo since autumn 2007. The logo perfectly complements the portion-based data the Coop food profile provides – and thus helps encourage consumers to eat a balanced diet by providing more information.
> *www.5amtag.ch*

Going forward, JaMaDu will be increasingly present at other sponsored sport and cultural activities for children. In July 2007, an interactive JaMaDu platform was launched on the Coop website. It offers children easy access to the topics of nutrition and exercise – with information, tips for games, step-by-step instructions on how to make things, painting patterns and recipes.

Children's jury – Coop consults its customers

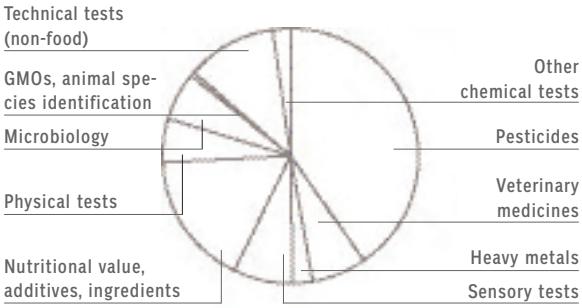
Well-balanced foodstuffs for children make sense only if children accept them and find an element of fun in them. Putting this insight into practice, Coop worked together with a jury of children and their parents to develop the JaMaDu own-brand label: children and parents met in separate groups to evaluate ideas on products and on marketing and communication of the children's line. In this way, the jury of children and parents influenced not only product development, but also the logo and the web site. In addition, Coop created a panel of children and parents from German- and French-speaking Switzerland. Using sensory tests, they regularly tested the popularity and acceptance of new products. The children's and parent's groups will continue to be consulted when Coop wants to launch a new food product or implement medium-term plans to expand the JaMaDu line to include near-food products and educational toys.

QUALITY MANAGEMENT

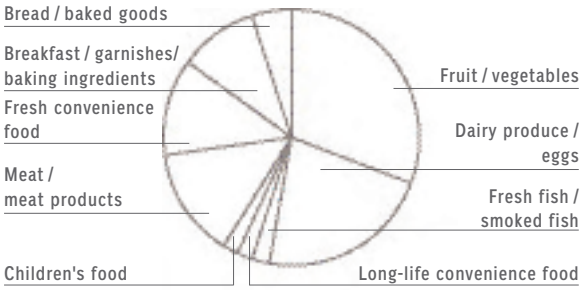
Quality Assurance performs checks...

Besides laboratory analyses, Coop's Quality Assurance department carries out quality checks at Coop's own operations and those of its business partners. The results of the checks are centrally administered and statistically evaluated. The total of 1,210 checks in the food sector at Coop Group sales outlets, restaurants and distribution centres focused primarily on hygiene, freshness and compliance with internal and statutory requirements. Suppliers of Coop's own-brand food products must be certified to a recognized GFSI (Global Food Safety Initiative) standard. In addition, the Quality Assurance department carried out 57

Laboratory tests for quality assurance
Total number of laboratory tests: 330 000



Quality audits of producers,
by product category



product-related audits in the year under review – in particular at small and medium-sized companies, which have difficulty obtaining a GFSE certification owing to their size.

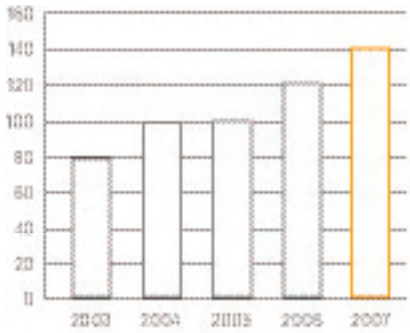
... and is itself checked

In 2007, in connection with the introduction of the internal audit system (IKS), quality management processes were subjected to a systematic risk analysis, audited and then documented in a "process map". The goal is to adapt quality management – and other central business processes of the Coop Group – to new internal and external requirements and to steadily improve performance in this respect.

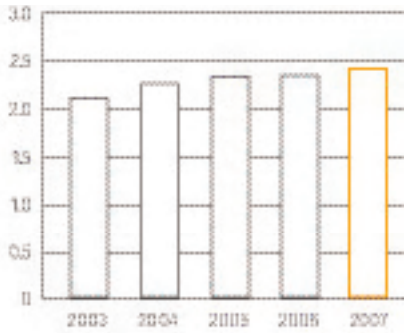
Checks focus on Chinese toys

In 2007, there were several recalls of toys made in China on account of their lead content, unauthorized plastic softeners and inflammability. Coop sources most toys through Eurogroup Far East, a sourcing organization based in Hong Kong. Eurogroup is responsible for obtaining the necessary documents and quality certificates from the suppliers. In the absence of these documents, Eurogroup commissions local institutes to carry out checks. Coop in turn examines whether the documentation required by law is complete. Circumstances also required Coop to additionally carry out random checks of its own. In 2007, the Federal Office of Public Health also systematically investigated toys passing through customs. The products imported by Coop gave no cause for complaint. Experiences with China demonstrate just how important it is for Switzerland to pass a product safety law on the model of that in force in the EU, which clearly establishes the manufacturer's liability for the safety of its products.

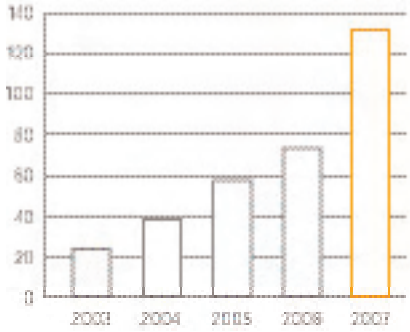
Queries to Coop Consumer Service
in thousands



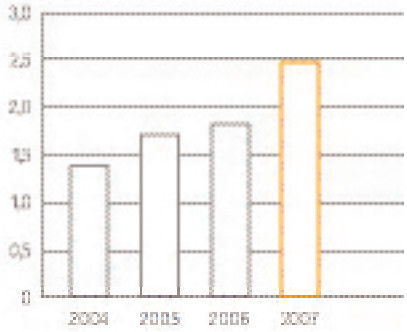
Print-run of Coop member press
in millions



Pages viewed on www.coop.ch
in millions



Queries submitted to the Media Unit
in thousands



SERVICES

Sustainability in the Coop media

The Coop member press, Switzerland's largest weekly, has a readership of over 3.3 million and provides it with regular, prominently positioned updates on Coop's commitment to sustainability. Ecological and social topics have a regular place in the publication: the double page titled "ecological & fair" provides weekly information on sustainable projects, special offers, and products and services. The environmentally and socially responsible flagship labels make regular appearances in the "buy & benefit" service section. Moreover, in September 2007, the Coop member press devoted an entire issue to sustainability. The Coop member press practises what it preaches. All three language editions of the newspaper are printed on up to 95 % recycled and, whenever possible, FSC-certified paper. And dividing up the printing contract among five instead of four printers helps to shorten transport routes.

Environmentally aware travel

Flights offered from within the Coop Group emphasize information and transparency without seeking to put customers off air travel in their leisure time. Coop ITS Travel's catalogue of beach holiday packages offers not only attractive travel tours, but also the possibility of offsetting the CO_2 emissions caused by the flights booked. In future, Coop will also systematically draw attention to the possibility of CO_2 offsetting in travel packages arranged through its strategic partnership with SWISS.

In focus

Pandemics – Coop is prepared

Experts are in no doubt: the outbreak of a pandemic is a realistic possibility. A pandemic is the spread of an infectious disease affecting human populations across a large region or even worldwide.

Some may still remember the "Hong Kong flu" of 1968–1970. The World Health Organization (WHO) has been warning about a new outbreak for some time. Such an outbreak of influenza would spread throughout the country in two to three weeks and last about twelve weeks. A quarter of the working population would probably be off work for up to eight days. The consequences for public life would include the closing of schools, bans on public events, limited public transport and even bottlenecks in the supply of consumer goods. The federal and cantonal governments have therefore been making preparations. Coop has also drawn up a pandemic plan – not in a spirit of panic but of responsibility. The focus is on protecting employees' health and ensuring availability of supplies. Coop has already stocked up on protective materials, carried out training courses and drawn up extended regulations on deputization.

MY OWN EXPERIENCE OF COOP:
STEVEN SCHNEIDER, COLUMNIST, BAD ZURZACH

The "Schreiber vs. Schneider" column printed regularly in the Coop member press enjoys cult status. What's less well known is that Steven Schneider was also out and about as a blogger for Coop. His blog on the website of the nutritional Online Coach encouraged people who wanted to go on a diet. By 22 October 2007, Steven Schneider had already lost seven kilos and learned a thing or two.

BASICALLY, PEOPLE ALWAYS COOK THE SAME DISHES AND THEY ALWAYS BUY THE SAME PRODUCTS. BUT I LEARNED SOME NEW IDEAS FROM THE DIETARY ONLINE COACH.

It's not as if we had been eating really unhealthily. I just used to eat too much because it all tasted so good. I always took a second helping, even if I felt full up. My wife comes from Munich, where they cook with a lot of butter and cream. I had originally wanted to lose four kilos, but since it was turning out to be so simple, I just carried on.

I think the Coop programme is very sensible because you lose the extra weight in the same way as you gain it – slowly. I found it all a lot of fun. Basically, people always cook the same dishes and they always buy the same products. But I learned some new ideas from the dietary Online Coach. I went shopping more often, just to see what was out there on offer. Each day the Coach provides you with several recipes that are geared to your personal preferences. I discovered lots of things that were new to me. OK, some recipes were too fancy, nobody cooks like that. But I bookmarked my favourite recipes – really tasty dishes that we still enjoy.

It all actually started with my wish to take more exercise. I'm a footballer, but football is an unhealthy sport. Many of my friends who play are constantly injured. You may stay young at heart, but the body gets older. When you see the ball, you don't of course ask yourself what the healthiest way is for you to reach it? You just start running, even though you need longer to recover from the sprint. You take ages to get over a pulled muscle – if at all.

At the beginning I wasn't used to jogging and so I ran far too fast. Now I'm just about the slowest jogger in the neighbourhood – but I really enjoy it. And incidentally: jogging is a first-class excuse when you need some time away from the family.

3

ENVIRONMENT

ULTRA-ECONOMICAL SALES OUTLETS, INTELLIGENT TRANSPORT AND A DRIVE TO COMBAT LITTER

Coop is working on improving the energy efficiency of its manufacturing companies, transport and sales outlets. It has begun offsetting CO_2 emissions caused by air freighting of goods and is helping customers to make informed purchasing decisions by providing more information.

ENERGY

Coop takes the reduction of CO_2 emissions seriously

Even if money from the Climate Fund is used to offset emissions caused by air freighting of goods and by business travel, what is paramount for Coop is being able to reduce its own CO_2 emissions. The Executive Committee has therefore stepped up the measures adopted to lower CO_2 emissions and approved important basic principles, for instance that all new supermarkets will have to meet the Minergie low-energy standard. A pilot project on the achievement of this standard in new Building & Hobby centres is currently in progress. The touchpoints between construction and operation that are critical to energy consumption have been regulated. The continued use of green electricity has been confirmed. A trial of a truck that runs on biogas is also being initiated. These decisions did not impact on the period July 2006 to June 2007, however, which is when the energy data underlying the following reports were collected. Furthermore, the relevant consumption data have not been climate-adjusted – unlike the figures the Business Energy Agency (EnAW) uses for monitoring the extent to which the emission targets agreed with the Federal Government have been achieved.

> www.enaw.ch

CO_2 targets agreed with the Federal Government exceeded

If Coop complies with the CO_2 emission targets that meet the requirements agreed with the Federal Government, it will be exempted from the emission charge to be imposed as of 2008. Both the Coop Group as a whole and its individual sales outlets, distribution centres and manufacturing companies were on target for compliance throughout the 2006 / 2007 measurement period. Most operations will nevertheless have to be more rigorous about implementing the measures defined. Work on this is progressing well, thanks to the Executive Committee's resolutions. And once the measures to be adopted in the distribution centres and manufacturing companies by 2012 have been implemented, Coop will not just meet, but actually exceed, the agreed targets for combustibles. Bell AG already lowered its CO_2 emissions by an impressive 16 % over the year-back period; this was achieved by installing high-pressure heat pumps in two plants and by additional heat recovery. The Climate Cent Foundation is prepared to buy up certificates from EnaW

members based on exceeded targets for combustibles and complied-with targets for vehicle fuels and thereby offset CO_2 emissions. Coop and Bell AG have already acted on this offer and invested the proceeds in additional heat pumps and in further reducing vehicle-fuel consumption.
> *www.climatecent.ch*

Improvements in efficiency at the sales outlets...

Compared with the year-back period, all the sales outlets, distribution centres, manufacturing companies and administrative departments lowered their heat consumption by 11 % and their CO_2 emissions by 10 %, while their electricity consumption rose by 0.4 %. Total energy consumption fell by a good 3 %. Gratifyingly, the 903 sales outlets were able to cut their absolute heat consumption by 7.4 % and their CO_2 emissions by 7.5 %, even if this was due at least in part to the mild winter. Ten sales outlet are now able to function without any external source of heat at all. While electricity consumption rose by 0.8 % in absolute terms, consumption per square metre of sales space fell by 0.5 %; the fall was an impressive 5 % at the Building & Hobby centres. A comparison of the older sales outlets and those built or modernized within the past five years is especially interesting here. While the latter posted heat consumption of 62 kWh per square metre, the equivalent figure for the former was 159 kWh. The difference in electricity consumption is not quite so pronounced, although the new and modernized outlets again did better, this time by nearly a fifth.

...and at the distribution centres

The 18 distribution centres are in second place in terms of energy consumption. They lowered their heat consumption and CO_2 emissions by just under 19 % and their electricity requirements by just under 3 %. The change was especially marked in French-speaking Switzerland, where five separate centres were replaced by a single new one in Aclens. In its first year in operation, this new centre emitted a good 30 % less CO_2 than the five distribution centres it had replaced. There was a similar merger three years ago in Ticino, which now has just one distribution centre instead of two; this centre's CO_2 emissions were down 20 % in the year under review. When it comes to saving energy, however, the leader is definitely the production and distribution centre in Pratteln. By introducing a raft of 16 measures, this centre was able to lower its heat consumption by 39 %, its CO_2 emissions by 45 % and its electricity consumption by 13 % during the 2006 / 2007 measuring period.

From practice

First Minergie supermarket really is economical

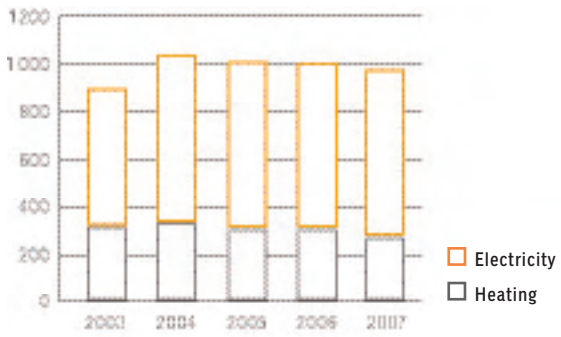
The first Coop supermarket built to the Minergie standard opened in December 2007 in Schönenwerd, where it has replaced the old store previously on that site. It has proved to be particularly economical. Originally launched for residential properties, the Minergie low-energy label did not become available for sales outlets until just a year ago.

Coop responded immediately and began work on a pilot project to build a new supermarket that would comply with all the Minergie technical criteria. The savings required by the standard affect the building's insulation, lighting, refrigeration units/freezers and ventilation system. Reducing consumption rates for refrigeration is especially important, as the refrigerated products sector is growing steadily and refrigeration now accounts for 50% of a supermarket's electricity consumption. Coop was nevertheless able to lower its overall electricity consumption in this sector by about 20%. Minergie standard buildings are not just environment-friendly, they also make good economic sense. The higher construction costs are offset by significantly lower annual energy bills. Coop is committed to the Minergie standard and therefore intends to build all its new supermarkets in compliance with the label.
> *www.minergie.com*

Manufacturing companies and administrative departments still have potential

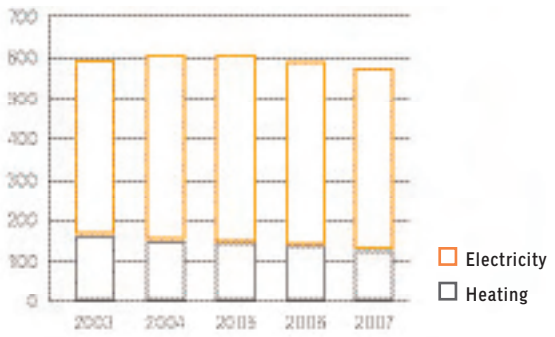
Thanks to the adoption of various measures, the eight manufacturing companies were able to reduce their heat consumption and CO_2 emissions by about 5 % and their electricity consumption by 1 %. Renovation of the outside of the building at CWK, which makes cosmetics, household cleaning products and industrial

Total energy consumption [1]
in gigawatt-hours

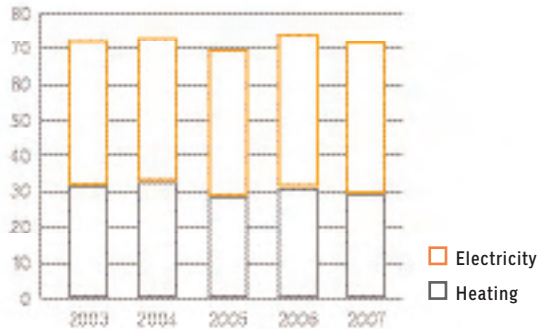


[1] Manufacturing companies, distribution centres, sales outlets (supermarkets, Coop City, Building & Hobby) and administration

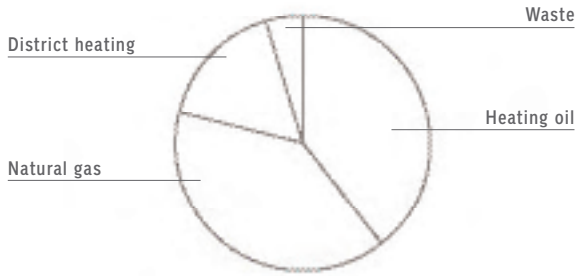
Specific energy consumption per sales area
in kilowatt-hours per square metre



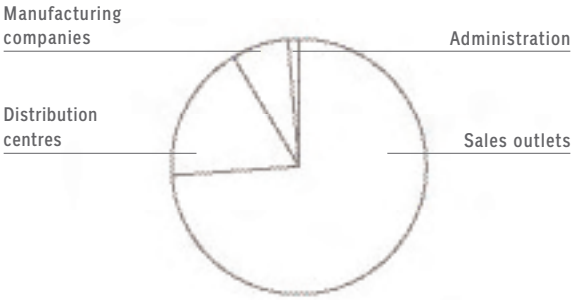
Energy consumption of manufacturing companies
in gigawatt-hours



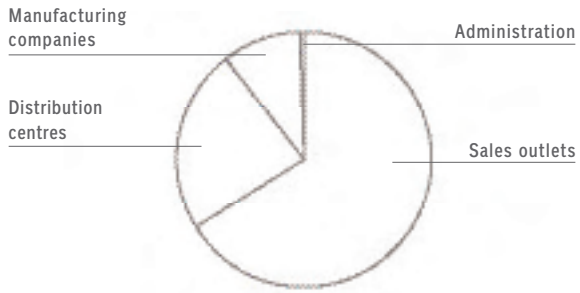
Heating energy sources



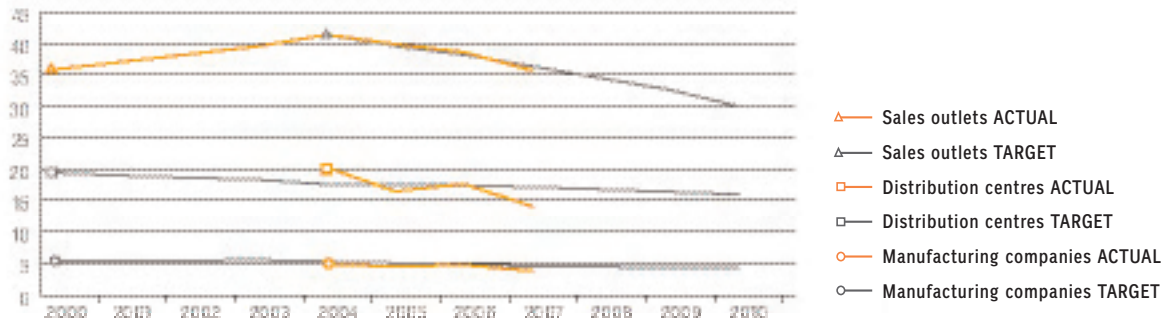
Share of total energy consumption



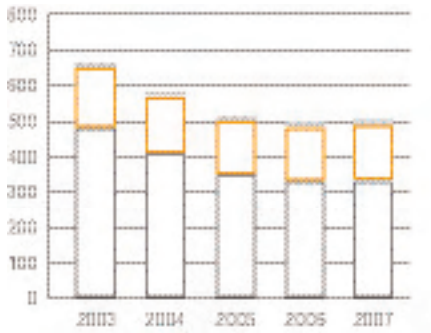
Share of CO_2 emissions
Overall emissions: 53,971 tonnes, transport excl.



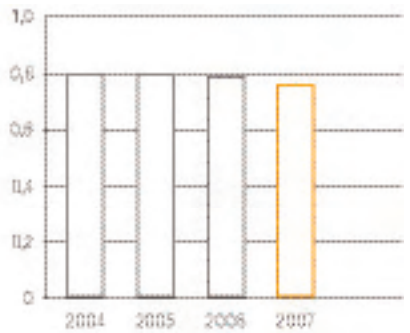
Achievement of CO_2 target agreements with Federal Government (EnAw CO_2)
CO_2 emissions in thousands of tonnes



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



cleaners, lowered both heat consumption and CO_2 emissions by 13 %, meaning that CWK is now on course to achieve its target. Heat consumption and CO_2 emissions at Coop's administrative headquarters in Basel were down by nearly 18 %. As electricity consumption rose by just under 14 % during the same period, however, the IT hardware in use there will have to be reviewed with an eye to potential energy savings.

Teaming up to save energy

By virtue of its environmental partnership with WWF, Coop is also a member of the WWF Climate Group, which conducts a campaign in the autumn of each year. Coop was involved in the 2007 campaign in a variety of ways. Its standby-mode guide for electronic equipment was distributed at all the Building & Hobby centres and at Lumimart and Interdiscount sales outlets, while small posters were used to draw attention to energy-efficient refrigeration units and freezers and to the Oecoplan coffee machine. Shelf talkers performed the same function for energy-saving lamps and switch-operated power strips. The coffee machine, energy-saving lamps and energy-saving accessories all sold well during the period under review. Energy-saving lamps did excellently throughout the year. Sales of these items were four times as high in 2007 as in the previous year. Coop also cooperates closely with Swiss Energy, the Federal Government's energy-saving programme, and supported its "Energy Day" – also held in the autumn – with a flyer called "A ist angesagt" (roughly, go for energy efficiency class A) distributed at all its sales outlets and a special campaign for energy-saving lamps. "Energy Day" enjoyed widespread support from the Federal Government, Energy Cities, professional associations, the trade and retailers. *> www.swissenergy.ch*

WATER

New sales outlets consume less water

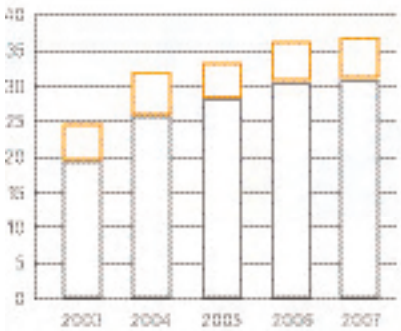
Even though water is not yet regarded as a scarce resource in Switzerland, Coop makes every effort to use water resources carefully and minimize its water consumption wherever possible. The successful modernization of sales outlets is starting to be clearly reflected in the consumption figures: each of the 155 new or modernized sales outlets uses 760 litres of water per square metre on average, 30 litres less than in the previous year. The trend of recent years at the regional distribution centres continued in 2007. The closure of several distribution centres in French-speaking Switzerland and the subsequent concentration on the Aclens distribution centre reduced water consumption by almost 8 %. Consumption at the national distribution centres showed a substantial increase. At the same time, the volume of goods handled at the Wangen distribution centre increased by 23 % year-on-year, and far more wine was vinified at the national distribution centre in Pratteln than in the previous year. Vinification involves cooling of the tanks delivered to the centre by constant sprinkling with water. Given the increased volume of goods handled, the 1 % increase in the water consumption of distribution centres, manufacturing companies and administrative departments is remarkably low.

TRANSPORT AND CO_2 OFFSETTING

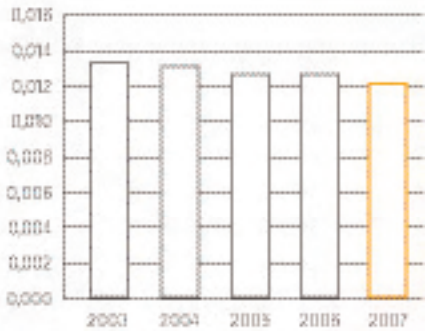
By Air – Coop comes clean about air-freighted products

Climate change is now such a big issue that customers are no longer concerned only about what they eat.

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



Specific diesel consumption by trucks
in litres per tonne-kilometre



They also want to know where the food comes from and how it is transported. Coop has therefore decided to break new ground by becoming the first retailer in Europe to label its air-freighted products. Air-freighted products will henceforth be identifiable as such thanks to a logo in the shape of an aeroplane and bearing the words "By Air" on the product packaging. Customers will therefore know immediately if the product they are holding – in most cases tropical fruit or vegetables, roses, New Zealand lamb or Argentinian beef – has been transported by air. Not content with declarations alone, however, Coop is also taking action in other ways: it is offsetting the CO_2 emissions caused by air freight and, wherever possible, will dispense with air-freighting of goods.

Carbon offsetting fund

Coop is the first company in Switzerland to set up its own carbon offsetting fund, endowed with 2 million francs. This enables Coop to offset 30,000 tonnes of CO_2. The CO_2 emissions caused by all deliveries from coop@home and all business trips, whether by car or by plane, will be offset. The lion's share of the offset CO_2 emissions, however, will be that caused by air freight. Implementation, which will provide support for carbon offsetting projects worldwide, commenced in January 2008 for consumption in 2007. When selecting projects for the Fund, Coop attaches great importance to their being internationally recognized and compliant with the WWF Gold Standard, which sets extremely exacting criteria for sustainability, effectiveness and credibility.

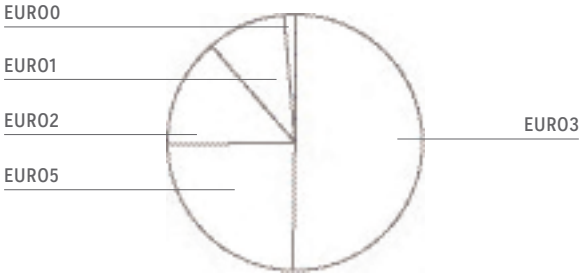
New technologies for lowering emissions

In addition to labelling air-freighted products and maintaining a carbon offsetting fund, Coop's basic stance is that the focus must be on reducing CO_2 emissions first and offsetting second. Here, too, Coop is working closely with WWF within the framework of their environmental partnership. Coop wants to use this partnership to promote alternative forms of energy and ideas for energy-saving appliances. It is also currently considering for which of its products it could dispense with air-freight altogether. An internal guideline allows air freight only on grounds of quality or in cases in which speed is of the essence. Faster logistical processes and better technologies for maintaining the cold chain will enable the proportion of products shipped by sea freight to be increased steadily. Whereas only 50 % of Coop's white asparagus, for example, is currently transported by ship, this is to be increased to 90 % by 2009. And by the end of 2007, all Coop's supplies of physalis (a popular tropical fruit) will have made their way to Switzerland by sea freight. For its organic products, Coop systematically adheres to the guidelines of Bio Suisse, which prohibit all air freight of goods bearing its label.

What counts is the energy balance

There are products for which air freight is not the main source of CO_2 if the whole production cycle is taken into account. This is true, for instance, of plants grown in greenhouses that consume more energy for heating than is required to air-freight them. Hence, the CO_2 emissions caused by Max Havelaar certified roses from Ecuador are four times lower than those caused by cut flowers from Holland. This is because the energy balance has to include not just air freight, but other sources of emissions such as heating, fertilizers, packaging and carriage as well.

Class EURO0 to EURO5 trucks



From practice

More efficient driving also makes a difference

Coop is also committed to an environmentally responsible forwarding system from the distribution centres to the sales outlets, most of which journeys are made by truck. In 2007, Coop purchased an additional 38 trucks, all of which meet the exacting EURO5 standard and therefore rank among the cleanest there are.

EURO5 trucks emit 60 % less nitrogen oxide and 80 % less particulate matter than the EURO3 models. EURO5 trucks now account for one third of the entire Coop fleet. And while the EURO5 standard will not become statutory in Switzerland until the autumn of 2009, Coop is already lowering its emissions by 72 tonnes of CO_2 every year thanks to these new vehicles. It is not just the vehicle that counts, however, but also how it is driven: a Coop driver who has taken an Eco-Drive training course can save as much as 1.4 litres of diesel for every 100 km driven. This effect is multiplied by the 110 drivers who attended such a training course in 2007: thanks to Eco-Drive, Coop was able to save 110,000 litres of diesel and to reduce its CO_2 emissions by 288 tonnes. Coop has not only saved money, but has also prevented CO_2 emissions equivalent to those produced by 40 single-family houses.

Large volumes by rail

Coop attaches great importance to transport by rail. As in previous years, the national distribution centres transport more than one third of all goods by rail. The number of rail freight wagons transporting outgoing goods from the large distribution centres at Wangen and Pratteln rose again, although not by as much as in previous years. On the one hand, better use is being made of the capacity of the freight wagons destined for French-speaking Switzerland and, on the other, railway capacity in the Central Plateau region is being fully utilized. The limited freight capacity of the railways currently makes it impossible to shift further large quantities of goods from road to rail.

Low-pollutant vehicles instead of biofuels

Coop and its subsidiary Mineralöl AG do not see any need for action on the use, or supply, of fuels made from renewables. Although biofuels are very much the trend at present, they have also met with criticism. In biofuels, a certain percentage of the conventional petrol or diesel is replaced by fuel made from energy-containing plants normally grown for food, such as maize, wheat or rapeseed. The aim of biofuels is to lower CO_2 emissions and prepare for the shortage of crude oil already looming on the horizon. Besides having a problematic CO_2 balance, however, another argument against the use of biofuels is the fact that biofuel production has to compete directly with food production. This has already pushed up the prices of these staples, and such price rises inevitably have negative social effects in poorer countries. Coop does not regard biofuel as a sustainable solution to the CO_2 problem. A better approach would be biogas, which is also an alternative fuel, but one that can be obtained from waste. Coop is also committed to across-the-board use of low-pollutant vehicles, and as of 2008 will in most cases only allow company cars that belong to efficiency classes A and B.

WASTE AND LITTER

Consistently high waste recycling rate

After a marginal decline in the previous year, the quantity of waste increased again in 2007, thus signalling that there had not been a turnaround in trend. Some of the increase in waste, however, can be attributed to

increased output. The recycling quota was virtually unchanged at more than 70 %. Cardboard and paper account for half of the recycled waste. On a positive note, the collection of PE milk containers rose by 14 % in the year under review – a trend that has continued to improve over the years. The trend in battery returns was particularly positive. But customers need to return more used batteries to the points of sale because the battery recycling rate in Switzerland is unsatisfactory. Coop has also started recycling its plastic gift vouchers, enabling another valuable recycling material to be used again.

Recycling charges to be lowered

In view of European developments in the recycling of electrical and electronic equipment and lighting as well as the rising value of the materials recovered by recycling, the Swiss Waste Disposal Foundation (SENS) subjected its system to critical scrutiny. SENS remains committed to the free market, the free choice of disposal partner and to high quality waste disposal. However, the disposal channels financed by the prepaid recycling charge (vRG) should lead to greater efficiency. The corresponding system update will also permit a lowering of the prepaid recycling charge (vRG) for almost all equipment categories as of 2008. *> www.sens.ch*

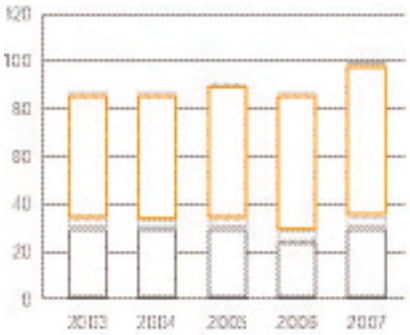
Joint drive to combat litter

Litter is becoming more and more of a scourge. Coop has therefore teamed up with the Swiss retailers' organization IG DHS to take a new approach to combating this problem. In several towns and municipalities, IG DHS has entered into a dialogue with the local authorities and local trade and industry on how best to tackle the problem of litter together. What is important is that the polluter-pays principle – the polluter being the person who throws the litter away – be upheld and that the measures adopted be cost-effective and maintain a level playing field. The efforts already being made by retailers must also be taken into account. In Basel, agreement on a voluntary package of measures has been reached. Essentially, each sales outlet is responsible for keeping its own immediate vicinity clean and tidy in areas in which the litter problem is most acute. What this means in practice is that sales staff regularly empty the public litterbins and clean the area immediately in front of the outlets. Copycat behaviour is therefore prevented and there is always enough space in the litterbins. Similar agreements have been reached in Dietikon between the authorities and the individual sales outlets.
> www.igsu.ch

Coop is committed to voluntary action

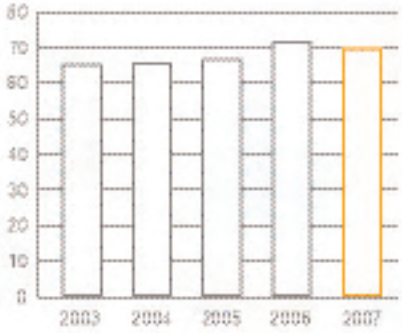
Following several political initiatives, the problem of litter is now to be the subject of a national roundtable discussion. One solution that is frequently suggested is the introduction of a deposit on drinks containers. But these account for only a small percentage of total waste. According to a survey by the Federal Office for the Environment, such a deposit would be very costly to the economy, would not solve the problem, and would be complicated for traders, shops and consumers to implement. In Berne, IG DHS, together with local trade and industry, has lodged a complaint against the new system of waste disposal charges. There is no legal basis for levying a charge to finance the disposal of waste in public spaces. Such charges would have to be passed on to the customer in the form of higher product prices, which would unfairly penalize all customers, including those who do not drop litter.
> www.igdhs.ch

Total waste production [1]
in thousands of tonnes



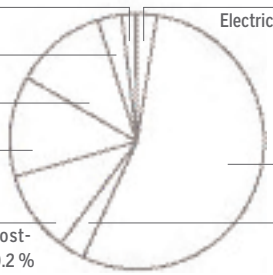
- Special waste
- Waste requiring special disposal
- Recycled waste
- Waste used as heating fuel
- Waste disposed of

Overall waste recycling rate [1]
in %



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

Share of recycled waste
Total: 65,100 tonnes, excluding use as fuel



Maja Plump

MY OWN EXPERIENCE OF COOP:
MAJA PLUMP, TRAINEE, QUADER CENTER, CHUR

She completed tenth grade at school, she's highly proficient on the computer and last year she shouted herself hoarse as a fan at the ice-hockey games of HC Davos. In 2007, Maja Plump decided to start a sales traineeship. Full of curiosity and enthusiasm, she began her basic training in the vegetable department. Which is where Maja Plump was to be found on 24 October 2007.

quader-centre

coop

I USED TO HAVE TWO DREAM JOBS: ARCHITECTURAL DRAUGHTSWOMAN – AND SALES. BUT THEN I BEGAN TO DREAM A LITTLE MORE OF SALES BECAUSE IT'S A JOB WHERE YOU GET TO WORK WITH YOUR HANDS.

I come from Tschiertschen, but am currently living with a friend in Chur because we start work in the vegetable department early, at half past six. My friend is training to be a cook. "Come on, let's cook something", she sometimes says in the evenings. I enjoy chopping and slicing, but cooking makes me nervous, especially when things are sputtering away in the frying pan.

I used to have two dream jobs: architectural draughtswoman – and sales. But then I began to dream a little more of sales because it's a job where you get to work with your hands. And I love all the different colours in the vegetable department. I've already started helping with the orders. The head of the department does the rounds of the shelves with me and I estimate approximately how much of each vegetable we need to order. That varies greatly according to the day of the week – the busiest times are Friday and Saturday. By now I know almost all the vegetable numbers by heart – there are about a hundred of them.

During the traineeship, we move to a new department every few months. The one I'm looking forward to most is the meat department. Some may think it weird, but I'm attracted to it because you have direct contact with the customers there. I was shy until a year and a half ago, but I've got over that now. My friends are all really loud. I think that's helped me.

My dream is to work for another year after the traineeship and to save money. I'm an ice-hockey fan and one day I'd like to go to Canada to see the NHL, the world's best hockey league. Last year, when I was in tenth grade, I often went with friends to the games of HC Davos. I can't do that now because of course I work on Saturdays. But I'm not too bothered about it. I always say: you've got to give up something for your job.

4

STAKEHOLDERS

FOCUS ON SATISFIED CUSTOMERS – AND ON EMPLOYEES WITH A FUTURE

Coop conducts regular customer satisfaction surveys. It also supports effective measures to protect young people and promotes sustainable projects in mountain regions. Age and ageing are becoming increasingly important issues in the world of work.

Dialogue and cooperation
Coop cultivates regular and intensive dialogue with diverse stakeholders. These groups are so important to Coop that they have been accorded a special place in this year's report: on the illustrated pages, representatives of various stakeholder groups describe their own personal experience of Coop. Our stakeholders help us to spot both issues and risks early on. And they support us in our efforts to build up a sustainable range of products and services. Especially important to us are the long-standing partners of Coop's flagship labels such as Bio Suisse, the Swiss animal welfare association STS and Max Havelaar, as well as WWF, with which Coop has entered into a wide-ranging environmental partnership. An overview of Coop's stakeholders and of our successful ventures with them in the year under review is available online:
> *www.coop.ch/sustainability/stakeholder*

EMPLOYEES

New features in the collective employment agreement
There were 48,200 people, including the employees of Dipl. Ing. Fust AG, on the Coop workforce at the end of 2007. This represents an increase of 6.1 % over the previous year. Around 35,000 employees are covered by the collective employment agreement which Coop and its social partners have now renewed for the years 2008 to 2010. The most important new features of this agreement are the introduction of a week of paternity leave and, from the age of 63, eight weeks of paid leave. Coop has also increased its minimum wage by 100 francs, while the total payroll for 2008 is set to be 2.5 % higher than in 2007. Coop's focus is therefore on the lower wage segments and on women's wages. The Coop Child Care project that helps single-parent employees to meet the costs of child care is to be continued.

Challenges for training
Coop attaches great importance to the continuing education of its employees and managers. After all, staff training is crucial for a company that provides services and has such extensive customer contacts. Professional training these days has to meet a wide range of social and cultural challenges. New and ever more complex systems and processes are being

introduced at ever shorter intervals, while the increasingly international market environment is leading to more strategic alliances and cooperation agreements. New touchpoints are being created, making the need for coordination all the greater. These developments are adding to the demands made of our employees. The ageing of society and the ever greater polarization of educational levels are leading to shortages of suitable successors in some areas, making the "competition for talent" all the tougher. The demands being made of our managers are also increasing. They have broader responsibilities and have to handle increasingly demanding recruitment and leadership situations under ever greater pressure of time.

New strategy for needs-oriented training

In the year under review, Coop implemented its new training strategy for the years 2007 to 2010. This has three focuses – staff development, management development and organizational development – and is a response to the challenges posed by today's working environment. Greater emphasis is therefore being placed on needs-oriented, i.e. individual, job-specific training. "Learning from one another" – through internships, benchmarks, exchange programmes, changes of branch or group coaching sessions, for example – is also becoming increasingly important. The aim is to enable staff to think and act in terms of the broader picture, while at the same time adding to their grasp of processes and systems and promoting a customer-focused, service mentality. A lot of weight will be attached to the systematic encouragement of potential successors. This is to be further improved by providing practice-based training and by professional collaboration between Staff Development and line managers in the sales regions. As in the past, Coop's aim is to meet at least 70 % of its personnel needs from within the Group. Line managers will increasingly become providers and facilitators of personal development for employees and will therefore be encouraged to work on the leadership and social skills needed for this task.

Trainees benefit from new basic training

Since 2004, Coop has responded proactively to the growing problem of youth unemployment by increasing the number of traineeships it provides by more than 40 % to 2,728. This means that trainees now account for just under 6 % of the workforce. As recruitment of young successors from its own ranks is important and even crucial in some cases, Coop wants to maintain this high percentage in the years to come, despite falling numbers of school-leavers. More than 60 % of trainees will then be able to continue working for Coop after completing their traineeship. The rise in the number of trainees is due in no small part to the new basic sales training, which Coop had a key role in developing. This aims to make working in sales more attractive and has already met with a positive response from young people. Approx. 30 % of trainees complete the two-year programme for certified retail assistants, while 70 % opt for the three-year basic training programme for retail specialists. Coop also offers its trainees a chance to obtain a baccalaureate-level vocational certificate. About 14 trainees are currently availing themselves of this opportunity, a percentage that is to be increased significantly in the medium-term.

Coop offers school leavers a future

Responding to the ongoing shortage of apprenticeships, Coop in 2006 launched a new internship for school leavers in French-speaking Switzerland to

enable them subsequently to complete a course of basic training or at least have the possibility of becoming integrated into working life. Since 2007, Coop's sales regions in German-speaking Switzerland and in Ticino have also been able to employ a total of about 120 young people for such internships if their grades are not good enough, or not yet good enough, for them to qualify for a two-year traineeship. These internships in sales and logistics last twelve months and should, whenever possible, follow on from school. They include 10–15 days of training and a job-specific introduction to at least two different sections or departments. When recruiting, Coop always collaborates closely with regional job centres.

Age and ageing becoming a critical issue

The average age of the population in Europe and Switzerland is set to increase from about 40 to 50 or so within the three to four decades. This means that within the next ten years, the age of most companies' workforces will rise by an average of more than five years. For Coop, too, it is clear that this will lead to some drastic changes on the job market: competition for young, skilled staff will increase, while the ability to meet the needs of older employees and make more effective use of their potential will become a strategic advantage. The knowledge, dedication and therefore also the health of older employees will become future success factors, and flexible working models aimed at retaining them and preserving their marketability will become increasingly important. Knowing that age and ageing will be an increasingly important issue for the company and its management culture in future years, Coop launched the "50+" project in 2007.

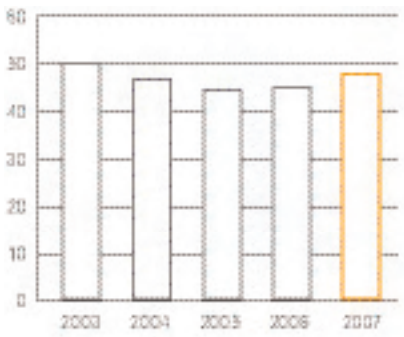
50+ project off to a good start

The "50+" project includes a pilot scheme aimed at keeping older logistics employees in good physical shape for their duties. Many jobs in logistics make hard physical demands on employees, and absences from work among the over-45s in this area are much more frequent than among their younger colleagues. On the basis of an analysis and with the collaboration of employees, the pilot project will draw up and implement appropriate measures such as ergonomic training, health and nutrition workshops or the definition of age-appropriate jobs. In addition to physical fitness, however, the "50+" project is also concerned with mental fitness and will therefore look into ways in which Coop can hold on to the knowledge and skills which, on account of the changes in society, are to be found mainly in older employees. The main issues being considered include new career models, intergenerational knowledge transfer, acceptance of change and awareness of how important life-long learning is.

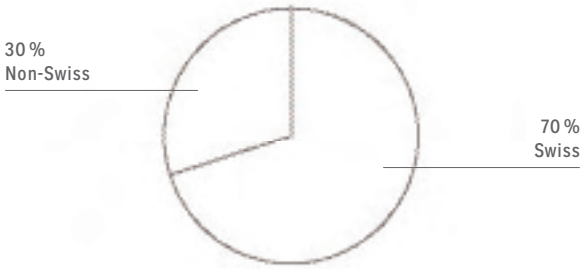
Flexible retirement age under study

The possibility of a flexible retirement age has a key role to play in considerations of how to make the most of the potential that older employees have to offer. Both employees themselves and the line managers responsible for costs are now calling for this kind of flexibility with ever greater frequency. These days, an acceptable solution can be found – if at all – usually only shortly before reaching the official age for qualifying for a Swiss state pension. Unfortunately, for many people whose ability to work is declining, the only way-out is take refuge in illness, unemployment or, ultimately, an invalidity pension. Ending one's working life in such a way is painful for those concerned – and it entails high costs for the company, which also need-

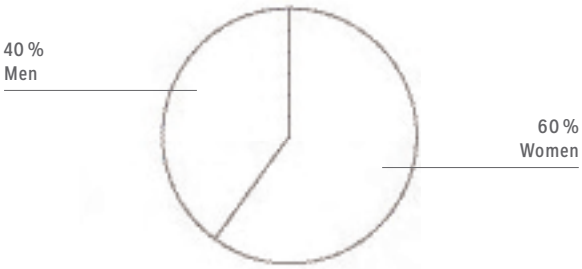
Number of employees
in thousands



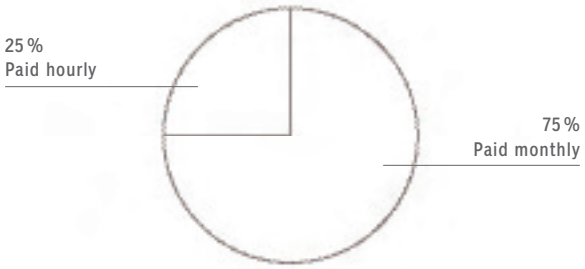
Nationality



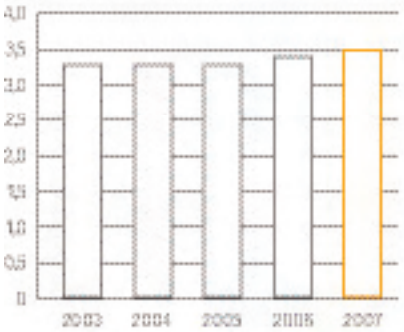
Gender



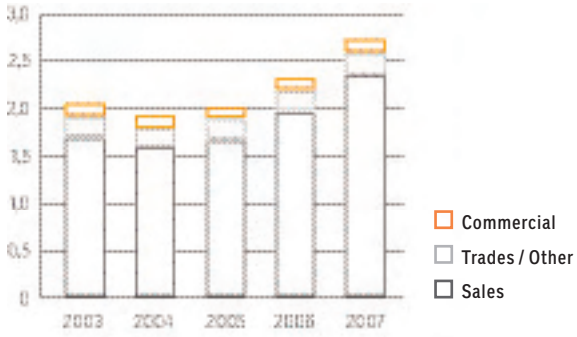
Type of employment



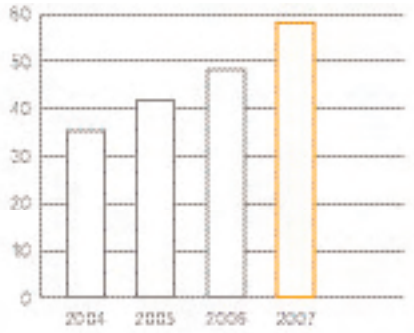
Increase in minimum wage
in thousand francs

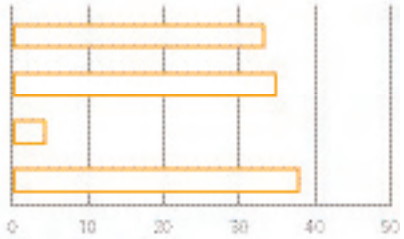


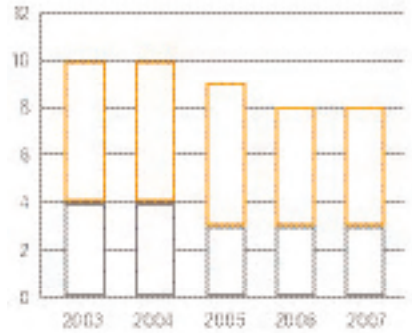
Number of trainees
in thousands

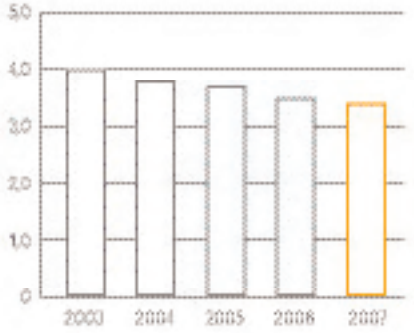


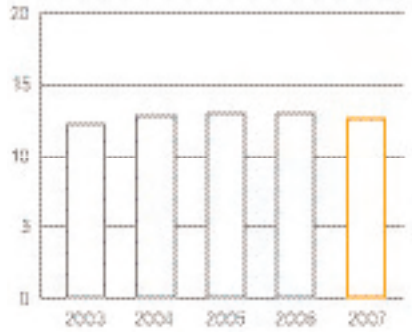
Internal training and continuing-education
in thousands of participant days











In focus

Coop employees sell sustainability

Coop's employees are its most important ambassadors, and not just because they sell products and provide services, but because they also stand for Coop's commitment to sustainability.

According to a survey by the Coop Forte employee magazine, this commitment has also had consequences among the employees themselves: for 80 % of them, the issue of sustainability has become more important, or even a lot more important, during the past two years. Of all those interviewed, 90 % therefore consider it very important that their employer should support sustainability issues. Asked to rate Coop's commitment to sustainability and its assumption of environmental and social responsibility, Coop employees rated their employer as high as 8.4 on average on a scale of 1 to 10. The line they felt to be the most sustainable was Max Havelaar, followed by Oecoplan, Naturaline and Naturaplan. However undisputed the importance of this subject is, the definitions of what sustainability actually means vary greatly even within Coop. They include not only environmental protection and social responsibility, but also health and regional products.

lessly loses out in terms of know-how and work input. Coop is working on a part-time employment concept for people aged 58 and over that would enable them to draw a good pension without generating significant additional costs for the company. Coop is also working to enable employees who are fit, but can expect only a small pension, to postpone retirement until the age of 70 without having to forfeit Coop's financing of their pension fund retirement credits.

CUSTOMERS

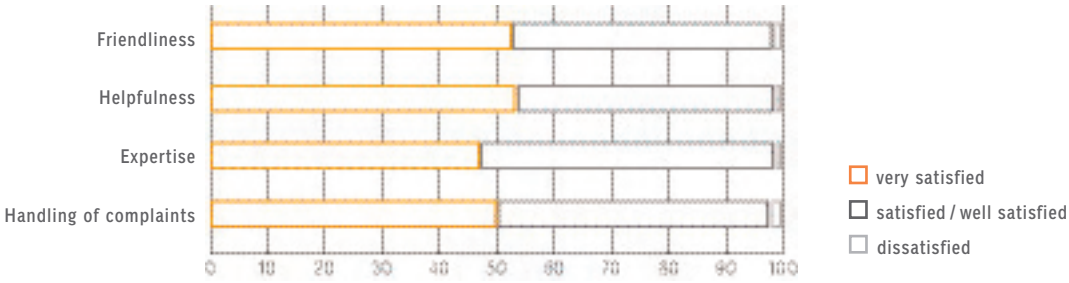
Customers have told us what they think

In the first half of 2007, Coop conducted another large-scale customer survey, in which over 15,000 customers from all parts of the country took part. What this survey again showed was that customers follow Coop's development very closely and have a very definite opinion of it. Coop took a different approach to this particular survey, which was conducted not by external partners, but by Coop employees from all departments and all levels of the hierarchy. Coop had already implemented a number of improvements in 2007. As a company whose existence depends on the satisfaction of its customers, it will continue to conduct such surveys on a regular basis in the years to come.

Better results, continued need for action

With the exception of just a few issues, Coop's customers are very satisfied both with the service Coop provides and with the quality of its products – even more so than in our last survey. Most of the results were significantly better than those of previous surveys. The sales staff's friendliness and readiness to help, the freshness of Coop's products and the customer-friendly handling of complaints were awarded especially high marks. Many of the points that were rated poorly in the past appear to have been remedied. For instance, customers clearly welcomed the shorter queues at check-out desks. Negative ratings in various other areas nevertheless point to a need for action. Unlike their friendliness and readiness to help, our sales staff's expertise was rated below average, even if the survey did not provide any clues as to the reasons for this. Customers also judged the availability of

2007 customer survey
Satisfaction with staff
Share of answers in percent



products on special offer and in the fresh foods section to be below average. The most urgent need for action, however, was revealed by the very poor ratings for the newsstand / flower shop area, where queues tend to be unacceptably long.

Young people are consumers and need protection

In view of the current debate on drinking and smoking and the spread of violence among young people, consideration has to be given to the responsibility borne by retailers. Coop is aware that young people cannot be regarded solely in terms of their purchasing power as a consumer group. It has therefore taken various measures to ensure that only young people who are entitled to do so can purchase alcohol at Coop stores. However, retailers' responsibility cannot extend beyond the actual sale of a product, given that they have no influence over what is done with it. The fact that the protection of minors is a responsibility of the cantonal authorities and that the relevant regulations therefore vary – in some cases significantly – from canton to canton is another exacerbating factor. Differences in cantonal legislation not only prevent simple training of staff and standardized store checks for quality assurance, but they also make it difficult for these issues to be effectively communicated in the Coop member press or on the Coop website.

Age checks for DVD films and computer games

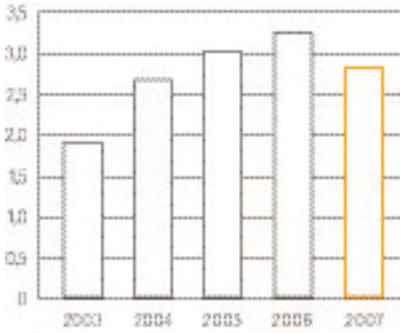
Coop, together with other retailers and SVV (Swiss video association), has drawn up a voluntary code of conduct to address the issue of the protection of minors without creating expensive bureaucratic structures. This Code has already been signed by 18 suppliers and 39 retailers. Among its key requirements is that producers seek an independent age rating and display this on the product before it is dispatched. Retailers undertake to inform their customers that the protection of minors is taken very seriously indeed and that in cases of doubt some proof of age will be required. Any fines imposed by the sanctions committee will be earmarked for improving the protection of minors. The aim is to ensure that this efficient and effective system of self-regulation is used as a reference in the relevant cantonal legislation. We have already had positive experience in the computer-games field in the shape of our cooperation with the Swiss Interactive Entertainment Association (SIEA). This is also based on the application of a voluntary code, the so-called PEGI Code (Pan European Game Information). *> www.svv-video.ch, www.siea.ch*

SOCIAL COMMITMENT

Coop Sponsorship – a future for the Obersiez alpine pasture

Coop Sponsorship for Mountain Regions, a cooperative society with some 25,000 members and a ZEWO-certified aid agency, celebrated its 65th anniversary in 2007. It supports mountain farmers and their families by providing financing for essential modernization or conversion work. Thanks in part to its traditional postal fund-raising drives every two years among its members and to the Swiss National Day "Weggen" (bread roll) campaign, Coop Sponsorship raised a total of 2.8 million francs in 2007. Although donations to aid organizations are generally in decline, contributions to Coop Sponsorship remained at a gratifyingly high level, even though this year, unlike previous years, it had to largely make do without any legacies or inher-

Total donations collected by Coop Sponsorship for Mountain Regions
in million francs



itances. The funds raised were used to support 102 projects. A share of the proceeds from the "Weggen" campaign was used to help restore the Obersiez alpine pasture located at the head of the Weisstannen valley in the Canton of St. Gallen, providing the workers there with new living quarters.

Pro Montagna for the mountain regions – and for Coop Sponsorship

The Pro Montagna line promises customers products that are made and processed in Switzerland's mountain regions and thus help to keep jobs there. Some of the sales proceeds from these products also go towards funding Coop Sponsorship. Thanks to these revenues from Pro Montagna, Coop Sponsorship has already been able to pay out more than 200,000 francs to four different projects, all of which, incidentally, involve farms that will be producing products for the Pro Montagna line.

Coop at the Swiss Gymnastics Festival in Frauenfeld

When it comes to the sponsorship of sports, Coop focuses particularly on mass-participation events. These appeal to large sections of the population, create contacts with numerous potential customers and facilitate image transfer to the Coop brand and the various product lines. The Swiss Gymnastics Festival, Switzerland's largest mass-participation sporting event with 60,000 active gymnasts and 100,000 visitors, is therefore an obvious candidate for support. Coop had already played a front-line role at the 2002 event in the Canton of Basel-Landschaft, and in 2007 was again the main sponsor at the Swiss Gymnastics Festival in Frauenfeld. The reason is that this festival encapsulates many of the values that Coop itself seeks to communicate: health and enthusiasm, an appeal to all generations, linguistic regions and sections of society, and, not least, fairness towards the natural world. Without public funding and the involvement of sponsors from the private sector, a national festival on this scale would simply not be feasible. Coop's support therefore took the form of a substantial financial contribution coupled with innumerable communications in the Coop member press and at the sales outlets.

From practice

Green tourism in the Val d'Hérens

Having failed to obtain permission for a chair-lift and ski-lift in the 1980s, the village of St. Martin in the Val d'Hérens in the Valais, had to seek other sources of income. After a lot of discussion, it decided to pursue an environment-friendly form of agritourism.

With the help of funds from the Federal Government, the Canton of Valais and Coop Sponsorship for Mountain Regions, it purchased a 30-hectare plot of long-since abandoned farmland on the Ossona-Gréféric plateau and began restoring it. The farm that was built there now provides three people with a living and supplies the local dairy with milk. The dilapidated old stalls were converted into holiday homes, the roads repaired, and a new irrigation system installed. The first guests are expected in the summer of 2008. They can look forward to visiting the small show dairy, the restaurant and the shop that sells local produce. St. Martin has wisely chosen to place its faith in what it has in abundance – unspoiled nature, making it a model for green-tourism and regional-development projects. On a recent visit there, Swiss government minister Doris Leuthard was full of praise: "Here's a village and a valley that are really moving with the times."

REPORTING IN ACCORDANCE WITH GRI

COOP COMPLIES WITH INTERNATIONALLY RECOGNIZED GUIDELINES

This Sustainability Report, together with the Annual 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 drafts 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/sustainability*
> *www.globalreporting.org*

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