



Sustainability Report 2007

MIGROS

*Sustainability
Report 2007*

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PRELIMINARY REMARKS

REPORTING ACCORDING TO GRI AND
GLOBAL COMPACT STANDARDS

In its annual sustainability report, Migros sets out its economic, ecological and social activities. The report holds true to the principles and substance of the Global Reporting Initiative GRI (version G3). The GRI is a multi-stakeholder dialogue and develops generally recognised guidelines for the preparation of sustainability reports. GRI certifies that the report is compliant at level B.

The present document is also regarded as a progress report as defined in the Global Compact. This UN initiative comprises ten principles that are based on universally recognised values of good corporate governance (see page 19).

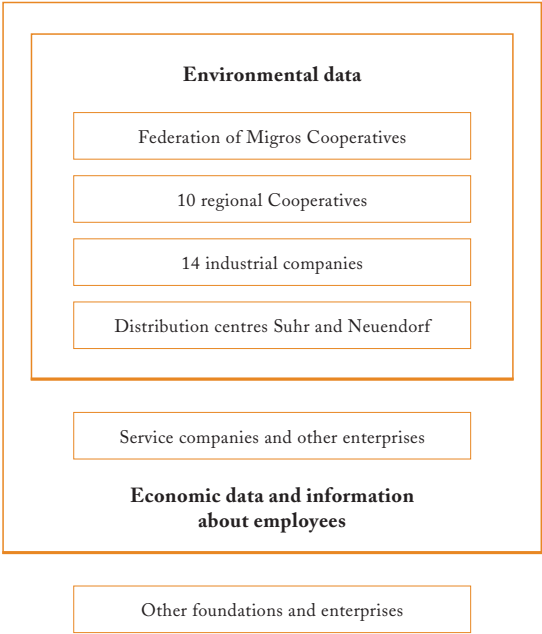
This publication appears this year for the first time as an integral part of the annual report. Subjects that are treated in detail in the annual report will therefore only be touched on in this sustainability report. A complete GRI and Global Compact index is to be found in the appendix to the annual report and on the Migros website.

www.migros.ch/Nachhaltigkeit
www.globalreporting.org
www.globalcompact.org



SYSTEM LIMITS

The system limits used to measure and assess sustainability data are unchanged from last year. For organisational reasons not all data from the various sectors are available with the same system limits.



Economic figures and personnel details refer to the entire consolidated Migros Group. Since 1 January 2006, Migros Bank belongs to it and, since 1 October 2007, also Denner AG. Environmental data refer exclusively to all Migros companies participating in the Migros retail sector.

Our mission statement

Migros is the Swiss company that is passionately committed to the quality of life of all of its customers. Working with all of our customers, our suppliers and interested social groups, we want to play an active part in shaping the future. We are committed to striking a balance between economic, ecological and social demands.

Migros helps to protect our climate with a view to enriching our society

Last year, thousands of scientists startled the world with the announcement that the world's climate is changing as a result of man's activity. Since then, hardly a day goes by without news of fresh developments, admissions and decisions relating to the protection of our climate.

All of us – policymakers and the corporate world – are faced with a tremendous challenge in the struggle to prevent global warming. Migros assured the Swiss Confederation that by the year 2010 it would commit itself to the reduction of carbon dioxide emissions by 16 per cent. It is not a new topic for Migros. Indeed, ever since its foundation, Migros has consistently taken effective measures to this end and has every confidence that this ambitious target will be achieved.

Again, in 2007, we made decisions that will help us to protect the climate. Migros joined the WWF Climate Group. We offset all carbon emissions involved in business flights, we sell a climate-friendly and fairly priced motor fuel, and we have launched an innovative detergent that gives a clean wash even at 20 degrees Celsius, thereby saving energy and carbon dioxide. Moreover, we are regularly opening points of sale in accordance with the energy-saving Minergie standard.

Migros has always endeavoured to offer good and reasonably priced products, but also to assume its social responsibility by manufacturing, processing and distributing such products without causing harm to the environment and animal world and in dignified conditions. This is why we joined the Global Compact of the United Nations.

As in its efforts to protect the climate, Migros is a pioneer in many areas and consequently generates considerable value added for its customers and society as a whole. It thereby creates social profit. The present sustainability report is not the only evidence of this. Last year the reputed and independent rating agency Oekom Research scrutinised the performance of the largest retail enterprises. Verdict: Migros is the most sustainable retailer in the world, thanks to the countless major and minor achievements we have made in the past and will go on making in the future.



Claude Hauser
Chairman of the Board of Directors



Herbert Bolliger
Chief Executive Officer

Progress in 2007

Corporate profile and policy

KEY DATA

- 589 supermarkets, 198 specialist markets and 198 Migros restaurants
- 82,712 employees
- weekly 8.7 million customer contacts

PROGRESS

- Increase in retail turnover by 6.5 per cent to 16.8 billion francs (Page 12)
- Takeover of a 70 per cent participation in Denner AG (Page 15)
- Adoption of the new trade strategy (Page 15)
- Price reductions amounting to over 100 million francs (Page 15)
- Evaluation of the most sustainable retailer in the world by the rating agency Oekom Research (Page 18)
- Prize for the best Swiss sustainability report (Page 18)
- Reorganisation of sustainability management (Page 19)

What we offer

KEY DATA

- over 70,000 products on offer
- 11.7 per cent of sales with Engagement labels
- 51 per cent of food and near-food articles from own industry

PROGRESS

- Switchover of Linsoft paper handkerchiefs to FSC cellulose (Page 24)
- Coffee beans included in the assortment with the label Utz Certified (Page 25)
- Hotelplan's introduction of climate-neutral flights (Page 26)
- 12 per cent price reduction on energy-saving lamps (Page 26)
- Monthly discount campaigns on energy-efficient equipment (Page 26)
- Introduction of climate-friendly detergent Total Cool Active (Page 26)
- Extension of the Actilife line for a healthy lifestyle (Page 27)
- Extension of the nutritive value marking with Migros Food Facts (Page 27)

Stakeholders

KEY DATA

- 76 per cent of employees are covered by the Migros collective agreement
- 2 million members of the Cooperative
- over 3,000 suppliers in Switzerland and abroad
- answering 580 customer enquiries a day

PROGRESS

- Commitment by 98 per cent of Migros food suppliers to comply with the BSCI code of conduct (Page 28)
- 3-year extension of the purchase guarantee for organic cotton from Mali (Page 32)
- Two extra supplements in the Migros magazine on the subjects of energy and sustainable development (Page 35)
- Conclusion of the certification of suppliers and warehousing according to Swiss GAP (Page 36)
- Celebration of the fiftieth anniversary of the Migros Culture Percentage (Page 39)

Ecology

KEY DATA

- Monitoring of energy consumption for over 30 years
- Recycling of 64 per cent of operational waste
- Take-back of 13,000 tonnes of customer waste

PROGRESS

- Membership of the WWF Climate Group (Page 42)
- Inclusion of Globus, Interio and Fitness-parks into Migros' climate protection goals (Page 43)
- Carrying out of a pilot experiment on refrigerant switch-over in the Dietlikon store (Page 44)
- Opening of Minergie points of sale Schwarzenburg BE and Buchs SG (Page 46)
- Use of biodiesel in eight regional Migros Cooperatives (Page 46)
- Carbon offsetting of all business flights of Migros employees (Page 47)
- Participation of over a thousand employees in the "bike to work" campaign (Page 47)

CORPORATE PROFILE

Migros does more

Migros is the leading Swiss retail enterprise. As a cooperative with two million members, it has become a household name among the population and lets the general public share in its net product. The economic success of Migros is based on products and services that offer a distinct value added.

Migros was founded in 1925 and has been Switzerland's leading retailer for many years. With over 80,000 employees it is also the largest private employer in the country. Thanks to its extensive range of goods and services it is an enterprise that affects the lives of the whole population. Ninety-nine per cent of Swiss households shop at least once a year at a Migros store.

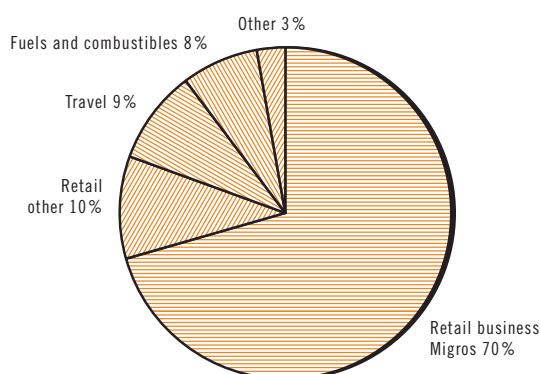
Soundly anchored

Migros is deeply rooted in the population, has an extensive network of sales outlets and its own production plants.

The continuing prosperity of Migros is based on the high quality of its products and services at favourable prices. In the medium price segment – where most people shop in Switzerland – Migros is definitely more attractive than the competition. Last but not least, by virtue of its popular M-Budget line, Migros can also hold its own against the lowest-priced retailers according to last year's comprehensive price comparison of the independent consumer magazine "K-Tip".

According to its guiding principle, however, Migros does not focus all its activities on making money but on human beings and their quality of life. Ever since its foundation Migros has devoted itself to society to an extraordinary degree. Thus the Migros Culture Percentage, which spends over 100 million francs a year on culture and education, was able last year to celebrate its fiftieth anniversary.

SHARE OF NET REVENUE 2007
(Per cent)



With approx. 80 per cent of net revenue the retail trade is by far the most important business division.¹ Next come the travel market, fuels and combustibles.

Migros is organised on a cooperative basis and has over two million members since 2007. Ten regional Cooperatives form the basis of Migros. Their main task lies in distribution (see organigram). The regional Migros Cooperatives are linked together in an association of Cooperatives, the Federation of Migros Cooperatives (FMC). The FMC with head office in Zurich ensures the coordination, carries out the overall tasks and owns the manufacturing and service enterprises. Thus, in addition to the Cooperatives, a number of limited companies also belong to the Migros Group.

Migros currently has a sales network of 589 Migros points of sale, 198 specialist markets and 198 Migros restaurants. Migros operates 2 supermarkets in France and 3 in Germany. In addition, Migros owns a bank with 45 branches, around 300 Migrol filling stations, the tour operator Hotelplan, the media provider Ex Libris and, since last year, 432 branches of Denner AG. To the above can be added other activities such as the Club School, the Fitnessparks, bathing installations and golf courses. The 13 Globus department stores that likewise belong to Migros celebrated their 100-year anniversary in 2007.

A special feature of Migros is that apart from its extensive sales network it owns 14 industrial companies, making it the country's largest food manufacturer. Approximately 90 per cent of the Migros range of processed foods but also near-food products (body care and hygiene products as well as detergents and cleaning agents) consist of Migros' own labels that are predominantly manufactured in Switzerland.

Migros increased its retail sales* last year by 6.5 per cent to 16.8 billion francs. Its market share thus grew from 17.9 to 18.4 per cent which is largely due to the take-over of Denner AG and the full integration of LeShop SA. On the other hand, the market share of the Migros markets declined slightly and currently stands at 16.1 per cent. Also its sales space has fallen by 0.2 per cent to 1.23 million square metres. Migros industry developed favourably in 2007: its production plants were again able to improve their market position at home and abroad and achieve a total turnover of 4.72 billion francs. This means an effective plus of 2.9 per cent compared with the previous year.

(*Net sales incl. VAT. Super-/hypermarkets and specialist markets, catering services, Denner Discount and satellites for the period October to December 2007, Globus group and LeShop [fully integrated as from May 2006])

Note: Further information on last year's financial results is to be found in the annual report.

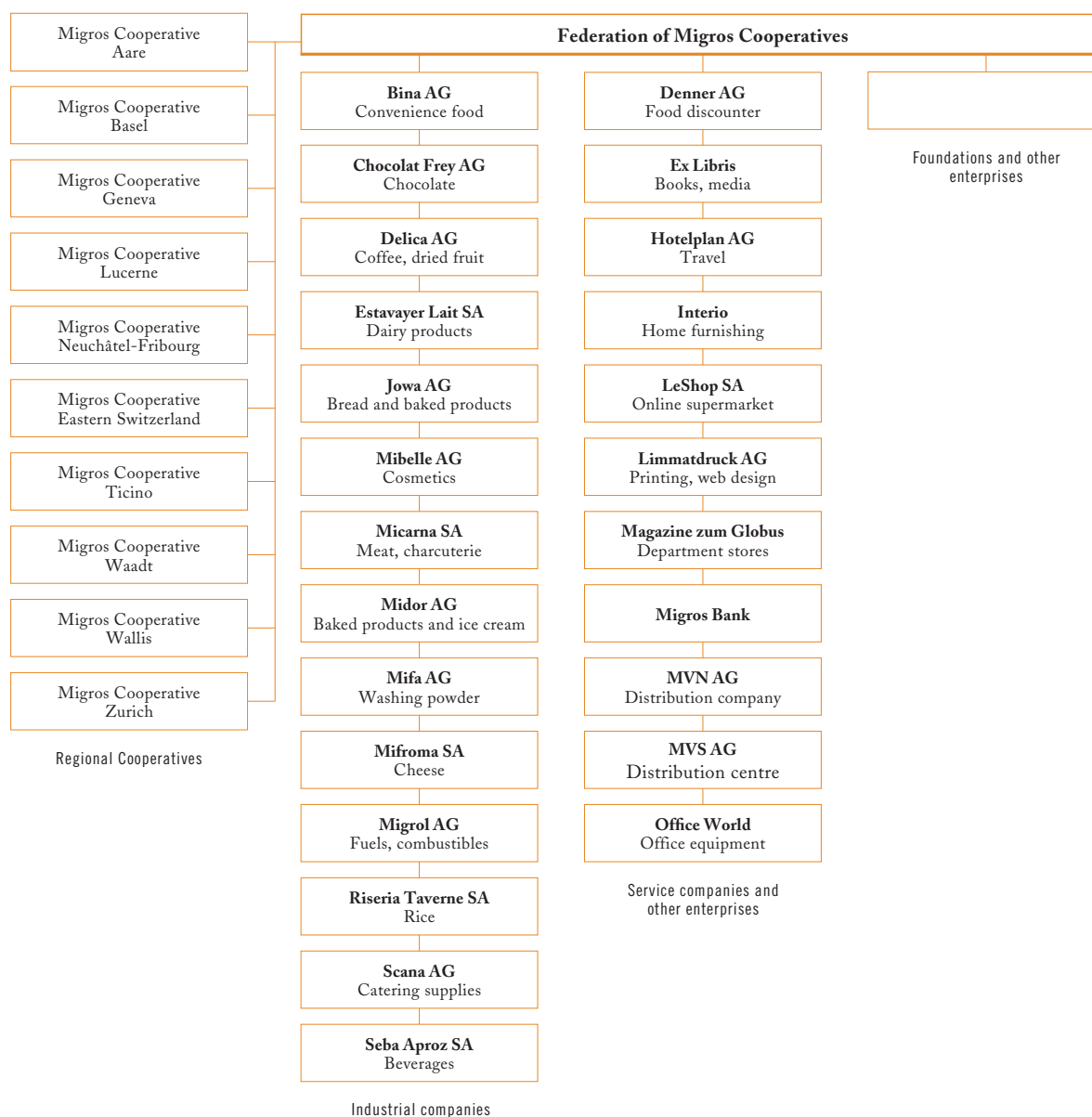
Radical changes in the retail trade

Signs of tougher competition and greater demands on the part of the consumers.

The retail trade today is characterised by increasing globalisation and the opening up of markets. This has led

to the arrival of hard discounters from abroad on the very modestly growing Swiss market and thus to heightened competition. Additional challenges are the more critical parameters in Switzerland in regard to spatial planning and the environment. Retailers also have to adjust to

ORGANIGRAM



The Migros Group consists of ten regional Cooperatives and the Federation of Migros Cooperatives (FMC). Industrial companies, service companies, foundations and other organisations are affiliated to the FMC. As at: end 2007.

profound demographic changes: the ageing population, the growing gap between rich and poor and the smaller households.

Various trends are currently influencing consumer behaviour. For instance, the demand for health-oriented products and services is increasing. This goes together with the growing demand for product safety and transparency, especially in the food sector. At the same time, the consumer is calling for more ready-made convenience products that are quickly and easily prepared. Moreover, shopping habits become more and more diverse. Thanks

to the Internet the consumers are better and better informed about products and prices and demand more favourable deals.

For many years, food prices have constantly fallen. This was not least due to the efforts of Migros which by constant savings in the processing methods of its own industry was able to produce more efficiently and pass on lower purchasing costs to its customers. Last year for the first time in years, costs rose again slightly due to higher raw material prices. For example, since November 2007, Swiss farmers have been receiving six centimes more per

Migros: a Swiss institution

Migros is an enterprise which is very closely associated with Switzerland and its population. Its charismatic founder, Gottlieb Duttweiler, was during his lifetime a well-known entrepreneur who had publicly committed himself to his extraordinary ideas and to society. In 1941, Duttweiler gave away his firm – till then a limited company – to the population. Everyone, man or woman, could acquire a share certificate free of charge. With this unprecedented act, Duttweiler placed Migros on a democratic basis. Since then, the number of members has constantly grown and Migros has developed into a real people's enterprise. The two millionth member of the Cooperative was welcomed in summer 2007.

By its powerful presence alone with the striking orange-coloured appearance, Migros for many people today has become the familiar image of Switzerland. In the Migros markets there are also for the most part private labels on sale that are predominantly manufactured domestically by Migros' own industrial companies. These high-quality products mould the image of the enterprise – they are only to be found in Switzerland and only at Migros points of sale. Migros invests a total of around 200 million francs a year in domestic production.

The deep roots of Migros in Switzerland are also apparent in the assortment of fresh produce, as Migros is the largest buyer of Swiss agricultural products: around 60 per cent of the vegetables, 20 per cent of the fruit and 90 per cent of the meat products that are displayed in Migros stores come from Swiss farms. With the programme "From the region, for the region" Migros considerably promotes local agriculture by bringing locally grown products directly into the stores without making detours. Finally, with its "Heidi" line – unadulterated dairy products from mountain farming – Migros symbolically displays a part of Switzerland on its shelves.

litre of milk. Cereal prices have also risen on the world market. Due to overfishing of the seas and poor fruit harvests, fish and fruit concentrates have likewise become more expensive. In view of these developments, Migros had to raise its prices of the products concerned by a few per cent. Taking the super- and consumer market segment as a whole, however, price cuts totalling over 100 million francs have led to an inflation rate of minus 1.2 per cent.

Adapted strategy

Focusing on the added value brings the customer more benefit.

To adapt itself to the changed needs of its customers, Migros adopted the new trade strategy last summer. This sets out the major strategic thrusts of the coming four years. "Migros does more." The guiding principle of the new strategy reads thus. Migros particularly wants to orient its assortment for example to the main groups of customers.

At the same time, Migros aims at innovations that bring added value – whether it be perhaps in the functionality, the pleasure experience or the environmental benefit. Migros will also develop its assortment according to different price ranges and distinguish more clearly between simple and more sophisticated requirements.

Migros has also reacted to the changed market by acquiring a 70 per cent majority share in Denner AG at the beginning of 2007. The partnership with Switzerland's leading food discounter goes perfectly with the Migros strategy to share in the growing discount market with supplementary product ranges. The Swiss competition commission approved the takeover in September on condition that the two partners for the time being remain legally, organisationally and operationally independent.

Large purchasing volumes are necessary to achieve more favourable prices. This is why, at end 2007, Migros joined the AMS cooperative purchasing organisation with head office in Amsterdam. AMS groups the purchases of eight major European retailers and buys large quantities of sugar, rice, pasta, batteries, household paper, plastic cups, nappies and many other globalised products on the world market. In a test phase, the savings to Migros amounted to between 6 and 8 per cent.

¹ Retail trade Migros: Migros points of sale and industrial companies; other retail business: Magazine zum Globus, Interio and Office World, Denner, Ex Libris and LeShop.

SUSTAINABILITY POLICY

*Deeply rooted
commitment*

In all its activities, Migros seeks balanced solutions economically, socially and ecologically. Last year it reorganised its sustainable development management and with the issue management created a unit for coordinating a consistent manner of procedure.

In its environment and social policy adopted in 2003, Migros professes to a sustainable development. In all its activities, the enterprise therefore seeks balanced solutions economically, socially and ecologically. Migros gives an account of its sustainability performance in the annual sustainability report. Moreover, a special edition of the Migros magazine appeared for the second time in September 2007, documenting Migros' efforts in this sector for customers and the general public. For this comprehensive reporting, Migros last year received the prize for the best sustainability report from ÖBU, the Swiss Association for environmentally conscious management.

Excellent performance

Rating agency elects Migros the world's most sustainable retailer.

The success of an enterprise is based on its competitiveness and credibility. Competitiveness is determined by factors such as the quality of the offer, market differentiation and productivity. Credibility largely depends on how the

enterprise perceives its ecological and social responsibility. Therefore, to Migros, a sustainable development is not just a moral dictate but a strategy for ensuring the long-term corporate success. Investments in sustainable development are rewarding in many different ways, for example through savings in the use of natural resources and energy, through motivated employees, through product innovations and through greater customer loyalty.

Last year, Migros received a splendid reference for its sustainability development efforts from Oekom Research. This reputed rating agency in Munich analysed 28 of the world's largest retail enterprises with regard to their ecological and social performance. Oekom came to the conclusion that Migros is the world's "most sustainable retailer". Thus Migros headed such wholesalers as Tesco (GB), Metro (D) and Wal-Mart (US). In the last international rating four years ago, Migros came fourth.

The issue manager

Since the beginning of May 2007, there has been a lady head of strategic issue management in the Federation of Migros Cooperatives (FMC). She is directly subordinate to the Chairman of the Executive Board. For the enterprise, she represents a kind of seismograph as she early recognises and prepares for social changes in the surrounding field of Migros.

The issue manager is an important approach person for stakeholders, associations and organisations. She clarifies for example what expectations consumer and environment organisations have of the enterprise. She also pursues subjects that are increasingly discussed in public, determines how Migros stands in relation to them and has them handled internally if need be.

The fact that Migros for years has assumed social and ecological responsibility is nothing new. However, the numerous activities are systematically seized, grouped and better integrated via the issue management. The new function also ensures coordination in the case of department-overlapping subjects. After all, it is also important to Migros to keep ahead of social developments. This enables it to act instead of merely reacting to events.

New organisation

Comprehensive process ensures consistent implementation of sustainability development goals.

In the last few years, Migros has constantly maintained its commitment to sustainability development. Thus, the enterprise is continuing the ideas of its socially committed founder Gottlieb Duttweiler, and is further developing the latter's tradition of values. Two years ago, Migros joined the UN Global Compact. This initiative of the United Nations comprises ten principles which are based on widely recognised value concepts of good corporate governance – such as the enforcement of human rights, the elimination of discriminations and the precautionary principle in environmental protection. The Global Compact is designed to promote the social commitment of the economy as well as a more just and sustainable world economy (www.globalcompact.org).

Last year, Migros established an integral management and reporting process applicable to the whole enterprise. In regard to sustainable development, this is designed to lead to a group-wide consistent and thematically attuned procedure of Migros. A central role in the whole process is taken over by the issue management which at an early stage analyses the social developments in the surrounding field and internally coordinates the various initiatives (see box on page 18).

The Issue and Stakeholder Forum has likewise been newly created which, as the advisory council of Migros, examines social trends and current developments of sustainable development themes (see box on page 20). Allowing for suggestions and considerations of the forum, the Board of Management fixes the goals and priorities for the Migros Group. From these, the Executive Board draws the guidelines for the business units. The Board of Management finally supervises the overall implementation of the measures and regularly checks whether the goals are achieved.

In the next few years, Migros will have to react to a number of social developments. Examples of these are the continuing globalisation, the ageing of the population and the growing scarcity of resources and energy. The influence of stakeholders and the media is also growing. Thanks to the integral management and reporting process, Migros can quickly and single-mindedly react to changes in the surrounding field. In this way it reduces risks such as legal disputes or boycotts of products. On the other hand, Migros can also use opportunities to co-determine the discussion, to help solve problems and to make its mark on the market.

GLOBAL COMPACT

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights and

Principle 2 ensure that they are not involved in human rights abuses.

LABOUR STANDARDS

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,

Principle 4 the elimination of all forms of forced and compulsory labour,

Principle 5 the effective abolition of child labour and

Principle 6 the elimination of discrimination in employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges,

Principle 8 undertake initiatives to promote greater environmental responsibility and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should counter all forms of corruption, including extortion and bribery.

REPORTING

Companies signing up to Global Compact shall produce an appropriate annual report.

The Issue and Stakeholder Forum

Last year, Migros reorganised its sustainability development management. The so-called Issue and Stakeholder Forum plays an important role in this. This consists of a dozen Migros-internal and external individuals, the latter from business, politics, research and civil society. Other experts can be brought in if required. Twice a year, the forum meets to discuss current topics.

The Issue and Stakeholder Forum supplements the issue management and helps Migros to identify and assess those trends that influence the values and performances and consequently the competitiveness of the enterprise. At the same time, Migros attaches considerable value to an external viewpoint. Besides, it is vital to recognise and appraise stakeholders who are or could become important to Migros. The forum thus represents a kind of “radar” that early detects opportunities and risks that are likely to confront Migros. It helps the enterprise to react to social topics and to come to a constructive dialogue with important stakeholders.

Current members of the Issue and Stakeholder Forum are:

External

Prof. Ernst A. Brugger, CEO The Sustainability Forum Zurich
Chantal Balet Emery, lawyer and notary
Prof. Matthias Haller, chairman of the Risk Dialogue Foundation
Prof. Claire Huguenin, lawyer
Dr Christoph Koellreuter, chairman, BAK Basel Economics
Dr Claude Martin, former general manager WWF International
Prof. Iwan Rickenbacher, communication counsellor

Internal

Claude Hauser, Chairman of the Board of Management (presiding)
Herbert Bolliger, Chairman of the Executive Board
Gisèle Girgis, member of the Executive Board
Gabriela Winkler, member of the Board of Management
Fabrice Zumbrunnen, member of the Board of Management

HONOURS IN THE FIELD OF SUSTAINABILITY 2003–2007**ÖBU PRIZE FOR THE BEST SUSTAINABILITY REPORT 2007**

The Swiss Association for environmentally conscious corporate governance (ÖBU) assesses the sustainability reports of Swiss companies every two years. In 2007, Migros received first prize in the Big Enterprise category on the basis of its comprehensive and target group reporting.

HANS HUBER PRIZE FOR THE PROMOTION OF VOCATIONAL TRAINING 2007

Migros was awarded the jubilee prize of the Foundation for the national commitment to the promotion of vocational training.

DISTINCTION FOR LOGISTICS INNOVATION 2007

At the International Week of Transport and Logistics SITL in Paris, the Swiss online pioneer LeShop received the prize for the best innovative partnership for sustainable development.

NATIONAL ENERGY GLOBE AWARD FOR SWITZERLAND 2006

Migros received this commendation from the Austrian Energy Globe association in recognition of its cooperation with Mobility CarSharing in creating the M-Budget vehicle category which offers particularly good value.

VOCATIONAL INTEGRATION PRIZE 2006

The disability insurance agency of the Canton Fribourg awarded this prize to Migros Industry's meat processing company Micarna for its efforts to reintegrate employees who had been ill or suffered an accident.

JOSEF KRIPPENDORF PRIZE 2006

The Austrian Tourism Association awarded this prize to Hotelplan; principally in recognition of its many years of work on environmental management and its humanitarian engagement.

ENERGY+ AWARD 2004

The European Energy+ project – an initiative of the European Commission – honoured Migros for its campaign promoting particularly environmentally friendly and energy-efficient refrigerators and freezers.

ENERGY PRIZE FOR MIGROS ZÜRICH 2003

The Migros Cooperative Zurich was awarded the Zurich Energy Model challenge trophy for its engagement in the field of energy efficiency and climate protection.

SWISS STAR PACKAGING COMPETITION 2003

The Swiss Packaging Institute awarded Migros three prizes for a biodegradable bag for carrots and the reusable banana box.

WHAT WE OFFER

Shopping with a good conscience

Thanks to the high standard of its entire assortment, customers can always shop at Migros stores with an easy mind. With its Engagement labels, Migros also has a wide range of sustainable top products which it is constantly expanding. At the moment, Migros is specifically developing the assortment of climate-friendly products and foodstuffs geared to balanced nutrition.

With a total of around 70,000 products, Migros has a huge assortment in all divisions (see table). A single supermarket carries about 35,000 articles. The overwhelming majority of these products are private labels of which a substantial part are manufactured in Switzerland by Migros industrial companies.

Sustainable labels

Migros plays an important role in the propagation of products with an ecological or social value added.

Under the umbrella label Engagement, Migros carries products in all its supermarket divisions with an ecological or social value added. Seven product-specific labels are grouped under "Engagement". In the food sector these are Bio, the TerraSuisse label newly introduced in 2008 (see box), Max Havelaar and MSC. For household articles, furniture and textiles, there are Bio cotton, Eco and FSC (see table on pages 30–31). Migros is constantly developing its Engagement range and in 2007 achieved a

total turnover of 1.71 billion francs which is an increase of 1.2 per cent over the previous year. Engagement products account for 11.7 per cent of the total turnover.

Migros plays a leading role in the introduction and propagation of label products. It was, for example, partner from the start of the Max-Havelaar Foundation which celebrated its 15th anniversary last year. Under this label, it sells around 70 products and a third of all bananas. Under the Eco label, which characterises environment-friendly and harmless-to-health textiles, Migros has seen to it that the niche grew into a mass market. Meanwhile, there are some 9,000 Eco products at Migros – around 70 per cent of all textiles carry the label.

In the case of FSC products, Migros is not just market leader but, as founding member of the WWF Wood Group Switzerland, vigorously promotes the label. Since it had already switched over its own brand range of toilet and household paper in 2006, Migros since last year has been selling only paper handkerchiefs of its own Linsoft brand from FSC cellulose. A WWF inquiry last year

New label TerraSuisse

With TerraSuisse, Migros has streamlined its offer of Swiss label products. The two previous Engagement labels IP-Suisse and M-7 have been replaced by a single label which stands for close-to-nature and livestock-friendly Swiss agriculture. A large part of the assortment is affected by this changeover, as hitherto a yearly turnover of around 600 million francs was achieved under M7 alone, which corresponds to 60 per cent of all sales of Migros fresh meat. The new label is to be found chiefly on meat from calves, beef cattle, pigs, lambs and poultry, but also on bread, flour, potatoes, rapeseed oil and apple juice. As a chief ecological requirement, agrochemicals – as was customary with IP-Suisse – may only be used to a limited extent and only after careful clarification of the need. In addition, the animals are kept in animal-friendly cowsheds with exercise facility (except calves). The natural fattening of calves is done by feeding them full-cream milk and hay.

The new label offers the consumers another clear value added. Farms that supply TerraSuisse products must make special efforts to support close-to-nature and varied living spaces. The necessary measures for this were developed in collaboration with the Schweizerische Vogelwarte Sempach and the Association of Integrated Producing Farmers (IP-Suisse). An example of this is the skylark project. Farmers leave a few square metres in their fields uncultivated. This results in nesting places for the rare skylark.

showed that the Migros specialist chain Do it + Garden is the most environment-friendly of seven tested firms. A decisive factor for the good assessment was that the wood

in DIY shops mostly comes from sustainable forestry – from broom handles via hammer handles to charcoal.

Last year, Migros introduced a new label which stands for a socially digestible and ecologically sustainable production of coffee. Displayed on the shelves since then are espresso beans of producers who are certified by the worldwide non-profit organisation Utz Certified. This

DIVISIONS

FRESH PRODUCE

Flowers, fruit / vegetables, meat / fish, eggs, dairy products, bread

FOOD

Food products, excluding fresh produce, in particular beverages, canned foods, confectionery and ingredients

NEAR-FOOD

Body care and hygiene products as well as household articles

NON-FOOD

Clothing and toys

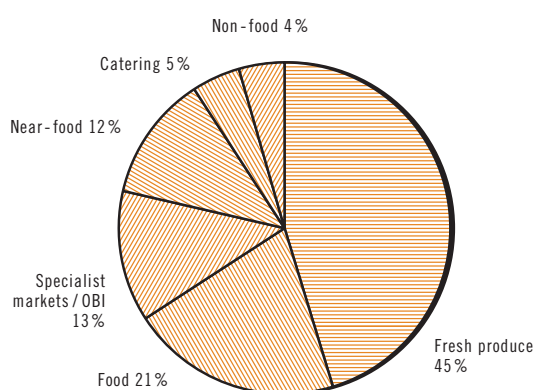
SPECIALIST MARKETS

Furniture, gardening products, DIY products, electrical equipment, electronic products, sport

CATERING

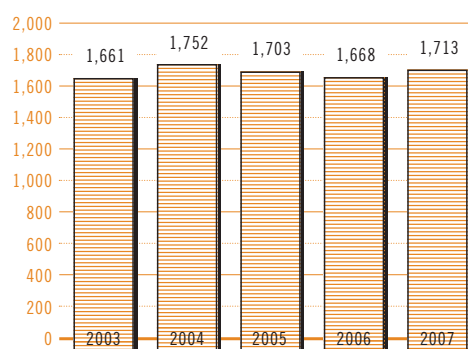
Restaurants, delicatessen, take-away

DIVISIONAL SHARE 2007
(Per cent)



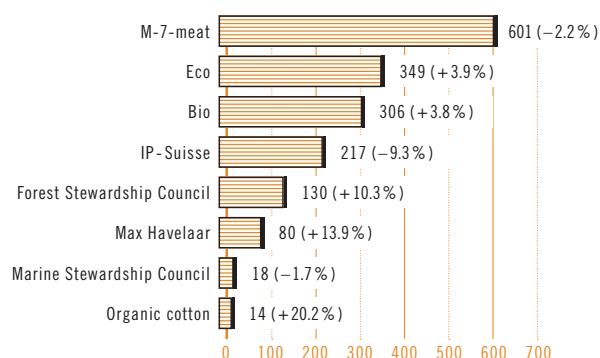
Net revenue percentage attained by the individual retail divisions. Fresh produce accounts for the greatest share by far.

TOTAL SALES OF ENGAGEMENT LABELS
(CHF million)



Total sales¹ of Engagement labels in the last few years have averaged at about 1.7 billion francs. In 2007, they were 1.713 billion, up 2.6 per cent over the previous year.

SALES OF INDIVIDUAL LABELS 2007
(CHF million)



The labels Bio Cotton, Max Havelaar and FSC recorded strong growth rates in 2007. Whereas both the Bio and Cotton labels improved, sales of IP-Suisse, M-7 and MSC declined slightly.²

guarantees that workers and their families are able to live in reasonable housing and have access to medical care, schools and further education. The programme also guarantees that labour laws are respected according to the International Labour Organization (ILO). Utz Certified is a widely supported initiative that has existed since 1997. In contrast to the Engagement label Max Havelaar, which is limited to small farmers' cooperatives, every integrally producing coffee farm – regardless of size or location – can have itself certified with Utz Certified. Consumers can trace back from the Internet where their coffee originated (www.migros.ch/coffee).

Climate-friendly products

An increasingly large supply helps the customer to save energy and to protect the climate.

Energy-efficient lamps like energy-saving and compact fluorescent lamps as well as fluorescent light tubes already account for over a quarter of all lighting sales in the division. Compared with the previous year, sales of energy-saving lamps have doubled. However, the higher prices of such lamps still remain an obstacle to purchase. In October 2007, Migros therefore reduced its prices in the standard range by 12 per cent and introduced more favourable models. Again, for the second time, Migros took part last year in Energy Day, the national energy efficiency day, where producers, wholesalers and specialist traders for energy-saving lamps and electrical appliances advertise their wares. For two weeks and on Energy Day itself, there were additional discounts on the whole range of energy-saving lamps as well as on selected household appliances. At the end of last year, Migros also launched new kinds of halogen lamps on the market which consume up to 30 per cent less energy than traditional light bulbs. They can thus be used where energy-saving lamps are unsuitable on account of their shape, colour or lack of dimmability.

Since last year, drivers can fill up at Migrol the world's first fair and organic biodiesel. The firm Gebana has developed the so-called Bio&Fair fuel which Brazilian smallholders produce from soy oil. The greenhouse gas emissions are thereby reduced by 70 per cent compared with traditional diesel fuel. The oil used is a by-product which is obtained through the processing of second-quality soybeans. Environment-friendly drivers can order the Bio&Fair fuel at a surcharge of 60 centimes per litre online and then fill up at a Migrol filling station (www.migrol.ch). In keeping with this offer, Migros since September 2007 has provided climate-neutral breakdown assistance and travel insurance. All carbon dioxide emissions that are caused by Migros Assistance operations are fully compensated.

Hotelplan is also making progress in climate protection. Since 2007, the Migros tour operator has been offering customers climate-neutral flights in collaboration with the foundation "myclimate". To sensitise as many customers as possible, Hotelplan has fully incorporated the offsetting of carbon emissions related to air travel into the booking procedures. Each customer can pay a surcharge according to the travel distance. With this sum, a biomass power plant in India that produces electricity and heat from agricultural waste can avoid just as much carbon dioxide as is released by the flight. The power plant that provides 650 jobs in the region achieves – as the world's first carbon offset project – the WWF's Gold Standard.

Last year, Migros launched a number of campaigns with energy-efficient electrical appliances. Every month, a different group of appliances is displayed for two weeks. Migros started the first discount campaign at the beginning of June with coffee machines that switch off automatically. A study of the Swiss Federal Office for Energy shows that many coffee machines are not switched off until the evening or not at all. There followed special offers with multipoint connectors, water heaters and washing machines.

The introduction of a new detergent shows that ordinary changes can sometimes have a positive effect on the climate. The Migros private label Total launched a detergent in mid-2007 which still gives a perfect wash at 20 degrees Celsius. The new Total Cool Active is soluble in cold water and produces a vigorous wash at all temperatures. The new detergent saves up to 70 per cent energy, as a washing machine uses up most current for heating the water.

Health is included

People who want to eat a balanced diet and live healthily will find the right products and services at Migros.

The health of its customers and employees is of particular concern to Migros. It is laid down in the statutes that neither alcoholic drinks nor tobacco products are allowed to be sold at Migros points of sale. Guests at the more than 200 Migros restaurants have long taken it as a matter of course that they can enjoy their meal in a smoke-free atmosphere. The smoking ban introduced in 2006 has proved a success and will be maintained. Migros has also regularly committed itself to public health. Thus, the Geneva Cooperative gives free fruit to its employees and has participated together with the Geneva Department for Economy and Public Health in an exhibition for the promotion of public health. Migros is recently

directing particular attention to the so-called trans-fatty acids (see box).

The growing need for a healthy lifestyle is being met by Migros at different levels. Last year, for instance, it developed the brand Actilife into a comprehensive programme based on nutrition, animation and relaxation. On the one hand, Migros is extending its existing range of Actilife products which provide a healthy or functional extra benefit. On the other hand, it is increasingly informative on the subject – partly with a new, quarterly health magazine and partly with additional information on the Internet (www.actilife.ch). Lastly, in connection with Actilife, Migros supports mass sports events and programmes that improve public health.

Moreover, since last year, for health-conscious people, the product lines Actilife and Léger are provided with additional nutritive value info – the Migros Food Facts. This detailed information illustrates how much energy, sugar, fat, saturated fatty acids and common salt is contained in a portion of a product and which percentage

of the daily requirement is covered. The food facts are based on recommendations of the European Association of Food Industries.

Minimum standards for all products

The assortment only includes products that are safe for human beings, animals and the environment.

Those who shop at Migros can be sure that the products in the basket are based on respect for human beings, animals and the environment – even if they do not carry a special label. Thus, wherever possible, Migros in its own industry uses sustainably produced palm oil. In the case of additives (E numbers) Migros is very reserved and refrains throughout the food sector or in special product groups from using additives that are controversial – even if they are legally permitted. Nor, on principle, does Migros sell any genetically modified foods that are subject to declaration. It thus insists on the safety of raw materials that the population might otherwise treat very sceptically.

Trans-fatty acids eliminated

Food researchers have recently taken a closer look at so-called trans-fatty acids. Food containing a high percentage of these acids has a negative effect on the cholesterol level in the blood. In Denmark, 2 per cent is therefore considered a limit, related to the total fat content of the product. A study by the Swiss Federal Institute of Technology (ETH) showed that a third of 100 tested foods from Swiss shops is above this limit. A legal provision in Switzerland is still in the discussion stage. Yet Migros, on the basis of medical findings, has been voluntarily working for several years on how to minimise trans-fatty acids in its products.

The goal that Migros had set itself – to reduce the trans-fatty acid content of all Migros manufactured products if possible to below 2 per cent by end 2007 – has been achieved. Thus, all the industrial companies like Jowa, Midor, Mifa, Elsa, Bina and Chocolat Frey have modified the recipes of all the products concerned and thereby brought down the targeted trans-fatty acid content. A few products, such as the ready-made doughs, even show a trans-fatty content of less than 1 per cent.

Migros, with the distinct reduction in the trans-fatty acid content, has set a good example. Its business partners will also now be under an obligation. By end 2008, the products of third suppliers, too, should no longer contain more than 2 per cent trans-fatty acids.

Migros will only allow products in its assortment which, in keeping with the latest research and technology, are absolutely safe for human beings, animals and the environment if applied correctly. According to this principle, it adopts the same procedure with so-called nanoproducts that are to be found more and more on the market in recent years. Nanotechnology is based on the smallest particles or structures that have special properties by virtue of their smallness. It is regarded as a future-oriented technology that has already produced some useful applications. For instance, nanoparticles are to be found in numerous sun creams and impregnations. In the risk assessment, however, there are still gaps in our knowledge and there are still no legal provisions specifically relating to nano. Therefore, in accordance with its quality assurance standards, Migros is keeping a special eye on nanoproducts. From the manufacturers of such products, Migros demands a certified quality assurance system (e.g. ISO). Comprehensive background information on the products is obtained from the manufacturer or the supplier. All nanoproducts are furthermore subjected to a thorough examination.

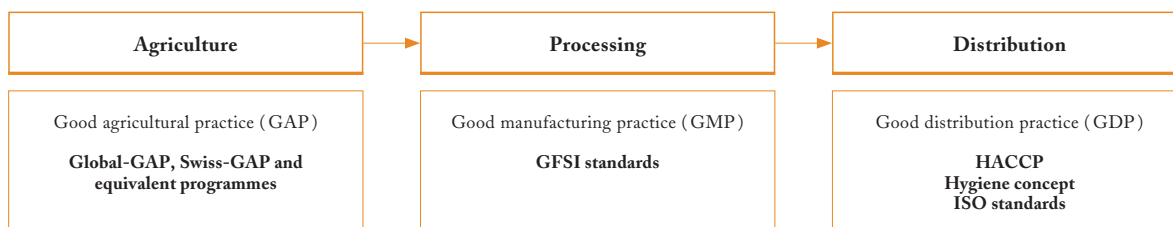
At all stages of the supply chain, Migros relies on uniform standards – from the agricultural primary production via the processing to the ready-for-sale end product in the shop. Thus fruit, vegetables and potatoes are produced worldwide according to the production standard Global-GAP (formerly Eurep-GAP). GAP stands for good agricultural practice. Global-GAP sees to it that all producers comply with the same regulations with regard to food safety, fertilisation, industrial safety and environmental protection. The Swiss-GAP association has adapted the global standard to the conditions in Switzerland with its smallholders. For some years, Migros has requested a Global-GAP certification from its international suppliers.

The Swiss-GAP is also to be fully implemented by end 2008 (see also “Suppliers” on page 35).

Ten years ago, Migros had already elaborated a Code of Conduct that obliges all non-food suppliers to comply with social working conditions – such as a living wage or a safe working environment. Two years ago, Migros began to ask food suppliers, too, to acknowledge the so-called BSCI Codex. (The acronym BSCI stands for Business Social Compliance Initiative*.) By end 2007, 98 per cent of Migros food suppliers (excl. fresh produce) had undertaken to comply with the principles of the Codex and to submit to audits. For the suppliers of fresh produce, the integration process is still going on. As a further step to coordinate the worldwide efforts for better working conditions, Migros last year initiated the Global Social Compliance Program (GSCP) in collaboration with internationally operating wholesale distributors. The aim of this programme is to harmonise the programmes and standards and to implement improvement measures in the production companies and regions.

* Further particulars are to be found on the website www.migros.ch > Nachhaltigkeit > Produkte und Labels > Standards.

MIGROS MINIMUM STANDARDS – FOOD SECTOR



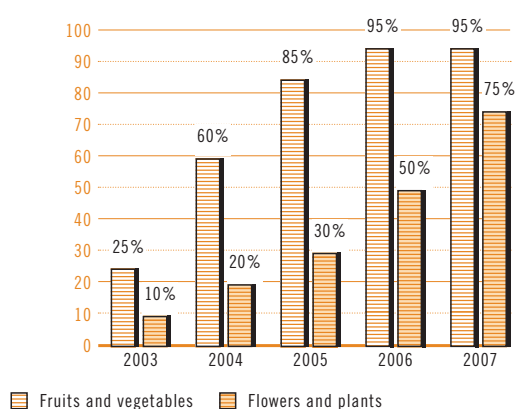
The chart shows Migros' most important principles and standards relating to the food sector. The GFSI (Global Food Safety Initiative) was set up by international trading enterprises in order to increase food safety, bolster consumer confidence and improve cost efficiency. HACCP (Hazard Analysis Critical Control Point) is a preventive system designed to ensure the safety of food. Global-GAP and Swiss-GAP are explained in the running text.

¹ The figures do not include the sales of the Mioplant-Natura label (only up to 2003) and the Dolphin-Safe label (since 2005 no longer under the umbrella brand Engagement).

² Products that belong to two labels (Migros-Bio + Max Havelaar, Eco + Bio cotton) were included in the respective labels in terms of sales but only calculated once in the overall sales.

SHARE OF EUREP-GAP SUPPLIERS

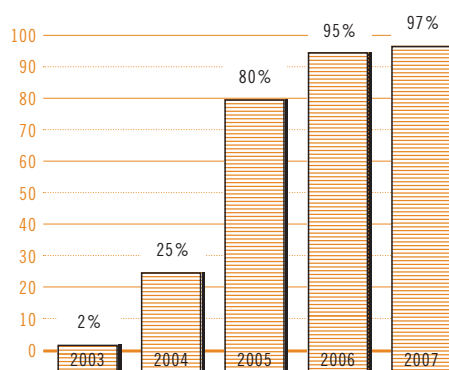
(Per cent)



The share of the Eurep-GAP-certified fruit and vegetable suppliers made a huge increase, currently at 95 per cent. The share of suppliers of cut flowers and plants is slightly less.

SHARE OF GFSI SUPPLIERS

(Per cent)



The share of GFSI-audited and -certified suppliers has soared since 2003 and has since reached almost 100 per cent (GFSI stands for Global Food Safety Initiative, see illustration, page 28).

STATUS IMPLEMENTATION OF BSCI CODE OF CONDUCT 2007

	BSCI Non-Food	BSCI Food
Code signed	90 %	98 % *
Self-assessments	1,014	66
Audit	181	10
Monitoring	48	5
Re-audit	48	3

*Excluding fresh produce

With the code of conduct BSCI (Business Social Compliance Initiative) Migros obliges its suppliers to comply with the social labour conditions. The signing of the Code of Conduct is not enough for the supplier. The supplier fills out a questionnaire in which he himself estimates his services in the social sector (self-assessment). Migros makes a risk estimate and according to priority has a social audit (inspection) carried out by an accredited firm. The latter draws up an audit report with conformities and non-conformities. If deficits are apparent, Migros requests corrective measures and has a re-audit carried out.

THE ENGAGEMENT LABELS

BIO

Migros' organic programme promotes close-to-nature, sustainable agriculture. All Swiss bio products sold by Migros come from businesses whose production is based on the "bud" symbol standards formulated by Bio Suisse, the Association of the Swiss Organic Agriculture Organisations. Chemical pesticides and fertilisers are not used. All animals have regular exercise; their feed must be predominantly organic and if possible must be internally produced. Imports are subject to the guidelines set out in the EU Bio Regulation. This is regularly checked by independent, government-approved organisations in Switzerland and abroad.



MAX HAVELAAR

The Max Havelaar foundation supports fair trading and the interests of smallholders and plantation workers throughout the world. It issues its label to producers who comply with the international standards of fair trading. Apart from a stable minimum price, the producers receive a fair-trade bonus for joint projects. The Max Havelaar label is to be found in the Migros assortment on coffee, tea, chocolate, bananas, orange juice, rice, flowers, sugar, pineapples, mangoes, marmalade, honey, cocoa powder, plants and cotton wool products. More and more of these products also carry the Bio label.



ECO

The Eco label guarantees that no environmentally harmful, skin-irritating and allergenic materials are used from spinning, weaving, dyeing and printing to completed clothing, and raw materials are used in moderation. But Eco also stands for health and safety at the workplace. The complete registration of all operations and all facilities, also those of primary suppliers, makes it possible to check the whole production independently.



MSC

The Marine Stewardship Council (MSC) label designates saltwater fish from sustainable fishing. This means that fish stocks must not be overfished and must have time to recover. Compliance with the regulations is checked independently. Migros has promoted the MSC since it was set up, and carries the following MSC products: Alaskan wild salmon, smoked or frozen, as well as fresh. Fresh and smoked mackerel fillets, salmon roe, hake loins, Alaskan pollack, Alaskan rock salmon and a variety of convenience dishes.



ORGANIC COTTON

In organic cotton cultivation, natural methods are used to control pests. Savings can be made on the cost of pesticides, soil fertility is maintained, ground water and rivers remain clean, and the sustained diversity of species of flora and fauna is supported. The guidelines of the EU Bio Regulation are valid for Bio cotton as for Bio programme imports. Clothing and home textiles made from organic cotton are always manufactured in accordance with Eco standards. Independent checks ensure that the Bio standards are maintained.



FSC

The Forest Stewardship Council (FSC) is an international confederation of environmental organisations, representatives of indigenous ethnic groups and business associations. The FSC has drawn up standards for sustainable forest management that apply throughout the world. Compliance with the FSC standards is checked independently. The label therefore represents timber and paper products that are obtained in line with environmentally and socially acceptable criteria. Migros is the market leader in FSC products, and the proportion of these products in its assortment is constantly rising.



TERRASUISSE

At the beginning of 2008, TerraSuisse replaced the two labels M-7 for meat and IP-Suisse for vegetable products. The new label thus stands for close-to-nature and animal-friendly Swiss agriculture. Agrochemicals may only be used to a limited extent and after careful clarification of the need. The animals are kept in animal-friendly sheds with exercise facility (except calves). The natural fattening of the calves is done by feeding them with full-cream milk and hay. The farms that supply TerraSuisse products also make a special effort to provide close-to-nature and varied living spaces (see also box on page 24).



7-POINT MEAT GUARANTEE M-7

M-7 stood for the controlled raising and feeding of cows, beef cattle, calves, pigs, lambs and chickens. All animals have to be housed in sheds that are particularly animal-friendly. Meat carrying the 7-Point Meat Guarantee was produced exclusively in Switzerland. Compliance with the standards is checked independently. At the beginning of 2008, M-7 was replaced by the new label TerraSuisse.



IP-SUISSE

At Migros, the IP-Suisse label appeared on bread, flour, potatoes, rapeseed oil and apple juice produced in Switzerland under environmentally friendly conditions. Agrochemicals might be used but only sparingly, and only if there was a precisely defined need. About 60 per cent of Migros' IP-Suisse apple juice therefore came from fruit picked from high-stem fruit trees – trees that provide birds with valuable living space and enrich the landscape. At the beginning of 2008, IP-Suisse was replaced by the new label TerraSuisse.



Organic cotton from Mali

Cotton is by far the most important source of income for Mali farmers. But in a country which is one of the ten poorest in the world there is no market that guarantees a basic income. For a number of years, Migros has therefore supported the bio cotton project of Helvetas. Last year, Migros strengthened and prolonged the collaboration with the Swiss development organisation as well as the peasants in Mali by three years, giving them purchase guarantees up to the year 2010. The aim of the bio cotton programme is to find the peasants a new outlet away from the extremely low world market prices and to stop the environmental damage linked with conventional cotton cultivation.

Thousands of peasant families have joined the project and many are waiting to be accepted. The cultivation of cotton is monitored by the independent control body Ecocert. It is particularly gratifying that over a third of the participants are women. Their income decisively improves the family situation, as it is the women who have to make provision for feeding the children and for the general well-being of the extended family. The project encourages women specifically, helping them for example to buy agricultural tools.

Thanks to the fair trading for the 2007 harvest, the peasants are receiving almost double the prices they would have received on the world market. A recent trend in Migros is to process the organic cotton bought at fair prices into cotton wool products. Since end 2007, these products have been available in stores under the organic cotton and the Max Havelaar label.

STAKEHOLDERS

*An open ear for
external concerns*

As Switzerland's most important retail enterprise and largest private employer, Migros maintains a dialogue with a great many institutions and organisations. Migros takes up cooperation issues and social topics early on, searching for solutions jointly with its partners. With its Culture Percentage, now 50 years old, Migros is committed in particular to cultural and social concerns, and also to education.

MIGROS' PRINCIPLES REGARDING STAKEHOLDERS

CUSTOMERS

We offer quality products and services at reasonable prices.

EMPLOYEES

As a model employer, we create conditions for a motivating and performance-oriented work environment, attracting the best workers.

SUPPLIERS

Based on the free market economy and service level competition, we endeavour to cooperate directly with our producers.

We are constantly improving products and services, and also incorporate ecological and social standards into our conditions of employment and production.

COOPERATIVE MEMBERS

Our obligation to our cooperative members is to create values that will ensure Migros' continued long-term independent existence.

SOCIETY

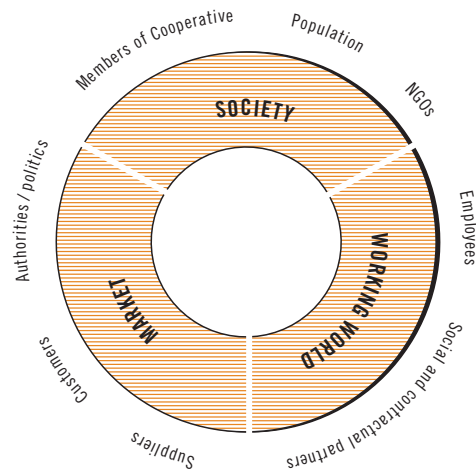
We promote the free and responsible development for all people.

With the Migros Culture Percentage, we support active artistic creativity, and thus dialogue with society; we also promote broad access to culture and education. We protect the environment, and our achievements are truly pioneering.

True to its guiding principle, Migros wants to work with its customers, its suppliers and interested social groups, playing an active part in shaping the future. So Migros does not simply maintain relations with its business partners and customers; it is also in touch with numerous stakeholder groups (see diagram). Stakeholders are representative interest groups that are influenced by Migros or which themselves influence Migros. Important means of communication, apart from bilateral discussions, are the annual reports and sustainability reports.

Migros' attitude to stakeholders is one of respect and openness. Migros is interested in other views, and tries as far as possible to deal impartially with legitimate concerns. Time and again the dialogue with stakeholders

THE STAKEHOLDERS OF MIGROS



The Migros stakeholders in the market, society and working world areas.

impacts on the company's economic, social and ecological performance. Migros' Head of Issue Management, who has been in the job since early in 2007, has the task of being constantly in contact with stakeholders for detailed discussions on key issues, and then following these up within Migros. She is supported in this by the Issue and Stakeholder Forum. (See also "New organisation" on page 19.)

Customers

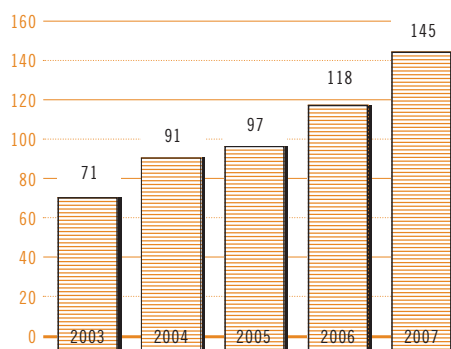
Migros is in permanent dialogue with its customers, and deals with 600 or so queries every day.

Every day, Migros serves around 1.4 million customers. So for Migros, dialogue with those customers is an overriding concern. The M-Infoline therefore enables all consumers to find information about products and services, to complain, or to offer ideas and suggestions. In 2007, the M-Infoline received about 150,000 enquiries. That is equivalent to around 580 phone calls, e-mails and letters every working day. Customers' enquiries are answered individually and passed on to the appropriate offices within Migros. Such feedback is an important basis for continuous improvements in the quality of products and services.

To respond to specific questions about nutrition, the Migros team offers advice on nutrition to all consumers, at any time, free of charge, by telephone or e-mail.

CUSTOMER ENQUIRIES

(Thousand)



This past year, roughly 145,000 people made use of the M-Infoline. The increase in customer enquiries is based on several factors. Thanks to e-mail facilities it has become easier to make contact. People have also become better acquainted with M-Infoline.

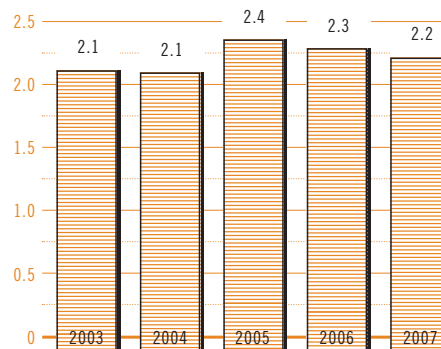
The Migros website also provides easy-to-follow, basic information on health and nutritional matters – such as tips on how to lose weight healthily, or a list of E numbers. Information is targeted especially at diabetics and people with intolerances or allergies (www.migros.ch > Kundendienst).

Migros keeps its customers fully informed via its Internet portal, which was redesigned last year, and also via the in-house customer magazine. The “Migros-Magazin” is published weekly in all parts of the country, with a total circulation of over two million; it reports on consumer affairs, but also on sustainable development issues. Last year, for example, there were extra inserts, one covering the issue of energy and the other dealing with sustainable development. Since mid-2007, the free magazine “Actilife” has also been available, published quarterly and providing information on health, nutrition and exercise.

Migros also communicates extensively via its bonus programme M-Cumulus, which benefits over two million customers. The data gathered by the customer loyalty scheme enables Migros to approach its customers in a targeted way. The Cumulus programme is certified under the GoodPriv@cy label. Data are handled in accordance with the law. Those participating in the Cumulus programme also have access, via the Internet, to all stored information about them (www.migros.ch > M-Cumulus).

CIRCULATION OF THE MIGROS MAGAZINE

(Millions)



The total circulation of the Migros magazine in all three languages is approx. 2.2 million copies.

Cooperative members

Cooperative members have their say in the decision-making process.

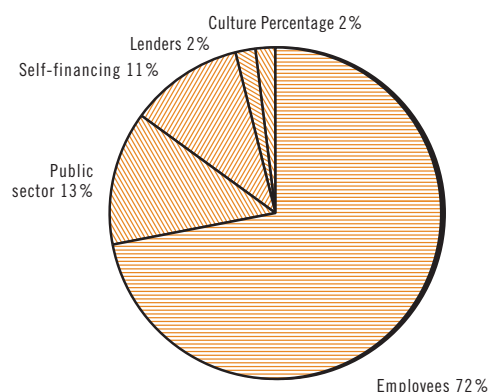
Migros is organised as a cooperative. It has more than two million cooperative members. Everyone who lives in Switzerland, or in a neighbouring region, can apply for a participation certificate. Cooperative members enjoy wide-ranging participation rights. For example, they elect the members of the Boards of Directors of the regional Cooperatives, and pass judgement on the annual financial statements. They can also be elected onto the regional Cooperative Councils, and onto the FMC Assembly of Delegates (see diagram on page 37).

Suppliers

The cooperation between Migros and its business partners is becoming increasingly closer and ever more complex.

Migros works in partnership with over 3,000 suppliers. Working with outside suppliers means treading the fine line between cooperation and competition: on the one hand, Migros aims for a close partnership-based cooperation with producers. And on the other, the market economy is based on competition – and it is the vital interest of a retailer to be able to always offer cheaper products and services. On the procurement side, the focus is therefore on economic criteria. In spite of that, for Migros it is very important to always treat its business partners fairly.

ADDED VALUE 2007 (Per cent)



The net added value of the Migros Group amounted to a total of 6,311 million francs in 2007. The major share of this went to the employees.

In each of the past two years, Migros has had intensive discussions with its business partners because of the introduction of “Nemifri” (Neue Migros Frische) procurement platforms for new fresh produce. Since the end of 2007, national fresh products from the bread, fish, meat, fruit and vegetables, flowers and plants assortments now have the same source for the whole country. Instead of working with lots of producers and middlemen, as before, Migros now works with just a few procurement platforms. For many suppliers, “Nemifri” meant reorganisation and changes. For Migros, bundled purchasing means cheaper purchase prices, more uniform product quality, lower administrative costs and simplified procedures – all of which ultimately benefits the customer.

The cooperation between Migros and its outside suppliers is becoming increasingly closer and ever more complex, because of the growing number of requirements. Although there are established procedures for a range of standards, new standards often require extensive coordination. Swiss-GAP standards are currently being implemented in the areas of fruit, vegetables and potatoes (see also “Minimum standards for all products” on page 27). Certification of suppliers and stock holders was completed at the end of 2007. Integration of producers is still under way, and should be finished by the end of 2008. Implementation of Swiss-GAP has already been fully completed in the flowers and plants areas.

To make it easier to communicate and exchange data with outside suppliers, in 2005 Migros set up the “Supplier Net” on the Internet, which has been regularly expanded

since then. Initially, business partners in the non-food sector were registered, and in 2007 Migros linked food suppliers up to the system as well.

Employees

Good marks for training and continuing professional development.

With 82,712 employees, Migros is the largest private employer in Switzerland. Foreigners make up 28 per cent of the workforce. They come from over 140 countries, mostly from the EU. About 60 per cent of Migros’ employees are women.

Migros actively encourages its staff to develop their potential. In addition to the varied range of professional development opportunities available, the company also supports employees who take advanced training courses externally. Migros is especially active in investing in young people, continually making more training places available: since 2003, Migros has increased its number of apprenticeships by 14 per cent. In 2007 alone, 1,057 apprentices began a basic training course at one of Migros’ 40 training centres. With 2,986 apprentices, including the 36 apprentices from Denner who are also included in the total since 2007, Migros is still the largest provider of basic vocational training courses in Switzerland. In 2007, vocational training courses achieved a 97 per cent pass rate in final examinations. Migros received the 2007 Hans Huber Prize for its commitment to the promotion of vocational training.

Note: Further information on activities in the human resources sector over the past year can be found in the annual report.

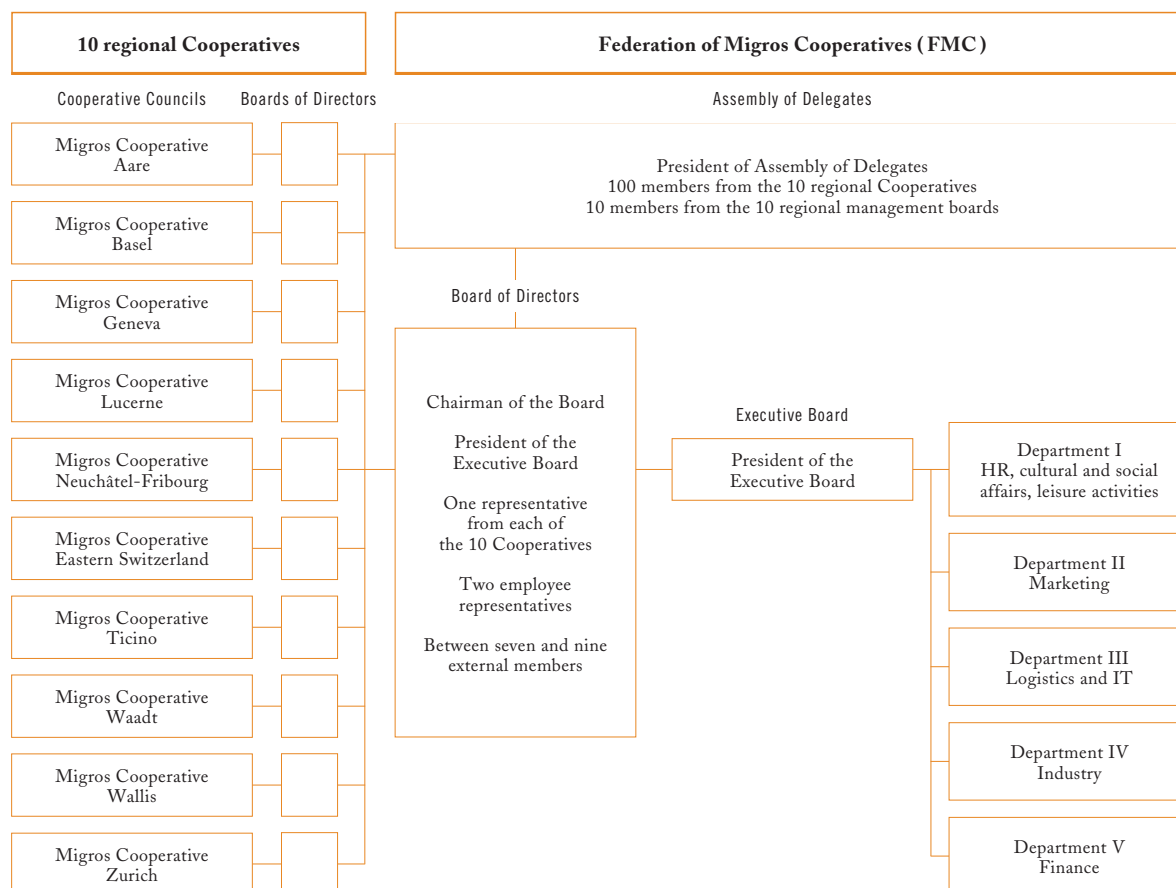
Authorities, political groups, associations

In the political arena, Migros is campaigning for better framework conditions.

As Switzerland’s largest retailer and biggest food producer, Migros actively supports improved framework conditions. Particularly with its core themes – agricultural policy and the campaign against excessively high prices – Migros plays an active part in the political discussion. The FMC’s Economic Policy Directorate deals with strategic policy issues. Economic policy maintains the dialogue with representatives of the Federal Council, administration, Parliament and associations. For this purpose, the Directorate maintains its own Public Affairs Office in Berne.

In 2007, Migros applied pressure to the butter market petitioning for outward processing, which had been

COOPERATIVE RIGHTS OF MEMBERS OF THE COOPERATIVES



Migros is organised on a cooperative basis. Male and female members of the Cooperatives elect the members of the Board of Directors. They can also have themselves elected to a regional Cooperative Council and to the uppermost decision-making body, the Assembly of Delegates of the FMC. According to the statutes, women have the majority in the Cooperative Councils. As at: end 2007.

called for by the Swiss Competition Commission. Under the terms of the 2011 agricultural policy, Migros actively supported more competition and ecological standards. Its greatest success was the approval for parallel imports of patent-protected capital goods in the agricultural sector. Despite differing views on either side, the dialogue with farmers made positive progress, because by making major investments in the food industry, Migros is confirming its support for farming by its actions.

To resolve policy issues, Migros is a member of interest groups. In 2006, Migros, together with a number of its competitors, founded the Swiss Retail Interest Group (IG DHS, www.igdhs.ch). Core themes of the IG DHS are parallel imports, the Cassis de Dijon Principle, retention

of the special VAT rate for food, food legislation and littering. In the same year, Migros became involved with the *espace.mobilité* interest group to deal with problems in spatial planning, transport and environmental policy. *Espace.mobilité* is now recognised as a competent interlocutor for numerous authorities – for instance in the cooperation with the Swiss Federal Offices for the Environment (FOEN) and Spatial Development (ARE), or in the radical revision of the landmark new Aargau building law (www.espacemobilite.ch).

Last year, Migros joined *Energie Dialog Schweiz* – an association initiated by Canton Aargau, the location for many institutions in the electricity generation and transport sector. The board is made up of a number of

personalities who are particularly affected by energy issues, including representatives of important major firms, the Paul Scherrer Institute, the WWF and the cantonal executive council. The Energie Trialog aims to develop a sustainable energy policy that is oriented to the long term, with innovative solutions contributing to the international competitiveness of the Swiss national economy and thus helping to guarantee quality of life. The first results should be available in three years (www.energietrialog.ch).

Also founded in 2007, at the initiative of Migros, was the GGS, the group of large power consumers, whose president is Andreas Münch, member of the FMC Executive Board. The GGS campaigns for the market to be opened up as smoothly as possible, and represents the interests of major consumers of power in this process.

Non-governmental organisations

Migros maintains a long-term, constructive cooperation with partners from civil society.

Non-governmental organisations (NGOs) not only represent important social and ecological concerns, they also carry out effective projects. Migros therefore accepts professionally managed NGOs with a good track record

as interlocutors, even if their ideological orientation does not always correspond to Migros' own fundamental values. Migros is in dialogue with over 30 organisations.

Migros has concluded some longer-term cooperation agreements with NGOs, particularly on the responsible sourcing of products, on environmental protection issues and in the social partnership. Last year, for example, jointly with IP-Suisse the company created the new TerraSuisse label. Migros has been a member of the WWF Wood Group since 1997, and also, since 2007, of the WWF Climate Group. These focus on the promotion of sustainable wood production (FSC) and on the engagement on climate protection (see "Emphasis on climate protection" on page 42). In connection with the national collective agreement, Migros has long-standing partnership ties with the Swiss Commercial Clerks' Association (KV Schweiz) and the Swiss Butchery Staff Association (MPV).

A travelling exhibition

For nearly 30 years now, the Pandamobil has been travelling from school to school, making it the oldest project of the WWF Switzerland. Every two years, the travelling classroom features a new environmental theme for children in an exhibition, with a presenter. A total of about 300,000 schoolchildren, as well as 50,000 adults, have now visited the environmental education project in all language regions. Since 2001, Migros has been the main sponsor of the Pandamobil, contributing an annual amount of 200,000 francs.

In 2006 and 2007, the restored former Migros mobile shop was on the road, bearing the slogan "Hilfe, rettet das Wasser" ["Help, save our water"]. The exhibition presented the life of a river from its source to its mouth. It was a fun way of making schoolchildren more aware of numerous issues to do with water. Using different activities and with the help of audiovisual elements, the children were carried away into the beauty of worlds on and in the water. At the same time, during the whole trip they learned how people have an effect on water and the aquatic environment, and how they can maintain a water-friendly lifestyle in their everyday lives. Over 5,500 schoolchildren from 95 schools visited the exhibition last year

Society

Every year, the Culture Percentage invests well over 100 million francs in culture and education.

In addition to the provision of low-cost goods and services, Migros' cooperative statutes include another, equally legitimate business objective: to bring cultural assets and cultural benefits within easier reach of the Swiss population. Migros' most significant initiative in the social sphere is the Migros Culture Percentage. This is a firmly established financial and practical engagement by Migros in the areas of culture, society, education, leisure and economic policy (see diagram). Every year, the Federation of Migros Cooperatives and the Migros Cooperatives pay out well over 100 million francs to the Culture Percentage – last year the figure was 127 million (www.kulturprozent.ch).

The Culture Percentage traces its origins back to Migros' founder Gottlieb Duttweiler. Last year, the Culture Percentage celebrated its fiftieth anniversary with a series of special events, such as a Jubilee celebration in Fribourg and the major competition MyCulture.ch for young adults, who had an opportunity to realise a project of their own with professional support.

But Migros' financial support for social issues does not only come from the Culture Percentage. There is also the targeted aid fund, out of which Migros provides selective support for social and ecological projects in Switzerland and in other countries, especially after natural disasters. The fund, set up in 1979, makes over 1 million

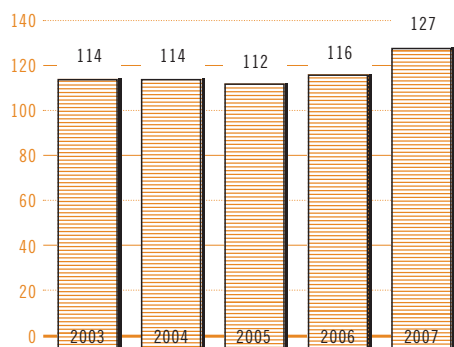
francs available every year. A working group of delegated cooperative council members assesses the projects that apply for funding.

Migros collaborates with partners on a range of other charitable projects. Ten years ago, for instance, Migros set up a school with the K.I.D.S Foundation in the Indian city of Tirupur, where many of its textile suppliers are based. The school is a success, and will continue to receive support on a regular basis (www.k-i-d-s.org). Since 2004, Migros has also supported a Helvetas project to improve water supplies. Thanks to a total contribution of 1.5 million francs, the development organisation will be able to distribute a simple method of water disinfection – solar water disinfection, or Sodis – throughout Asia for five years (www.sodis.ch).

In Switzerland, too, Migros is involved in many different projects. It has supported the WWF Pandamobil, for instance, since 2001 (see box on page 38). Migros made a really special effort at the World Animal Day on 4 October 2007: at Zurich's main railway station it organised a party, at which money was collected for animal welfare organisations. On the day, Migros also donated 1 per cent of its sales of domestic animal products. A total of 175,000 francs was raised.

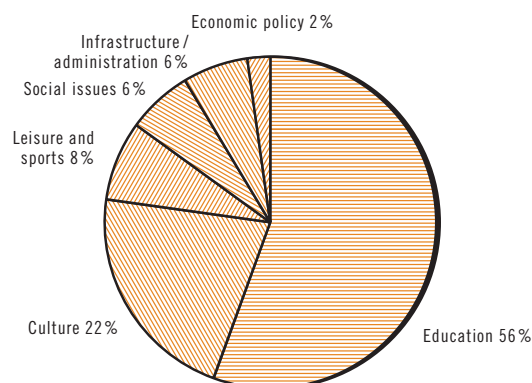
Note: Further information about the activities of the Culture Percentage over the past year can be found in the annual report. The projects referred to above, along with other projects, can be found on the website www.migros.ch > Nachhaltigkeit > Projekte.

CULTURE PERCENTAGE FUNDING
(CHF millions)



The Migros Culture Percentage is jointly funded by the Cooperatives and the Federation of Migros Cooperatives. In fiscal year 2007, the FMC made special investments in the Migros Museum for Contemporary Art and for the foundation Signal de Bougy, amounting to 13 million francs.

ALLOCATION TO SECTORS 2007
(Per cent)



The Migros Culture Percentage funds are allocated to cultural, social, educational, leisure and economic policy sectors. Education (Club School Migros and Eurocentres) takes the lion's share.

ECOLOGY

Major operation to tackle climate changes

Migros has been committed to the protection of the environment for over three decades. In recent times, its attention has been specially directed to climate protection. There it pursues ambitious goals and last year joined the WWF Climate Group. Migros also makes considerable efforts in the matter of waste disposal and recycling. It further lends a hand in the fight against littering.

Migros has years of experience in the protection of the environment. Since 1975, the enterprise has kept statistics on energy consumption in industrial plants and points of sale and has introduced numerous measures to save energy. Meanwhile, Migros has a comprehensive environment management team which is coordinated by the ecology and energy departments in the Federation of Migros Cooperatives FMC. Altogether eight employees are working full time on questions of operational environment protection – to these should be added numerous environment people employed in the regional Cooperatives and factories. Migros has set itself binding goals to increase energy efficiency and reduce carbon dioxide emissions. In addition, there are operationally specific standards for water consumption, the use of refrigerants and waste. An environmental check is made each year to determine whether these individually agreed environment goals are attained.

The key size of a firm's environmental pollution is its energy consumption. In 2007, the total energy consumption of the Migros Group declined for the first time. The points of sale and the industrial companies consume each around 40 per cent of the energy, logistics operations the remaining 20 per cent. In the industrial companies the requirement for heat – for example, for the baking, boiling, sterilising or uperising processes – is an important factor.

Points of sale on the other hand use up most of their energy in the form of electricity. The cooling of the products is mainly responsible as this generally accounts for half of the electricity demand. If one were to place all Migros coolers together in one long line, this would stretch to around 40 kilometres. A single metre of a cool box uses up almost as much electricity as a single-family house. Migros therefore studies this commercial refrigeration equipment very carefully. The coolers and freezers are fitted with front panelling and coverings. Around a third of the cool shelves now have glass sliding covers. For the others, lids are generally placed at night or roller tops pulled down.

Emphasis on climate protection

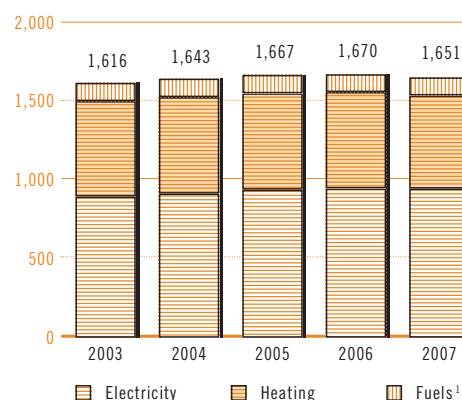
Migros combats greenhouse gases in its own operating centres.

The environment efforts of Migros are focused on climate protection. It primarily aims at reducing the emission of greenhouse gases. Its second priority is to offset unavoidable carbon dioxide emissions. Migros tackles this in two ways. On the one hand, it supports the consumers by not burdening the climate with products that are harmful to it. On the other, Migros acts in an exemplary manner in its own plants. Last year, Migros reinforced

this sweeping commitment by joining the WWF Climate Group (see box on page 44).

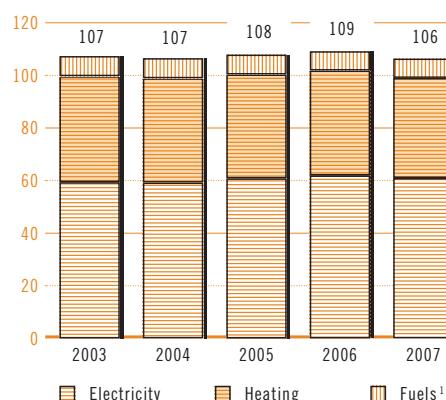
Since 2002 Migros has been collaborating with the Energy Agency for the Industry (EnAW) and has gradually worked out binding target agreements – audited by the Confederation – for increasing energy efficiency and

TOTAL ENERGY CONSUMPTION ABSOLUTE
(GWh)



The total energy consumption of Migros has fallen for the first time after four years. This is due to a significant decrease in heating requirements.

TOTAL ENERGY CONSUMPTION SPECIFIC
(kWh / 1,000 francs sales²)



Migros consumes about 106 kilowatt hours of energy to generate sales of 1,000 francs. Due to a decline in heating requirements and to a lesser extent in electricity consumption, this value fell sharply last year.

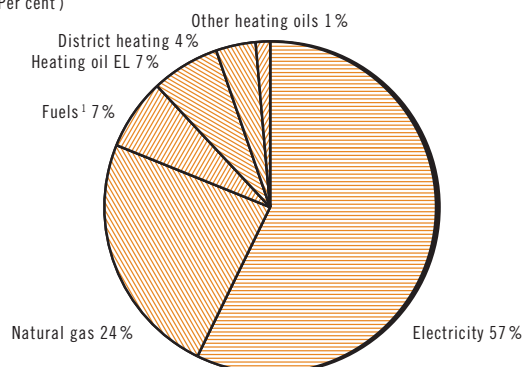
reducing CO₂ emission. Meanwhile, all 589 Migros points of sale, the 10 operating centres, the 14 industrial plants, Migros' own transport facilities, the main building of Hotelplan, the Migros Bank and FMC as well as – since 2007 – the department stores of Globus, Interio and the Fitnessparks have concrete climate protection and energy

targets until the year 2010 (see table on page 45). By then, the carbon dioxide emission of the facilities concerned should have dropped by 16 per cent.

Thanks to the voluntary measures over many years, the Migros businesses have exceeded the concrete interim targets for the year 2007. For that reason, nine Migros

SHARE OF ENERGY CARRIERS IN TOTAL ENERGY CONSUMPTION 2007

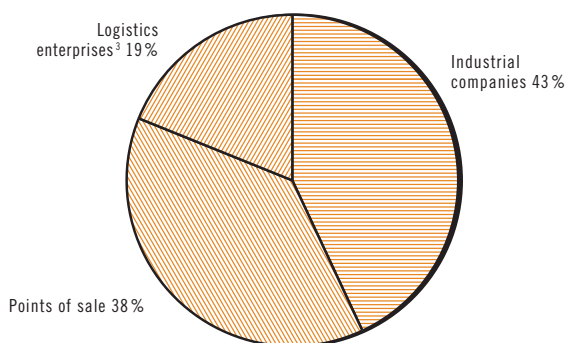
(Per cent)



Electricity accounts for over half of total energy consumption. In the fuel sector, Migros is constantly increasing the percentage of natural gas as it emits less carbon dioxide in combustion than heating oil. Motor fuels play a subordinate role in the general picture.

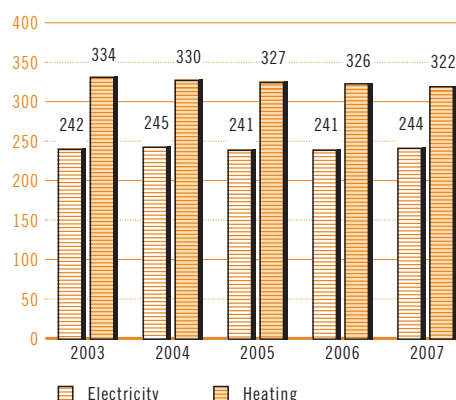
SHARE OF OPERATIONAL UNITS IN TOTAL ENERGY CONSUMPTION 2007

(Per cent)



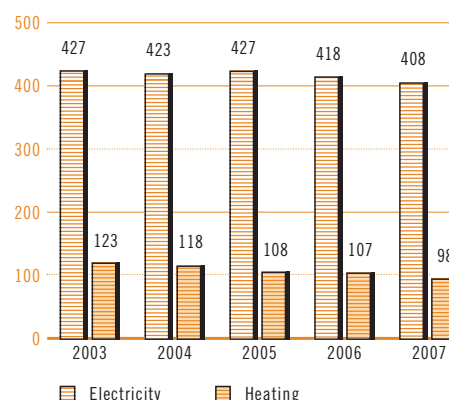
Migros industry needs roughly the same amount of energy as the points of sale. The industrial companies use mainly heat, the points of sale electricity. Last year, the energy consumption was greater on the part of the industrial companies due to the increased production of goods.

SPECIFIC ENERGY CONSUMPTION OF THE INDUSTRIAL COMPANIES (kWh / tonne of production)



In the last few years, the industrial companies have been able to constantly reduce their heating requirements per tonne of manufactured products. The electricity consumption shows fluctuations.

SPECIFIC ENERGY CONSUMPTION OF THE POINTS OF SALE (kWh / square metre sales area)



Last year, Migros considerably reduced total energy consumption per square metre of sales space. Heating consumption in particular fell sharply due to the current energy saving efforts and the warm winter of 2007.

industrial plants were able to apply for exemption from the carbon incentive tax which the Swiss Confederation has been levying on combustibles since 1 January 2008. Ten Migros businesses will even exceed their ambitious climate targets and can therefore sell emission credits to the Climate Centime foundation (Stiftung Klimarappen). In the transport sector, eight Cooperatives and the logistics enterprise Scana which have saved CO₂, have likewise, for the first time, been financially rewarded for their efforts by the Climate Centime foundation.

Apart from carbon dioxide, Migros is also combatting other greenhouse gases – for instance the so-called CFCs and HCFCs which have a far higher greenhouse gas potential and simultaneously endanger the ozone layer. As refrigerants in refrigeration equipment, air conditioners and heat pumps, these substances are still in use here in Switzerland – also at Migros. At present, Migros operates 118 refrigeration plants with a total of around two tonnes

of CFCs and 1,350 plants with altogether 83 tonnes of HCFCs. Also the HCFC refrigerants which correspond to the current state of the art have a high greenhouse potential. Although the refrigerants are in a closed circuit, small quantities may nevertheless escape through leaks from faulty seals. Migros is working on improving the tightness of its equipment and last year organised an internal awareness event.

Each Migros business drew up an inventory in which the refrigerants are recorded. Migros intends in the medium term and in accordance with the law to re-equip all installations concerned and switch over as far as possible to natural refrigerants like carbon dioxide and ammonium (see graph). The switchover turns out to be relatively difficult because the corresponding technologies are partly still in their infancy. Nor is there a general solution that would be suitable for all installations. In spring 2007, Migros carried out a pilot experiment in a Dietlikon point

Tackling the climate problem together

Migros joined the WWF Climate Group in July 2007. It thus endorses its declaration of loyalty to climate protection and provides a solid framework for all its relevant efforts. It is Migros' intention to act in an exemplary manner in its own business and to offer its customers a climate-friendly assortment. The WWF Climate Group is an association of progressive companies that are actively engaged in climate protection. Vis-à-vis the WWF, the partner companies commit themselves to binding climate protection goals, and in return they profit from the WWF's support in making their positive performances known to the public.

With the WWF Switzerland, Migros has agreed on the following goals:

- Migros is to reduce the carbon dioxide emissions of its points of sale and production facilities by 16 per cent by the year 2010.
- Migros is to aim for the Minergie standard in the case of new buildings. Four new buildings are to meet the Minergie standard by 2009.
- Migros is to increase the percentage of energy-efficient appliances in its product range. It intends for example to sell within three years only coolers and freezers of the best efficiency classes A++ and A+.
- Further goals concern the declaration of more efficient appliances, promoting the use of renewable energy and the use of public transport by employees and customers.

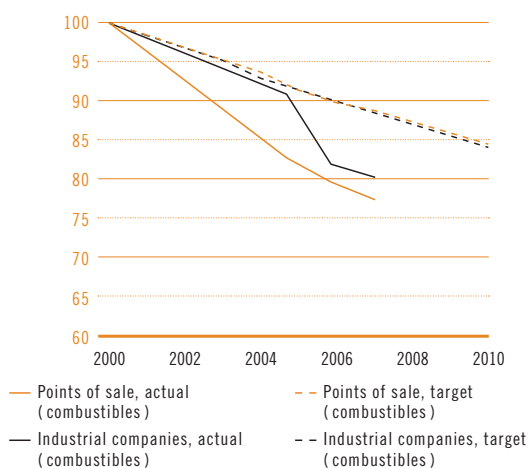
of sale near Zurich. The HCFC refrigerant was successfully replaced and the installation is now in a long-term experimental phase.

Minergie in the stores

Migros is currently opening new, especially energy-efficient supermarkets.

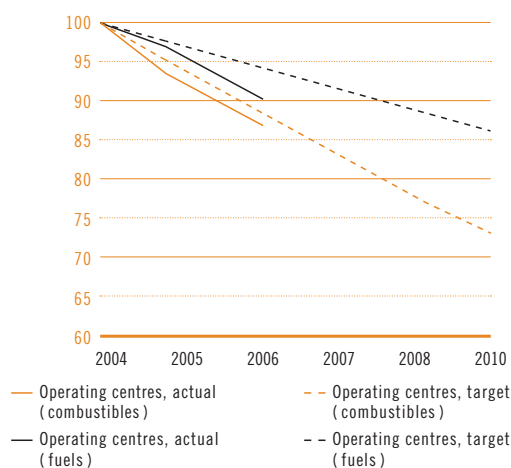
To achieve its goals in climate protection, Migros is also pinning its hopes on the Minergie standard. Though it has already taken a leading role in the completion of this

CO₂ TARGETS ENAW / POINTS OF SALE AND INDUSTRIAL COMPANIES (CO₂ intensity)⁴



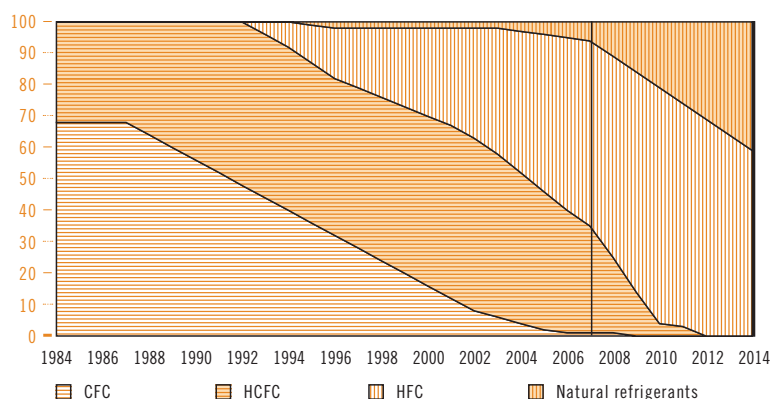
The industrial companies and points of sale succeeded by selective measures in greatly reducing their CO₂ emissions up to 2006. The target of a 16 per cent reduction by 2010 has already been exceeded in both groups. The starting year of the target agreements is 2000. The figures for 2007 were not yet available at the moment of publication of the report.

CO₂ TARGETS ENAW / OPERATING CENTRES (CO₂ intensity)⁴



The operating centres exceeded the CO₂ targets agreed with the Energy Agency for the Industry (ENAW) in the heating and motor fuel sector in 2006. By the year 2010, the aspired targets for CO₂ reduction in motor fuels is 14 per cent and in combustibles 27 per cent. The starting year of the target agreement is 2004.

DEVELOPMENT OF REFRIGERANT STOCKS IN THE MIGROS POINTS OF SALE (Per cent)⁵

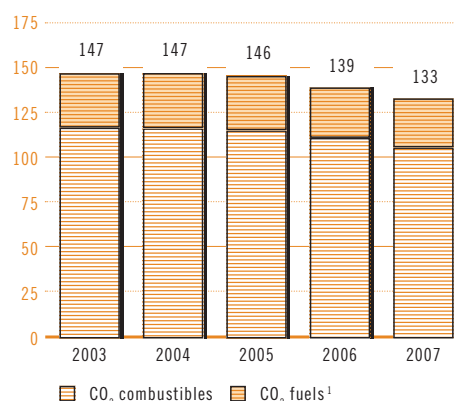


The chart shows how the refrigerant stocks at Migros are developing. The CFCs and H-CFCs are gradually being replaced by less harmful refrigerants.

standard for sales surfaces, it is now consistently speeding up implementation in its points of sale. In autumn 2006, Migros opened the first supermarket in Switzerland in keeping with this new Minergie standard. Two other supermarkets – Schwarzenburg BE and Buchs SG – followed in 2007. More will follow including the

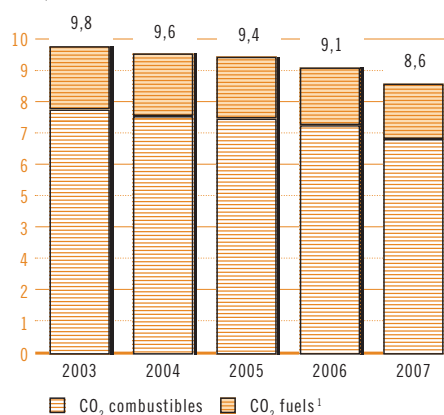
supermarket in Brügg near Biel BE, the Rheinpark in St. Margrethen SG and the largest ever Minergie building in Switzerland, the Westside Centre in Berne. A common feature of Minergie buildings is the good heat-insulating building envelope and efficient handling with heat and electricity. As product refrigeration plays a decisive role in energy consumption, the awarding of the Minergie label for supermarkets is done on effectively measured consumption values of the refrigeration facilities.

TOTAL CARBON DIOXIDE EMISSIONS
(1,000 tonnes)



Migros has substantially reduced its carbon dioxide emissions, especially in the last two years. In spite of increased production, the emissions fell altogether by around 8 per cent during this period.

CARBON DIOXIDE EMISSIONS SPECIFIC
(Kilogram / 1,000 francs sales²)



In the last few years, Migros has also considerably reduced the specific carbon dioxide emissions thanks to increased energy efficiency and the implementation of climate protective measures in accordance with the target agreements with the Energy Agency for the Industry.

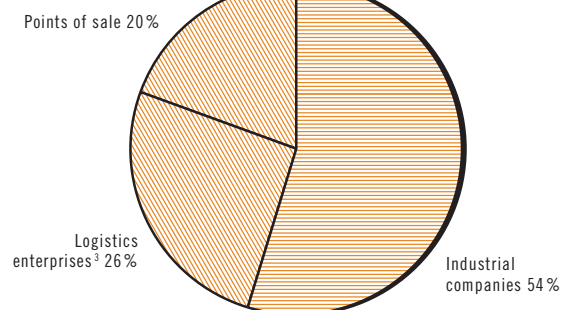
Environment-friendly transport

Migros pins hopes on the railway and makes headway in the use of biofuels.

Migros is much in favour of increasing transport efficiency as well as environment-friendly logistics and transport systems. Over long distances it therefore transports goods by rail if possible: practically all goods are carried by rail from the ports to the distribution centres. In Swiss transport operations, Migros, with an annual freight volume of a million tonnes and a turnover of 45 million francs, is the biggest customer of Swiss railways' SBB Cargo. As sole retailer, Migros covers the Ticino mostly by rail. Producers Mifa and Seba Aproz deliver 90 per cent of their products to Migros recipients by rail.

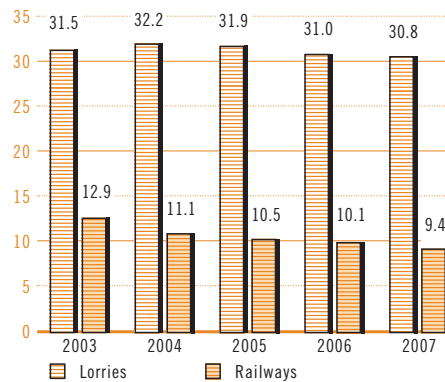
Migros is a pioneer in the use of climate-friendly fuels. On the one hand, eight Cooperatives already use biodiesel from rapeseed oil (RME). RME is extracted from rape and is thus more climate-friendly than a conventional fuel, since RME on combustion releases only as much carbon dioxide as the plants absorbed before.

SHARES IN THE TOTAL CARBON DIOXIDE EMISSIONS 2007
(Per cent)



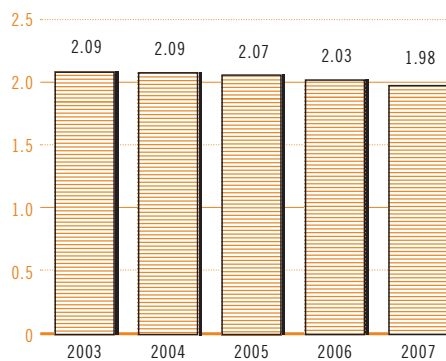
In view of the high percentage of combustibles they consume, the industrial companies are responsible for over half of the carbon dioxide emissions.

KILOMETRAGE OF RAILWAYS AND LORRIES⁶
(Million kilometres)



The kilometrage is the sum of the distances covered within a year by all lorries¹ and goods wagons, respectively. Since 2004 and 2003, respectively, the lorry and railway kilometrage has declined slightly. The smaller railway kilometrage is mostly due to larger wagons.

SPECIFIC VEHICLE PERFORMANCE OF LORRIES
(Kilometres / 1,000 francs sales²)



The specific vehicle performance of the lorry fleet¹ has greatly improved in the last two years. Migros has thus achieved more sales with less road transport. This is a success of the Transport Optimisation Programme NATRO introduced in 2006.

the goods are not transported in refrigerated trucks but in a multi-usable insulation package which is kept cool with a bottle of frozen water.

In spite of these efforts, the fact remains that private cars are used for making 40 per cent of the purchases. At

larger shopping centres this percentage is still considerably higher. Together with the pressure group *espace.mobilité*, Migros has had the reasons for this investigated. A study made last year showed that the main criteria in choosing cars as the means of transport are the large amount of shopping, the distance to the point of sale, the limited public transport facilities at home and shopping with the children.

The representative study carried out at two shopping centres in the Biel area also showed that parking fees hardly induce customers to switch over to public means of transport. Out of a good 1,000 respondents, only three said they had taken the bus because of recently introduced parking fees. In view of these findings Migros has been strengthened in its view that officially authorised restrictive measures at shopping centres will hardly be of benefit to the environment. An efficient solution to the problems of transport and environment demands a comprehensive, spatial approach and the equal-burden inclusion of all causers.

Ecological and economic waste disposal

Migros successfully operates the largest take-back system in the Swiss retail trade.

Altogether over 200,000 tonnes waste accumulates each year at Migros – roughly in equal parts in the industrial companies and the ten regional Cooperatives. With such tonnages Migros ranks highly in the Swiss waste industry. Recycling is the key factor. Migros has altogether over 64 per cent of its operational waste recycled. The returns of customers are almost completely recycled. Migros operates the biggest take-back system for empties and worn-out products in the whole retail trade. In 2007, Migros took back around 13,000 tonnes of customer waste. The take-back system in the points of sale comprises PET drinks bottles, PE milk product bottles, batteries and electrical appliances. Specialist markets and points of sale that stock corresponding articles take back a number of other materials, such as lamps and lights, paints and varnishes, as well as toys, construction, gardening and hobby equipment with electrical and electronic components.

Migros does not merely take care of ecological waste disposal but also manages waste with economic efficiency. Discarded goods and waste products are commodities that fetch higher and higher prices on the scrap materials market. This leads to lower waste disposal costs. To make use of this potential, Migros started the Waste Exchange project in 2006. The aim of the project is to ensure that enterprises jointly dispose of their waste and pool the waste disposal channels. The Waste Exchange is a success. Not only has the quality of the waste disposal been

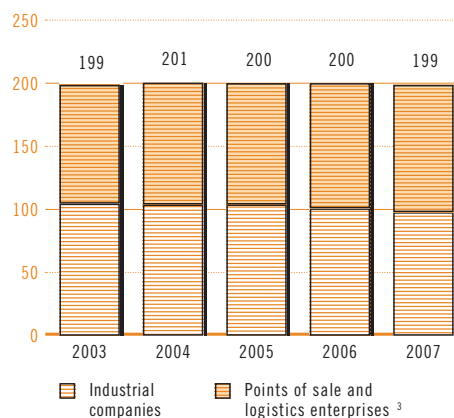
contractually secured, but Migros is also saving costs of over three quarters of a million francs a year.

Migros supports all voluntary and accepted disposal systems of private industry such as PET Recycling Switzerland, IGORA (recycling of aluminium), Stiftung Entsorgung Schweiz (electrical appliances), etc.

These systems are financed through recycling contributions that the manufacturer or dealer pay for each product sold. Thanks to the good situation on the scrap materials market, Migros also made savings on the recycling contributions which it passed on to customers by means of price cuts.

OPERATIONAL WASTE TOTAL

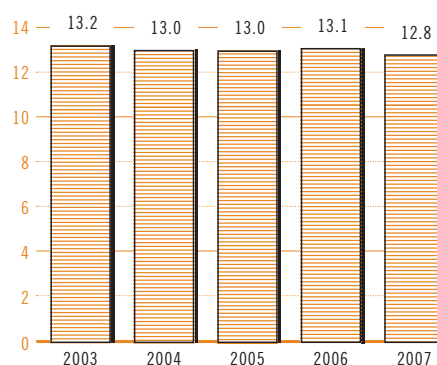
(1,000 tonnes)



The total quantity of waste remains more or less constant over the years. The points of sale and logistics enterprises together cause roughly the same amount of waste as the industrial companies.

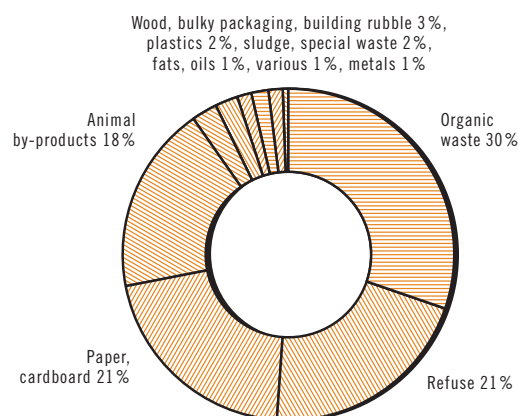
OPERATIONAL WASTE SPECIFIC

(Kilograms / 1,000 francs sales²)



Last year, the specific quantity of waste also declined and now amounts to 12.8 kg per 1,000 francs sales.

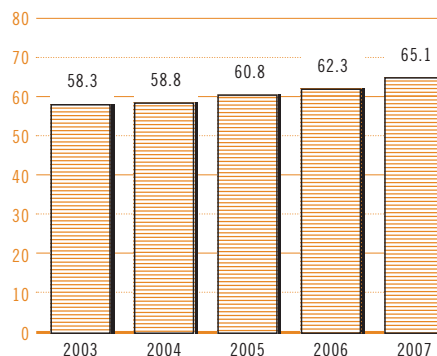
COMPOSITION OF OPERATIONAL WASTE 2007



Organic waste makes up the largest percentage of waste, e.g. expired food or production and cut waste. Animal by-products include butchery products not used as food (bones, entrails, etc.).

RECYCLING RATE OF OPERATIONAL WASTE

(Per cent)



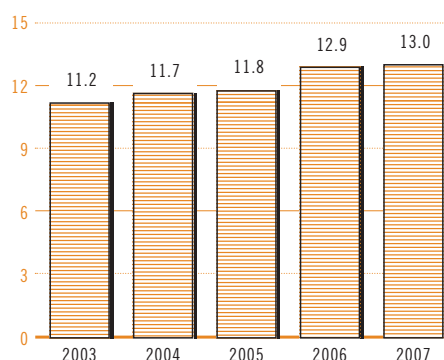
The recycling rate of operational waste rose sharply last year. One reason for this are the rising prices of valuable materials that make recycling worthwhile.

The PET recycling reorganisation, in which Migros was significantly involved, proved positive. In 2007, two other important retailers joined the private system. The new solution strengthens the public service – the collection in public spaces. Indeed the recycling quota for PET bottles has risen and the legally prescribed quota of 75 per cent has even been slightly exceeded, which is why the Swiss Confederation is dispensing with a state-authorised

waste disposal charge. By the way, the Swiss masters in PET recycling are Migros customers who return around 90 per cent of plastic bottles to the points of sale. The optimised collecting activity is an important step against littering (see box on page 51).

CUSTOMER RETURNS

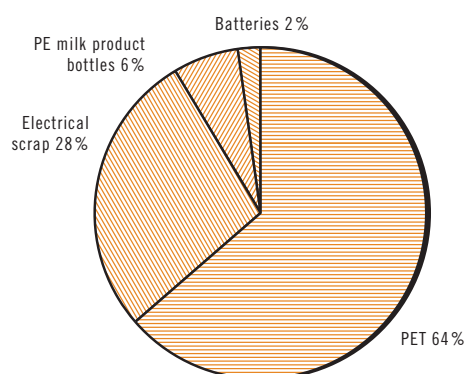
(1,000 tonnes)



The quantity of valuable materials returned by customers is still increasing. The customer returns are collected by Migros and forwarded to the recycling organisations.

TYPE OF CUSTOMER RETURNS 2007

(Per cent)



By far the highest percentage of customer returns are PET bottles. Electrical scrap accounts for a growing share.

¹ Lorry fleets of the regional Migros Cooperatives and Scana, but not transport orders placed externally.

² Retail sales Migros: Migros Cooperatives Switzerland & abroad, Denner, Ex Libris, Globus companies, LeShop, retail trade others, Migrol.

³ The term “Logistics enterprises” includes the consumptions of the ten regional operating centres, the three distributors and the FMC.

⁴ The CO₂ intensity is calculated from the ratio of the actual to the uninfluenced development. The development is uninfluenced if no steps are taken to reduce the CO₂. The more measures are implemented to reduce the CO₂ emissions, the lower is the CO₂ intensity.

⁵ The trends shown here are based on multiple past surveys and estimates of the future development.

⁶ As the system limits vary, the railway key figures (whole of Migros) are not comparable with the lorry key figures (only fleet of the Migros Cooperatives and Scana).

WATER CONSUMPTION

(Million m³)



Since 1990, Migros has enormously reduced its consumption of drinking water. In the last few years, consumption has continued to fall but to a lesser extent. The industrial companies use the most water for production purposes.

Fight against dropping litter

Littering – the discarding and heedless dropping of rubbish – is a growing problem in cities and urban districts. Slightly more than half of rubbish items come from take-away products. A further quarter consists of newspapers and other printed matter. Littering annoys much of the population. Politicians and the authorities are therefore trying to take steps to counter it. Thus, a number of cities and communities are passing on the increasing costs of litter cleaning to the retailers, or would like to oblige the latter to clean up the litter left by their customers.

Migros takes the problem very seriously and intends to tackle it together with the Swiss Retail Trade Community of Interests (IG DHS). As littering has much to do with changed habits and convenience, Migros is aiming at improving consumer awareness, for example with the aid of communication campaigns. Migros also lends a hand by assisting local street cleaning authorities from case to case, e.g. by emptying public waste bins and cleaning the immediate surroundings of the points of sale. In Lucerne, for instance, Migros together with other businesses and the city has worked out a functioning littering concept on how the city can be kept clean. In Basel, too, Migros together with other take-away offerers and the municipal authorities has adopted a plan of action to combat littering.

Migros nevertheless refuses to accept the outright shifting of cleaning costs to the retail trade. Why? On the one hand, the IG DHS already spends about 22 million francs a year on direct anti-littering measures, such as financing the collection of PET bottles and aluminium cans in public spaces as well as the placing and emptying of their own rubbish bins in front of the points of sale. On the other hand, a study commissioned by the IG DHS last year has shown that merely 30 per cent of the litter originates from major retailers like Denner, Manor, Coop, Valora and Migros. This shows that other providers of roadside catering as well as the tobacco industry and publishers of free newspapers should be included in solutions dealing with littering.

IMPRINT

PUBLISHED BY

Federation of Migros Cooperatives (FMC)
Limmattstrasse 152
CH-8005 Zurich
www.migros.ch

CONCEPT, TEXT AND EDITING

Corinne Centonze, FMC
Jörg Schmill, Locher, Schmill,
Van Wezemaël & Partner AG

DESIGN, COMPOSITION AND PRODUCTION

Studio Achermann, Zurich
Patrick Roppel, Zurich

PRINTING AND PAPER

Printing cover:
Bastcolor, Solothurn
Trucard FSC Paper
Printing contents:
Offset printing Goetz AG, Geroldswil
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