

**MIGROS**



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# **Sustainability Report**

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*2006*

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## INTRODUCTION

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### Reporting Standard

In its annual *Sustainability Report*, Migros sets out its activities in the field of sustainability. This year's publication is the first that also provides a progress report on the implementation of the Global Compact. The *Sustainability Report* holds true to the principles and substance of the Global Reporting Initiative (GRI). The aim of the GRI is to create an international standard for voluntary reporting on economic, ecological and social activities undertaken by companies. The GRI certifies that the report is compliant at level B. The appendix contains a complete list of contents in accordance with the GRI.

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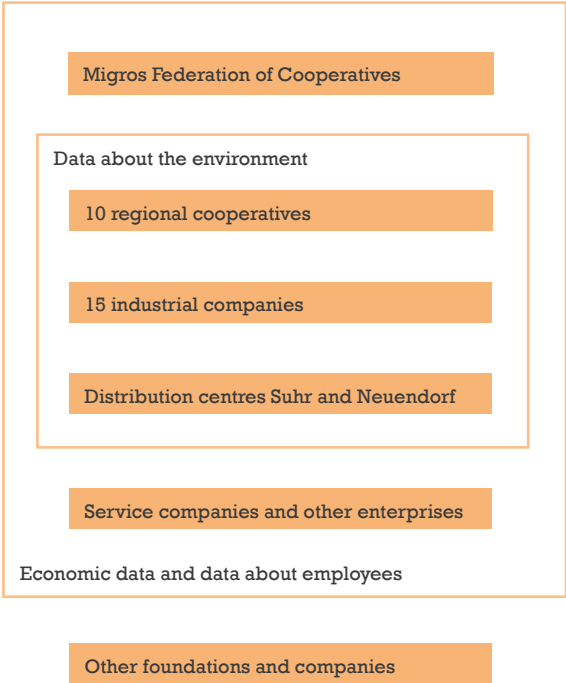
### Data

The procedures used to measure and assess sustainability data are essentially unchanged from last year as are the system limits. For organisational reasons, not all data from the various sectors apply the same limits (see chart below)

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## REPORT SCOPE



The above simplified diagram of the Migros Group shows the scope applied to this report. Economic figures and personnel details refer to the entire consolidated Migros group. Environmental data refers to all Migros companies participating in the Migros retail sector.

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**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.**

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# Foreword

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Roses stand for love – normally. In spring 2006, however, they also stood for Human Rights. In March, church-run relief organisations held a day of action under the banner “100,000 roses for Human Rights”. The flowers were sold at five Francs each with proceeds going to social projects.

So what does this campaign have to do with Migros?

For a start, the roses – fair-trade Max Havelaar flowers – were a gift from Migros. And secondly, human rights are an issue that our company has been deeply concerned about for some years. In 1997, Migros took a pioneering step creating a Code of Conduct that puts its suppliers under an obligation to respect human rights and to maintain social working conditions.

To establish our engagement even more firmly, in spring 2006, Migros signed up to the Global Compact. This is an initiative by the former UN General Secretary Kofi Annan under which the participating firms are obliged to follow ten principles of good corporate governance – including the recognition and promotion of the General Declaration of Human Rights.

Our principal aim is to meet our customers’ demand for quality products at prices they can afford; every day. But we also want them to be able to shop at Migros with a clear conscience because we are committed to fair working conditions within Migros, and at our producers and suppliers around the world. And because we are committed to environmentally sound and animal-friendly production, and to optimising industrial ecology in all our institutions.

In this *Sustainability Report* we use current data to support our endeavours. The figures show that we are well on the way in fulfilling our key aspiration – to be socially aware, environmentally friendly and low-priced; all at the same time. But the path we have chosen is certainly no afternoon stroll; it is more like a strenuous mountain hike. The retail sector is currently undergoing massive changes; competition is increasing, and prices are coming under pressure. And this gives rise to the risk of ecological and social concerns falling to the wayside.

In view of this increasingly difficult business environment, we are especially proud that we are able to maintain our high standard today; indeed, we are making progress in all areas. But at the same time, we are grateful that our customers, our employees and our business partners are supporting us in our engagement; making it sustainable in the true sense of the word.



Claude Hauser,  
Chairman of the Board of Directors



Herbert Bolliger,  
Chief Executive Officer

# Progress in 2006

	Customers	Employees
Key data	<ul style="list-style-type: none"> <li>• 1.4 million customers visit M-shops each day</li> <li>• Over 60,000 products on offer</li> <li>• 541 supermarkets, 206 specialist markets, 203 M-restaurants</li> </ul>	<ul style="list-style-type: none"> <li>• Approx. 80,000 employees</li> <li>• 2,809 trainees</li> <li>• 60% female employees</li> <li>• 76% of employees are covered by the Migros collective agreement</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• 800 products <b>reduced in price</b> &gt; p. 8</li> <li>• Most toilet and household paper products changed to <b>FSC quality</b> &gt; p. 20</li> <li>• <b>LED lamps</b> included in product range &gt; p. 21</li> <li>• <b>No smoking policy</b> introduced in all M-restaurants &gt; p. 21</li> <li>• <b>Evaluation</b> of all engagement labels by the WWF as 'recommended' up to 'highly recommended' &gt; p. 22f</li> <li>• <b>Prohibition of genetically modified feed</b> for imported meat and poultry &gt; p. 24</li> </ul>	<ul style="list-style-type: none"> <li>• Renewal of <b>collective agreement</b> for the period 2007 to 2010 &gt; p. 34</li> <li>• Opening of the second <b>Jowa bakery training facility</b> in Gränichen (AG) and staging of first Professional Training Day &gt; p. 37</li> <li>• Creation of <b>100 additional training places</b> for trainees &gt; p. 37</li> <li>• A 2.5% year-by-year <b>increase in female employees</b> in management positions &gt; p. 36</li> <li>• Introduction of <b>business group solution</b> throughout the group to prevent accidents and work-related illnesses &gt; p. 37</li> </ul>



Suppliers	Society	Environment
<ul style="list-style-type: none"> <li>• Over 3,000 Swiss and foreign suppliers</li> <li>• 42% of Food and Near-food products produced in-house</li> <li>• 9,000 product analyses</li> </ul>	<ul style="list-style-type: none"> <li>• Culture Percentage offers funding of CHF 116 million</li> <li>• Over 700 different courses in the Migros Club Schools</li> <li>• Nearly 2 million cooperative members</li> </ul>	<ul style="list-style-type: none"> <li>• Energy consumption has been recorded for over 30 years</li> <li>• Group consumes 1.7 per-cent of Swiss electricity</li> <li>• 13,000 tons of returned customer waste</li> </ul>
<ul style="list-style-type: none"> <li>• Organisation of an International Meeting on <b>Sustainable Palm Oil</b> at the industrial company MIFA &gt; p. 21</li> <li>• Implementation of agricultural <b>Swiss-GAP</b> standards with reference to Eurep-GAP in Switzerland &gt; p. 24</li> <li>• Majority of suppliers <b>certified</b> to Eurep-GAP agricultural standard and food safety standard GFSI &gt; p. 24, 26</li> <li>• BSCI <b>Code of Conduct</b> extended to food suppliers. A further 86 audits carried out in Non-Food segment &gt; p. 25</li> <li>• First independent <b>verifications</b> of BSCI Code of Conduct in India and China. Three audits carried out per country &gt; p. 26</li> </ul>	<ul style="list-style-type: none"> <li>• Sign-up to <b>Global Compact</b> and participation in first meeting of Swiss network &gt; p. 14</li> <li>• Revision of strategy of Migros <b>Culture Percentage</b> &gt; p. 30</li> <li>• Set up of new Office for <b>Cultural Affairs</b> in Geneva &gt; p. 30</li> <li>• Extension of school building and construction of a training centre at the <b>KIDS School</b> in Tirupur, India &gt; p. 31</li> <li>• Supporting a new <b>Water exhibition</b> with the WWF Pandamobile &gt; p. 32</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of <b>energy consumption</b> and CO<sub>2</sub> emissions in accordance with targets specified by the Energy Agency for Industry &gt; p. 40f</li> <li>• Opening of Amriswil supermarket constructed in accordance with the <b>Minergie Standard</b> &gt; p. 42</li> <li>• Commissioning of Switzerland's second-largest <b>solar collector system</b> at the Milandia (ZH) fitness park &gt; p. 42</li> <li>• Campaign for <b>national battery collection</b> week &gt; p. 45</li> <li>• Use of <b>Bio Diesel</b> in six regional Migros Cooperatives &gt; p. 45</li> <li>• Two <b>banana sales promotions</b> to raise funds for the Nogal biodiversity project &gt; p. 48</li> </ul>





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## *Corporate Profile*

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# Added Value for Everyone

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For many years, Migros has been the market leader in Swiss retailing with sales amounting to almost CHF 21 billion. The basis of Migros's continuous commercial success are its high quality, low priced products and services. As a Cooperative with two million members, Migros is firmly established within the community. The added value it creates benefits especially its customers, its employees and society.

**I**n 1925 the pioneer and visionary Gottlieb Dutweiler bought five small Ford-T lorries and filled the loading ramps with coffee, rice, sugar, pasta, coconut fat and soap. On 25 August the first mobile shops were delivering around Zurich. That was the unassuming start of the orange M about 80 years ago. Today, Migros is Switzerland's leading retailer and one of the 500 biggest firms in the world. An enterprise with its own special character still keeping faith with the ideals and values of its founder over the decades. An extraordinary thing is that Migros has always let the people be a part of its equally extraordinary commercial success.

### **At the Heart of the National Economy**

Retailing is very important to the national economy: its economic activity generates some CHF 75 billion, or 16 percent, in value added to Switzerland's GDP. It also ensures that the people of Switzerland are properly provided for. Positioned between supply and demand, retailing plays a key role in promoting consumption of products that are ecologically sound, animal-friendly and socially acceptable. Approximately one-fifth of all jobs are closely linked to retailing. It is also significant that the retail sector has the highest proportion – over 40 percent – of part-time employees of all sectors. Moreover, retailing has by far the highest proportion of female employees and the greatest number of training places in the private sector. And finally, the retail sector performs an important social integration function, by opening up career opportunities even for people with relatively few qualifications.

Migros is right at the heart of Swiss retailing. With just short of 80,000 employees, Migros is the country's

largest food manufacturer. The great majority of Migros's range of processed foods, and also its range of products in the near-food segment (body care and hygiene products, washing and cleaning materials), therefore, consists of its own-brand products; many of which are manufactured in Switzerland.

### **Success Against the Flow**

Retailing today is characterised by the progressive liberalisation of the economy and by the rising tide of globalisation on the raw material and product markets. Foreign hard discounters are piling on the pressure in the barely growing Swiss market while at the same time more and more Swiss people are shopping just across the border in other countries. These trends have made business relationships more unstable and pushed them further apart; competition has been hardening and margins have been shrinking. The price debate also dominates the public arena. And the sustainability performance of the providers has been pushed into the background.

In this hardly tranquil environment, Migros's business has been doing very well. Migros's retail sales rose by 1.8 percent last year to CHF 17.67 billion. The sales area has increased by 26,000 square metres to a total of 1,228,000 square metres. In recent years, Migros has managed to win market shares in various segments and has held its overall retail market share stable at around 18 percent. Migros's unbroken run of success is built on high quality, low priced products and services. Migros' prices are considerably lower than its competitors'; not for cheap, discount products, but in the medium price segment which is where the Swiss do most of their shop-

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## **99 percent of Swiss households shop at least once a year at Migros.**

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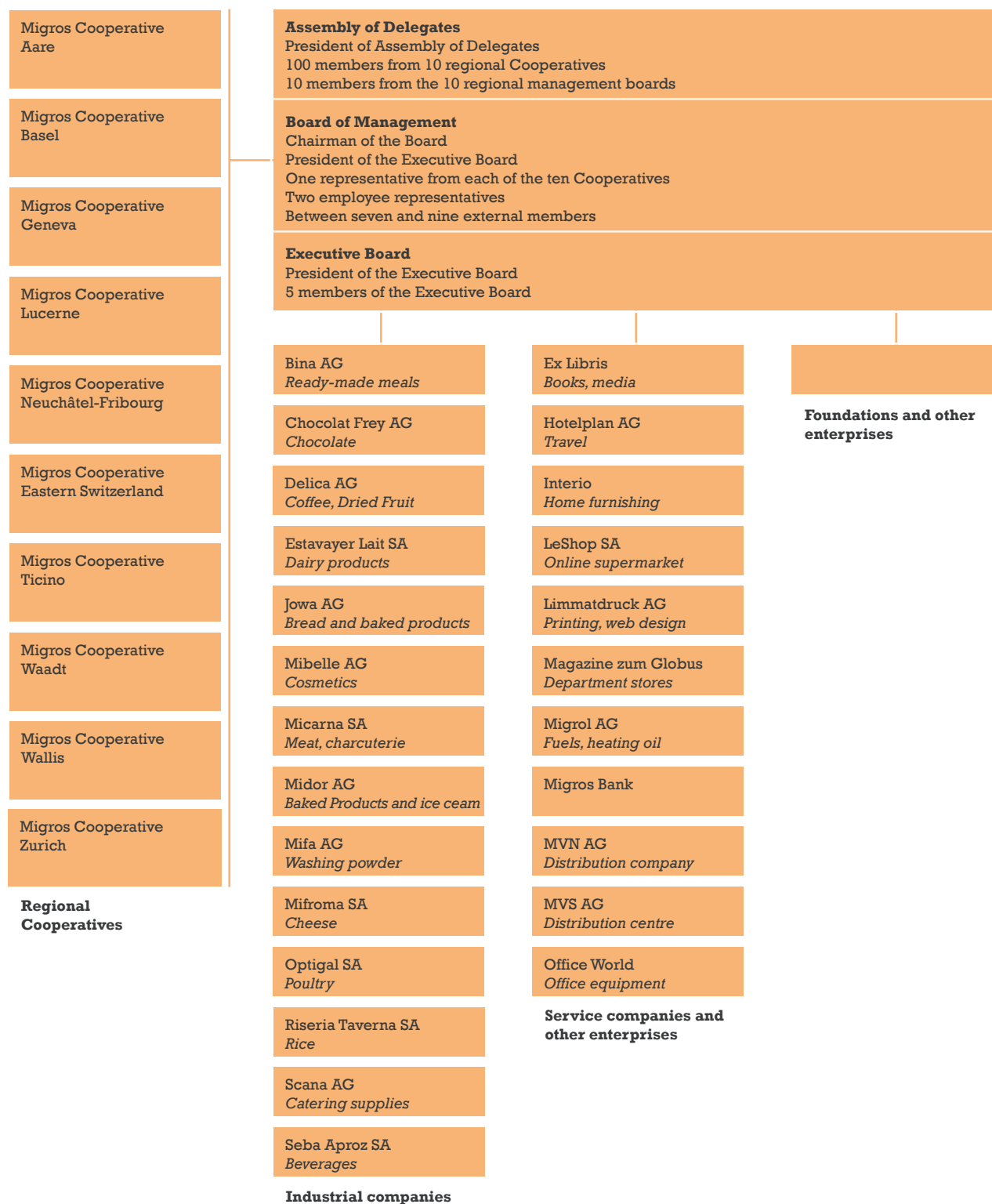
largest private employer. With a broad range of goods and services, Migros is very much part of everyday life for the population. Migros is where 99 percent of Swiss households shop at least once a year. Migros has a sales network of 590 Migros sites, 206 specialist markets and 203 M-Restaurants. Migros operates 2 supermarkets in France and 3 in Germany. The Migros Group also includes a bank with 45 branches, about 300 Migrol filling stations, the travel operator Hotelplan, 13 Globus department shops and the media outlet Ex Libris (see organisation chart). Then there are other enterprises such as the Club Schools, Fitnessparks, swimming pools and golf courses. A special feature of Migros is that in addition to its well-developed sales and distribution network, it has 15 M-Industrial companies which are active mainly in the food sector. It is, therefore, the country's

ping. In customer surveys (such as the Price Image Barometer of the Link market research institute), Migros regularly comes out ahead of all of its rivals on value for money. Over the past year, Migros has maintained this leading position: Price cuts on 800 products have led to a one percent decrease in prices overall.

Migros Industry also had a positive year in 2006. Exports by M-Industry companies continued to grow, helping total sales to reach CHF 4.68 billion, 1.4 percent more than the year before. Migros also acted successfully in 2006 in the Group's strategic expansion: In April Migros acquired an 80 percent majority stake in the online retailer LeShop SA. LeShop.ch is Switzerland's largest online supermarket. In October, Migros's subsidiary Hotelplan Group purchased a majority stake in the Travelhouse Group with its ten specialised travel agen-

## ORGANISATION CHART

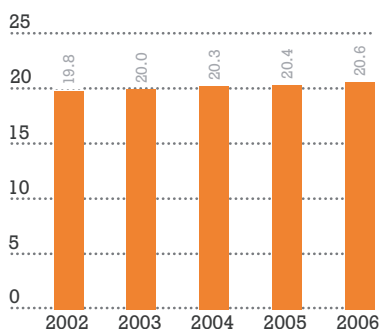
## Federation of Migros Cooperatives



The Migros Group consists of ten regional Cooperatives and the Federation of Migros Cooperatives. Industrial Companies, Service Companies, Foundations and other organizations are affiliated to the FMC; as at: end 2006.

**GROUP SALES**

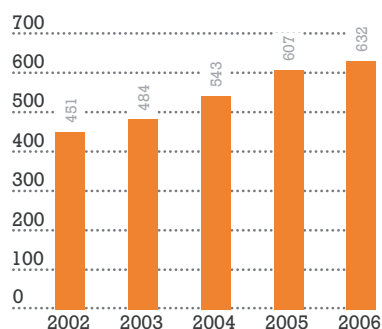
CHF billion



Sales of the Migros Group continuously increased over the past years; reaching CHF 20.6 billion in 2006.

**PROFIT BEFORE TAXES**

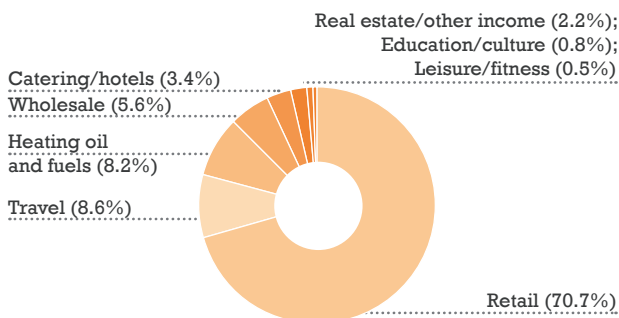
CHF million



In spite of falling prices and increased competitive pressure, the Migros Group was able to continuously increase its profit before taxes (EBIT) over the past years.

**SHARE OF NET REVENUE**

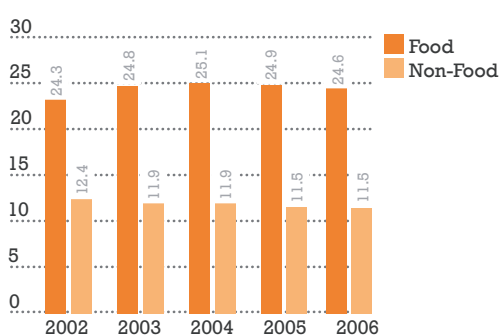
2006



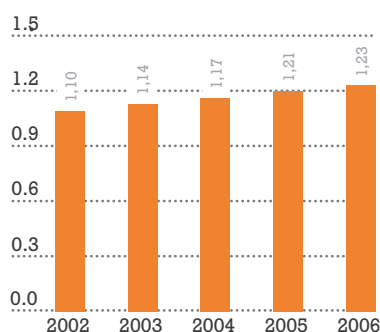
With some 71 percent of the net revenue, retail<sup>1</sup> is by far the largest business area, followed by travel and heating oil and fuels.

**MARKET SHARE**

Percent



During the past years, Migros was able to stabilise its market share<sup>1</sup> at a substantial level. In 2006, the market share in the Food segment saw a marginal reduction. The slight decrease was, in particular, due to considerable price discounts, the extension of the M-Budget line and the below-average expansion.

**SALES AREAS**Million m<sup>2</sup>

Migros' sales area<sup>2</sup> shows a continuous slight increase, reaching a total of 1.23 million square metres in 2006.

cies and their sales outlets; creating the largest travel provider in Switzerland. Finally, in October 2006 Migros acquired a 30 percent interest in Cash+Carry Angehrn which has taken it into the cash and carry business and opened up new sales channels – especially for its own M-Industrial companies.

Over the past few years, Migros has been steadily expanding its range of products. The low-price M-Budget line in particular has expanded because of strong demand. Last year, the budget line celebrated its tenth anniversary, and now has over 500 products in its product line. There was also growth in the premium segment: The Sélection brand, launched at the end of 2005, has been doing very well in terms of both product numbers and sales. In the near-food sector, Migros recorded strong growth in 2006 with the addition of more branded items to the product line.

### **Popular ‘People’s’ Company**

In 1941, Migros’s founder Duttweiler donated his enterprises, which until then had been regional public companies, to his customers. The customers became Cooperative Members, making them the company’s owners. With this unparalleled act, Duttweiler set Migros on a democratic foundation; creating a ‘people’s’ company that today has almost two million Cooperative Members. As a Cooperative, Migros is committed to Stakeholder Value. The added value Migros creates benefits its customers, its employees and society. Its profits are not paid out to shareholders, but are kept within the company.

The foundation of Migros is its ten regional Cooperatives whose main functions are sales and distribution

functions is to ensure that Migros’s values and guiding principles are maintained. The Foundation, therefore, has to approve the salary bands of the FMC Executive Board and the senior managers of the whole Migros Group. This prevents the Boards of Directors and senior managers setting each others’ salaries. At Migros, there are no excessive managerial salaries.

Because of its solid cooperative foundations, and thanks to the consistently high quality of its products, Migros is extremely popular among the Swiss. According to Europe’s largest consumer study by Reader’s Digest (2006), the Migros brand enjoys the highest confidence among retailers. In the ‘Reputation Index’ calculated by the Swiss market research institute GfK, Migros ranks seventh among 84 companies; the only retailer placed in the Top Ten.

### **Political Engagement**

As Switzerland’s biggest retailer and largest food producer, Migros is greatly involved in the general structure of the economy. On core issues in particular – agricultural policy and the abolition of the ‘high-price barriers’ around Switzerland – it plays an active part in the political debate. Strategic policy issues are the concern of the FMC’s Economic Policy Directorate. Economic policy maintains the dialogue with representatives of the Federal Council, the administration and Parliament, formulates the bases for its arguments and passes these forward selectively. The Directorate, therefore, has its own Public Affairs Office in Berne. Migros also supports relevant projects of organisations and associations – but not, out of principle, any political parties or individual candidates.

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## **According to consumer studies, Migros is the most trusted European retailer brand.**

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(see organisation chart p. 9). The regional Cooperatives are bound to each other in the Migros Federation of Cooperatives (FMC). From its Head Office in Zurich, the FMC is responsible for coordinating everything; it performs a senior management role and owns the M-Industrial and Service companies. In addition to the ten regional Cooperatives, Migros, therefore, owns a large number of public companies.

Because the Migros Group is structured into regional Cooperatives, this ensures that power is well distributed within the organisation. The Cooperative Members have wide ranging participatory rights. They determine the composition of the Cooperatives’ Boards of Directors and pass judgement on the annual accounts. There is also the G. and A. Duttweiler Foundation, one of its

On political issues, experts from Migros also cooperate, informally or in work groups, with colleagues from rival companies. In May 2006, Migros, together with Charles Vögele, Coop, Denner, Manor and Valora founded the Swiss retail community of interests (IG DHS). Its aim is to help convey the concerns of retailers to the public and politicians. Migros has also founded together with Coop, Ikea, Maus Frères and the Association of Real Estate Investors (VIV) the espace mobilité community of interests to formulate a joint approach on spatial planning, transport and environmental policy.

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#### Footnotes

<sup>1</sup> Migros including Magazine zum Globus, Interio and Office World as well as Ex Libris.

<sup>2</sup> As of 2006, a new regulation for determining area sizes applies. Previous year's figures were adjusted retrospectively.

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## *Sustainability Policy*

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# Focus on Human Beings

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In everything it does, Migros strives to find the best solutions, socially and ecologically. It therefore has a sustainability management system, and maintains a close exchange of information with many different stakeholder groups. By signing up to the Global Compact of the UNO, Migros has reinforced its engagement to good corporate governance. It has been awarded numerous prizes in recognition of its pioneering role in the field of sustainability.



**S**ince its foundation, Migros has been battling to provide low-cost, high-value food for the population. Using unconventional methods, Migros has cut prices – not least by founding its own food businesses to produce food at reasonable prices. But for Migros, it has never just been about low-priced products. From the very start, founder Gottlieb Duttweiler's work inspired a great social engagement that extended beyond making better provision for people's material well-being. At a very early stage, in his corporate philosophy and objectives, Duttweiler proclaimed: "Our social and cultural services must keep pace with growing material power."

### **Binding Principles**

The guiding principle in the Migros Mission Statement is: "Migros is the Swiss company that is passionately committed to the quality of life of all of its customers." So people, not money, are at the heart of everything that Migros does. In its Environmental and Social Policy, Migros expressly professes its belief in sustainable development (see table). In purchasing, producing, transporting, selling and disposing of goods, Migros always looks for solutions that are the best socially and ecologically. On the social side, Migros supports fair and proper working and social standards both locally and globally. In Switzerland, the national collective agreement stands for progressive, responsible working conditions and the social partnership for comprehensive participatory rights for employees. Foreign business partners and suppliers have to give Migros their guarantee, by way of an internationally recognised Code of Conduct, that they offer their employees fair and proper working conditions and that they respect workers' and trade unions' rights.

protection, for instance, on equality issues or on fighting corruption. Migros is, therefore, also a member of the Swiss regional Global Compact Network, which is still under development, and attended its first meetings last year.

By joining the UNO initiative, Migros has committed itself to campaign for the fundamental values of human rights, labour laws, and environmental protection that are enshrined in international conventions, and to ensure that they are followed within its sphere of influence. With its longstanding commitment to sustainability, Migros is already meeting most of the targets set by the Global Compact, and with its Code of Conduct in particular, has an effective tool for implementing human rights and labour laws (Principles 3–6). In environmental protection, too, Migros has attained a high standard with its numerous eco-ethical label products and operational measures (Principles 7–9).

### **Effective Organisation**

Up to now, managing the Environmental and Social Policy has been the job of the "Sustainability Support Committee" under the leadership of the Head of the Logistics and IT Department who is a member of the Executive Board. The heads of the respective departments have overall operational responsibility for the individual sectors. Apart from the figures in this report, a series of prizes that Migros has received in recent years testify to the progress it has made in sustainability management (see table p. 16).

In 2006, Migros formulated a new concept for high level sustainability management and reporting. Specific targets will be set for the key performance indicators, which will be defined during 2007, and activities

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## **Migros endeavours to use the best social and ecological solutions for its procurement, production, transport and waste disposal operations.**

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In March 2006, Migros went a step further with its engagement in the area of sustainability and signed up to the Global Compact. This global initiative by the United Nations (UNO) includes ten principles (see table), based on widely accepted moral concepts of good corporate governance. The aim of the Global Compact is to support the social engagement by the business community, and to bring about a fairer, more sustainable world economy. The Global Compact is not a label or quality mark that the UNO awards after inspecting or assessing a company. It is first and foremost a network whose members respond jointly to the needs of society. So companies can learn from each other, exchanging experiences and good examples in environmental

throughout the company will be coordinated with those targets. Clear responsibilities and target agreements as well as management incentives have yet to be established. The aim of the new concept is to ensure that the sustainability of all business activities is even more coherent. A monitoring and control system is also being set up. All activities in the field of sustainability will, therefore, be coordinated by the Head of Issue Management.

### **Opportunities and Risks**

For Migros, commitment to sustainability is not just a necessity. It also opens up new possibilities; and Migros can, for instance, improve its competitive posi-

## BASIC PRINCIPLES OF MIGROS IN DEALING WITH 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's continued long-term independent existence.

### Society

We promote the free and responsible development for all people. With the Migros Cultural 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.

## 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.

## AWARDS AND HONOURS FOR SUSTAINABLE DEVELOPMENT 2002–2006

### National Energy Globe Award for Switzerland 2006

Migros received this commendation from the Austrian "Energy Globe" Association in recognition of its cooperation with Mobility Car-Sharing 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.

### Jost 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 Zurich 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.

### UNEP Business Award for Sustainable Development 2002

Migros received the Sustainable Development Prize at the Sustainable Development Summit in Johannesburg for its model project for sourcing sustainable palm oil.

### Energy Globe Award 2002

The Migros Cooperative Zurich was awarded the international Energy Globe Award for its "Salat im Tank" biofuel project. Migros was the first company in Switzerland to extract biogas from its own organic waste and use it to drive eleven gas-powered lorries.

tion through energy conservation to cut its operating costs. It is winning additional customer segments with its innovative label products. And, with its good terms of employment, Migros is increasing the motivation and availability of its employees. Because Migros includes the most important interest groups in the decision making processes, it increases the loyalty of Cooperative Members and creates goodwill among its customers. Migros's exceptionally strong roots within the Swiss population are due in no small measure to its broad social and cultural engagement. By achieving more in all areas of sustainable development, it also achieves better results in external assessments, such as ratings and product tests. Ultimately, this will also raise the value of the Migros brand.

But these opportunities also involve risks: In the spirit of sustainability, economic success must always be in balance with social and ecological engagement. But in the case of additional social benefits and corporate environmental protection in particular, it is also true that responsible behaviour can cost more. Just how far Migros can go along the sustainability road, therefore, depends on its customers' willingness to reward Migros's performance on sustainability by paying an appropriate price for it. People in this country are still very much aware of quality. But even in Switzerland, price competition is constantly growing in intensity. Many consumers are, therefore, paying much more attention to the price label when they shop. The steady rise of 'shopping tourism' into neighbouring countries is proof of this. While it is an important issue in the media, there is a danger of sustainability being pushed into the background when it comes to specific purchasing decisions which means that less committed competitors are reaping the economic rewards. Migros is trying to counteract this trend by communicating, as clearly as possible, the added value of its products for all interest groups – especially for its customers.

### Broad-based Stakeholder Dialogue

Migros firmly believes in rapid, open and honest communication in its Environmental and Social Policy. It has also set itself the goal, in its guiding principle, of working with its customers, suppliers and interested social groups in order to be actively involved in shaping the future. Migros, therefore, maintains a close exchange of information with numerous interest groups, the so-called stakeholders. Migros is in dialogue with over thirty non-governmental organisations (NGOs); especially in the field of social and ecological labels, environmental protection, cultural engagement and observance of human rights in the supply chain. It has also established many contacts within the new regional Global Compact Network in which NGOs are represented as well as other firms. There are also close

contacts with state institutions at the State, Cantonal and Municipal level, and also with research agencies – especially in the agricultural production sector.

Migros's social and contractual partners are also important, permanent points of contact (see section 'Employees'). In addition, Migros maintains regular contacts with trade unions and employee organisations, cooperating with them on professional development, for example. For Migros, the network of internal company employee representatives in Switzerland represent another key platform for discussion with social partners from all economic branches in Switzerland. And of course, communication with its customers is of particularly central importance. That is why, Migros has at its disposal a range of targeted tools,

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**The sustainability Migros can achieve depends on the readiness of its customers to remunerate Migros' sustainability performance.**

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such as customer surveys, the M-Cumulus customer programme and the M-Infoline customer service (see section 'What we offer').

The findings from discussions with interest groups are dealt with and followed up by the appropriate Migros offices, depending on the subject. If necessary, committees or project groups assume additional tasks such as genetically modified foods. The task of the Issue Manager, appointed early in 2007, is to coordinate issues raised in discussion with the stakeholders within Migros. Migros provides a comprehensive account of its performance in the area of sustainability in its annual *Sustainability Report*. Also appearing in 2007 for the second time is an insert from the customer magazine *Migros-Magazin*, documenting Migros's efforts in this sector among the broad public.



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*What We Offer*

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# Quality in All Segments

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At Migros, customers can find everything under one roof. With a high standard across the entire product line, customers can always shop with a clear conscience: Migros meets social and ecological requirements. Migros requires its suppliers to apply fair working conditions. And when it comes to sustainability, the Engagement labels offer a wide range of top quality products.

**W**ith a total of about 60,000 products, Migros can offer a very extensive product line in the supermarket divisions fresh produce, food, near food, non-food and specialist markets (see table). A single supermarket carries around 35,000 items. Most of these products are Migros' own brands; a significant proportion of which are manufactured in Switzerland by Migros Industry companies. About 70 percent of vegetables, 20 percent of fruit and 90 percent of meat products sold also come from Switzerland. In 2006, Migros invested some CHF 200 million in domestic processing. In so doing, it promotes products that do not travel far and which are manufactured according to a high ecological standard. With the "Aus der Region, für die Region" regional focus campaign, Migros is also making a strong commitment to the local farming industry.

Today's consumers are better informed, more critical, self-assured and more open to new ideas. But at the same time, they have also become more fickle and diverse in their demands. Experts talk of 'hybrid' consumers whose likes and dislikes are constantly changing and who fill their shopping baskets with organic salad, ready meals, cheap toothpaste and exclusive chocolates. In recent years, Migros has, therefore, segmented its product line. So alongside the extensive traditional range of characteristic Migros brands, for ten years there has also been the particularly low-priced M-Budget line and, for two years, a Premium segment: Sélection products with top quality ingredients.

### Engagement at the Highest Level

Under the umbrella label 'Engagement,' Migros carries products in all of its supermarket divisions with clear ecological and social values. The umbrella label, launched in 2003, is an important decision-making aid for customers. Thanks to the uniform labelling, they can see at a glance which products meet the highest standards in terms of sustainable production. The Engagement umbrella label is a grouping of eight product specific labels: In the food sector these are Bio, IP-Suisse, M-7, Max Havelaar and MSC. For household articles, furniture and textiles there are Organic Cotton, Eco and FSC (see table p. 22–23). For example, Migros sells a thousand or so organic products (Bio) which have a 3 percent share of food sales. The Engagement product line is continually being expanded, and total sales reached CHF 1.67 billion in 2006. Detailed information about the labels and their criteria can be found on the website at [www.migros.ch](http://www.migros.ch) > Sortiment > Engagement (only in German).

Migros has assumed an active role in the development and realisation of labels. Not only is it the market leader in FSC products, but as a founder member of the 'WWF Wood Group Switzerland' it also energetically

### DIVISIONS

*Fresh Produce:* Flowers, fruit/vegetable, meat/fish, eggs, dairy products, bread.

*Food:* Food products excluding fish products, in particular beverages, canned food, confectionary and ingredients.

*Near-Food:* Personal and general hygiene products as well as household items.

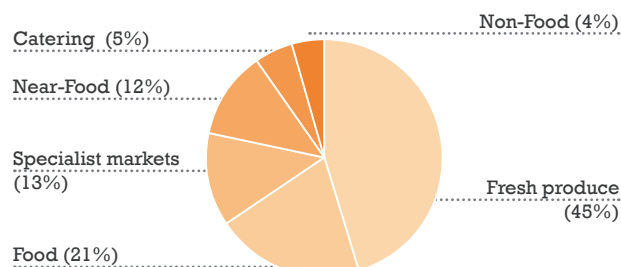
*Non-Food:* Clothing and toys.

*Specialist Markets:* Furniture, garden, DIY, appliances, electronic products, sport.

*Catering:* Restaurants, delicatessen, take-away.

### PERCENTAGE OF DIVISIONS

2006



Net revenue percentage attained by the individual retail divisions. Fresh produce produces the greatest percentage by far.

promotes the label. Early in 2006, Migros was the first Swiss retailer to switch to FSC wood pulp for most of its range of toilet and household paper articles without increasing the price. Migros also provides crucial aid for organic cotton: in cooperation with the Swiss development organisation Helvetas, it selectively promotes the cultivation of organic cotton in the West African state of Mali. Through its purchase guarantees, Migros supports many small farmers who want to switch from conventional to organic cultivation. Migros also makes financial contributions to the development project, and sponsors a travelling exhibition on organic cotton cultivation in Mali which has been held in each of the past two years in Switzerland.

### Sustainable Palm Oil

Migros has taken the initiative for more considerate production in the case of palm oil extraction as well. This oil is an important raw material for the food and consumer goods industry. It is found in many foods, such as sauces, bakery products and margarine. Often, however, entire tropical forests are cleared to make way



for palm plantations. Working with the WWF Switzerland, Migros has drawn up the world's first set of criteria for sustainable palm oil production, and has been producing margarine from sustainable palm oil since 2001. Migros was honoured for this pioneering work at the UNO World Summit for Sustainable Development in Johannesburg.

Since 2003, Migros has been exclusively using sustainably produced palm oil in its own food industry companies; even though these products carry no special labelling. The following year, Migros co-founded an international "Round Table for Sustainable Palm Oil" (RSPO). The organisation's members include representatives of palm plantations, the processing industry as well as social and environmental organisations. In 2005, the RSPO approved international criteria for sustainably produced palm oil. Migros will continue its activities at the RSPO in order to improve the production of one of the most important oils on the market. In 2006, Migros organised a meeting on sustainable palm oil at MIFA, an M-Industry company, attended by ten European wholesale distributors.

### **Energy Efficient Products**

It is not only the manufacture, but also the use of products that has consequences for the environment. This is especially true for household appliances, lighting and electronics. Refrigerators are among a household's biggest consumers of power, and Migros has consistently taken efficiency as a key element in its products. Within just seven years, Migros has succeeded in reducing the power consumption of Miostar refrigerators by 40 percent. Migros now sells only appliances of the efficiency class A or higher.

Migros is also continually adapting its lighting products: Energy efficient lamps such as energy saving and compact fluorescent lamps and fluorescent tubes already make up 25 percent of the whole product line. In order to simplify the purchase of energy saving lamps, the four-colour energy label is printed as large as possible on every pack.

source. In 2006, Migros launched the first LED lighting. Light-emitting diodes (LED) are much more efficient than filament lamps, and have a much longer life.

In November 2006, the WWF conducted an investigation of the product line of the six biggest Swiss providers of household appliances, lighting and electronics articles. Migros came out top in electronics. The high proportion of efficient LCD TVs and DVD recorders (80 percent and 70 percent respectively) contributed to this good result. Migros was also above average with its household appliances. In lighting, however, it was somewhat below average because energy efficient lamps, which Migros sells also, have a smaller share of sales in the supermarket sector than is achieved by other providers.

### **A Product that Is Completely Safe**

One of Migros's main concerns is that its customers are able to buy without worry. Since 1983, the Statutes have included a ban on the sale of alcoholic or tobacco products in Migros sales outlets. Migros also took determined action most recently on trans-fatty acids. Foods high in these acids have a negative effect on the cholesterol level in the blood. Migros has therefore been working for years to reduce the amount of trans-fatty acids in its own brands – with the result that a majority of products already contain less than 2 percent. Migros's aim is for all M-Industrial products to be below this level by the end of 2007. By the end of 2008, products from outside suppliers should also meet these standards. There will still be some exceptions to this though: In a few products it is simply not technically possible to replace trans-fatty acids.

Migros is tackling the growing need for a healthy lifestyle at a number of levels. To allow guests in the over 200 M-Restaurants to enjoy their lunches undisturbed, in mid-2006 Migros introduced a smoking ban in all of its restaurants. The reduced-calorie Léger line of foods are available in Migros shops. A variety of products have been added to the Actilife umbrella brand, re-launched last year; and the brand now includes a wide range from fruit juices and vitamins to bath salts. The Fitnessparks

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## **Migros offers numerous products with added ecological and social value under the umbrella label 'Engagement'.**

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The sales catalogue of Micasa, Migros's furnishings and appliances subsidiary, also shows all lighting equipment that is, or can be, fitted with energy saving bulbs. Customers can, therefore, buy efficient lighting with the appropriate light source. Nevertheless, sales of energy efficient domestic lighting are tentative. In this sector, customers prefer spot lighting with a halogen light

and the Migros Club Schools also offer a range of products covering nutrition, exercise and relaxation. Migros runs a nutrition advisory service that all customers can visit free of charge on the Internet. The Migros website has easy-to-follow basic information on health and nutrition, including tips on healthy diets and a list of E-numbers. There are also special sections for diabet-

## THE EIGHT M-ENGAGEMENT LABELS

### Bio

Migros's 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 Swiss Association for Organic Farming. 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 controlled by independent, government approved organisations in Switzerland and abroad.

*External Rating by WWF<sup>1</sup>: Highly recommended*



### Max Havelaar

The Max Havelaar Foundation issues its label to producers who comply with the international Fair Trade standards. Compliance with the criteria is controlled internationally by the Fairtrade Labelling Organisation. The producers receive a higher price for their products and a fair trade bonus. You will find the Max Havelaar label in the Migros assortment on coffee, tea, chocolate, bananas, orange juice, rice, flowers, sugar, pineapples, mangoes, jam, cocoa powder and plants. More and more of these products also carry the Bio label.

*External Rating by WWF<sup>1</sup>: Recommended*



### Eco

The Eco label guarantees that no environmentally harmful, skin-irritant and allergenic materials are used across the manufacturing process, from yarn production, spinning and 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. In addition, Migros has a Code of Conduct, which obliges its suppliers to maintain social working conditions.



### 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 controlled independently. Migros has promoted the MSC since it was set up, and carries the following MSC products: Alaskan wild salmon, smoked or frozen, available fresh from July to October; fresh and smoked mackerel fillets; hake loins from South Africa; Alaskan pollack and a variety of convenience meals.

*External Rating by WWF<sup>1</sup>: Recommended*



### 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. Clothing and home textiles made from organic cotton are always manufactured in accordance with Eco Standards. Independent controls 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 controlled 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 product line is constantly rising.



**ENGAGEMENT**  
migros.ch

## 7-Point Meat Guarantee 'M-7'

'M-7' stands for cows, beef cattle, calves, lambs, turkeys and chickens that are raised and fed under controlled conditions. All animals have to be housed in stalls that are particularly animal-friendly. This means, for example, that animals must have fresh air and daylight, and their bedding straw must be kept clean. Meat carrying the 7-Point Meat Guarantee is produced exclusively in Switzerland. Compliance with the Standards is controlled independently.

External Rating by WWF<sup>1</sup>: Recommended



**ENGAGEMENT**  
migros.ch

## IP-Suisse

At Migros, the IP-Suisse label appears on bread, flour, potatoes, rapeseed oil and apple juice produced in Switzerland under environmentally friendly conditions. Agrochemicals may be used, but only sparingly, and only if there is a precisely defined need. About sixty percent of Migros's IP-Suisse apple juice therefore comes from fruit picked from high-stem fruit trees – trees that provide birds with valuable living space and enrich the landscape.

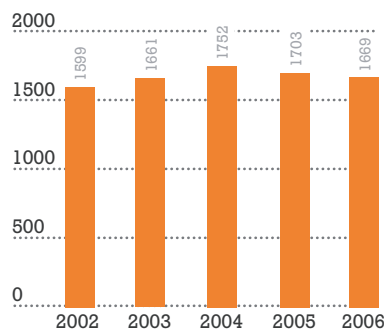
External Rating by WWF<sup>1</sup>: Recommended



**ENGAGEMENT**  
migros.ch

## TOTAL SALES – ENGAGEMENT LABELS

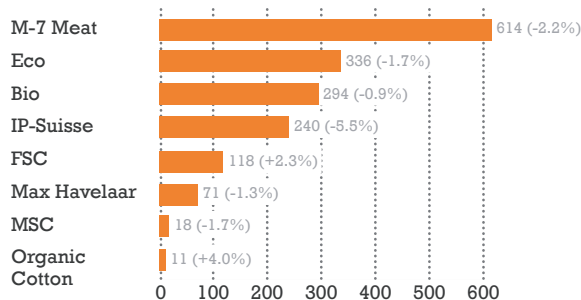
CHF million



Total sales<sup>2</sup> for the Engagement labels amounted to CHF 1669 million in 2006. This represents an annual decrease of two percent.

## SALES OF INDIVIDUAL LABELS

2006, CHF million



In 2006, the labels Organic Cotton and FSC demonstrated positive growth rates year on year. The other labels experienced slight reductions in sales.<sup>3</sup>

## MIGROS MINIMUM STANDARDS – FOOD SECTOR



The diagram shows the principles and standards applied by Migros in the Food sector. Eurep-Gap: European Retailer Program for Good Agricultural Practice, see main text; GFSI: Global Food Safety Initiative, see main text; HACCP (Hazard Analysis Critical Control Point) is a preventative system, seeking to guarantee food safety.

ics and people with allergies. Migros takes consumers' concerns about genetic engineering seriously, too: In accordance with an internal guideline issued early in 2005, it does not in principle sell any genetically modified foods. Last year, Migros also decided that it would no longer accept genetically modified feed for imported meat and poultry. It conducts regular spot checks on food where there is an increased risk of impurities derived from genetic engineering. Migros can, therefore, guarantee maximum safety from substances which the Swiss population views with considerable skepticism.

### High Minimum Standards

To guarantee quality in the increasingly integrated global economy, Migros relies on uniform standards at all stages in the value-added chain – from agricultural primary production, through processing right down to the ready-for-sale end product in the store (see figure above). Migros, therefore, wants to achieve more sustainability in the whole product assortment. No matter how aware customers are, or how much they have in their purse, there is a wide range of products available that are produced with respect for human beings, animals and the environment.

The most important standard in the food sector is Eurep-GAP (European Retailer Program for Good Agricultural Practice). This imposes basic standards on suppliers of agricultural produce. Aspects of production technology are considered as well as environmentally relevant factors such as the selective use of fertilisers and pesticides, careful soil cultivation and erosion control. Migros has asked all its suppliers of fruit, vegetables, flowers and plants to sign up to Eurep-GAP. Now,

95 percent of imports in the fruit and vegetable sector and 50 percent of imports of flowers and plants are certified. Last year, a start was made by putting Swiss-GAP, a Eurep-GAP recognised system, into effect for Swiss production.

A series of different standards are commonly applied to food processing. Migros requires suppliers of processed food to be certified in accordance with a standard that is recognised by the Global Food Safety Initiative (GFSI). The GFSI was set up by international trading companies in 2000 to improve food safety, increase consumer confidence and improve cost effectiveness. All major Swiss and foreign suppliers of Migros's processing companies, and the Cooperatives' own operation centres had been certified by the end of 2006. Migros carries out selective inspections of very small regional suppliers, such as fishermen and cheese makers. To guarantee food safety right up to the point of sale, Migros shops are implementing a proven international quality management system.

### Model Code of Conduct

While current industrial standards are mainly concerned with the safety and quality of the products themselves, social and ethical criteria also play an increasingly important part in manufacture. Migros wants its customers to be able to shop with a clear conscience and has taken on a leading role in this area. Migros drew up a Code of Conduct back in 1997 placing suppliers under an obligation to observe social working conditions, such as a wage that will secure workers' existence or a safe working environment (see table on p. 25 above). The umbrella organisation for European retailers has

**Migros wants customers to shop with a clear conscience and has consequently produced a Code of Conduct.**

now incorporated this Code of Conduct into a European Code, the BSCI Standard (BSCI stands for Business Social Compliance Initiative), and its application continues to expand.

All of Migros's suppliers of non-food products – toys, for example – have been complying with the BSCI Code of Conduct since 2003. About 80 percent of all toys bought are manufactured in China. But only about 10 percent of all manufacturers in that country observe socially acceptable production conditions that are in line with Western standards. According to independent reports, extremely long working hours are not unusual, wages are below minimum levels and health and safety regulations are widely abused. Development aid policy organisations and the Swiss Foundation for Consumer Protection denounced these abuses last year and have set up a 'toy social impact ranking.' Of the five largest retailers and of the eleven most important importers and manufacturers on the Swiss market surveyed, Migros achieved the best result – thanks to the Code.

Last year, Migros began to ask food suppliers to follow the BSCI Code as well. By the end of 2006, over 80 percent of Migros's food suppliers signed an agreement to comply with the principles of the Code and to submit themselves to an audit (see table below on the right). Migros is also a co-initiator of ISCOM (International Social Compliance Verification), a Swiss NGO established in 2004 by Max Havelaar and welfare organisations. ISCOM encourages multi-stake-holder dialogue in the producer countries, to credibly and independently verify the implementation of the Code. The first verifications took place in 2006 in India and China.

### **Fair Cooperation**

Migros works with over 3,000 suppliers. It has a database connected to the Internet in which all suppliers are recorded – in addition to the regional Cooperatives' direct suppliers. Detailed information, such as production facilities, sites and certifications can be retrieved on the 'Supplier Portal.' It is also possible to analyse the origin of products and perform statistical queries. Suppliers can enquire their status and obtain information about standards.

Working with suppliers means walking the fine line between cooperation and competition: On the one hand, Migros strives for a close partnership with producers. On the other hand, the market economy is based on competition – and it is in a retailer's vital interests to be able to offer products and services that are of a constantly better value. In procurement, therefore, economic criteria which are important. The "Neue Migros Frische" freshness campaign launched last year for instance, offers customers lower-priced, and even better

## **CODE OF CONDUCT BSCI**

### **Forced labour is prohibited**

Forced labour is prohibited: All forms of forced labour are prohibited, including convict labour, which contravenes basic human rights.

### **Child labour is prohibited**

Child labour is prohibited: There can be no improper use of child labour. Any form of exploitation of children is prohibited.

### **Fair employment contracts**

Fair employment contracts: Binding employment contracts are obligatory.

### **No discrimination**

No discrimination: There must be no discrimination on grounds of gender or age, ethnic origin, nationality, colour of skin, sexual orientation, political opinions, religious and social background.

### **Healthy working environment**

Healthy working environment: Clear rules and procedures on occupational health and safety must be introduced and complied with.

### **Solidarity**

Solidarity: In situations or countries where freedom of assembly and collective bargaining rights are restricted by law, parallel methods of independent and free organisation and negotiation should be encouraged.

### **Decent wage**

Decent wage: Wages must at least meet legal and industry-norm standards, or exceed them.

### **Humane working hours**

Humane working hours: Overtime may only be done on a voluntary basis. The maximum permitted weekly working time is 48 hours; the maximum weekly overtime 12 hours. At least one free day must be allowed after six consecutive working days.

## **STATUS OF IMPLEMENTATION OF BSCI CODE OF CONDUCT**

	<b>BSCI Non-Food</b>	<b>BSCI Food</b>
Code signed	80%	85%
Self-assessment	400	5
Audit	160	5
Monitoring	40	5
Re-Audit	20	-



quality fresh produce, but will gradually and substantially limit the group of suppliers.

Regardless of its economic interests, Migros sets great store by always treating its business partners decently. This is especially the case because Migros is aware that decisions it makes can have far-reaching consequences for individual providers. So last year, Migros decided due to economic reasons to cease its turkey production. After discussions, Migros and its suppliers agreed on a socially acceptable solution, which includes compensation for producers for the non-depreciated scrap value of their fattening sheds. Turkey fattening businesses whose existence is under threat also have the possibility of working at the M-Industrial meat processing company Micarna.

### Permanent Controls

Every single Standard and Label is monitored by external, independent organisations. So when a supplier signs the BSCI Code of Conduct, that is not the end of the story. The supplier also has to complete a questionnaire, assessing its own performance in the social sphere (Self Assessment). Migros conducts a risk assessment and has a Social Audit (inspection) carried out on a priority basis by an accredited firm, which prepares an Audit Report, listing conformities and non-conformities. Where there are apparent deficits, Migros asks for corrective measures and arranges for a re-audit to be carried out. All of this is done by mutual agreement, because Migros wants to see an improvement in the situation, not to exclude suppliers. A supplier will only be excluded if it refuses to cooperate or fails to meet the conditions in the long term. In the non-food sector, Migros has now arranged 400 Self Assessments and 160 Social Audits, with corresponding plans for correc-

tive measures. The Engagement labels are also subject to strict controls (see table p. 22–23). In 2006, Migros had some 4000 inspections carried out in Switzerland alone on animal breeding businesses to ensure that they were complying with the terms of the Engagement M-7-Programme.

Despite the well advanced standardisation, new products are checked on the basis of risk assessments by SQTS (Swiss Quality Testing Services) on the relevant criteria. The SQTS, which is part of the Migros Group, is a quality assurance institution with laboratories in Dietikon and Courtepin and inspectors in Hong Kong and Shanghai. Over 80 specialists spend their time advising on hygiene and food legislation and carrying out laboratory analyses and technical investigations. Raw materials and products are inspected later on by suppliers and by Migros, also according to established criteria. In 2006 Migros conducted a total of 8,944 product analyses. As a result, 82 products had to be withdrawn from sale and 12 products recalled. There were also 126 official complaints resulting from external controls.

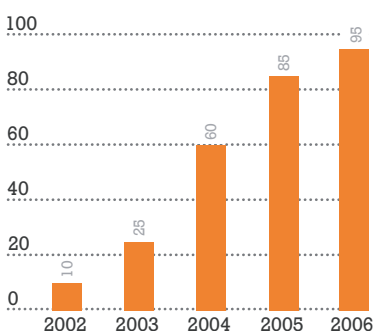
### Open Information

Communication with its customers is of overriding importance to Migros. In accordance with its Environmental and Social Policy, it strives for the greatest possible transparency in product information and traceability. Suppliers declare and date their products in accordance with Migros's internal regulations. Migros's Quality Management verifies the details on the packaging of every new item before it arrives on the shelves.

Every day, Migros serves a total of around 1.4 million customers. Customer service is, therefore, one of its major concerns. The M-Infoline provides all Migros customers the opportunity of informing themselves about

### EUREP-GAP CERTIFIED SUPPLIERS

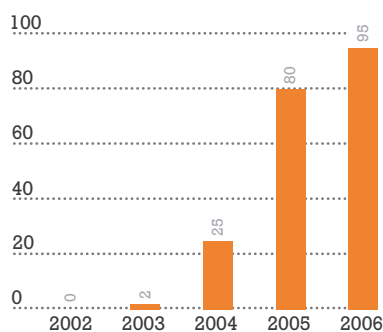
Percent



The proportion of fruit and vegetable suppliers certified to Eurep-GAP has increased considerably to just short of 100 percent.

### GFSI CERTIFIED SUPPLIERS

Percent



The proportion of suppliers audited and certified to GFSI has increased sharply since 2003 and has nearly reached 100 percent (for terminology see diagram on page 24).

## Migros serves 1.4 million customers a day. Its customer service is therefore of prime concern.

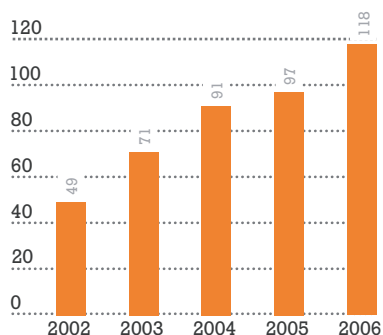
products and services, to register complaints or to make suggestions. Up to 500 people contact the M-Infoline every day. The customers' enquiries are answered individually and stored in a database. Thanks to modern call-centre technology, which all Cooperatives have been connected to since mid-2006, questions, suggestions and criticism can be dealt with quickly and thoroughly. All customer enquiries are assessed monthly and passed on to the appropriate offices within Migros. Such feedback is an important basis for improvements in product quality.

Migros keeps its customers informed with its customer magazine. The 'Migros-Magazin' appears weekly in all parts of the country with a print run of over 2 million copies and regularly reports on consumer topics as well as current sustainability issues. Last year, for example, there was a bonus insert on the subject of energy.

Migros also keeps people informed via its Cumulus bonus scheme in which over two million customers participate. The data from the customer programme enables Migros to address its customers selectively and personally. The Cumulus programme is certified under the GoodPriv@cy label. In a detailed data protection audit carried out in 2005, The Swiss Federal Data Protection Inspector was satisfied that data were handled in accordance with the law. Cumulus participants have access via the Internet to all information collected about their person. Customers can also print out purchase receipts for insurance or guarantee claims.

### CUSTOMER ENQUIRIES

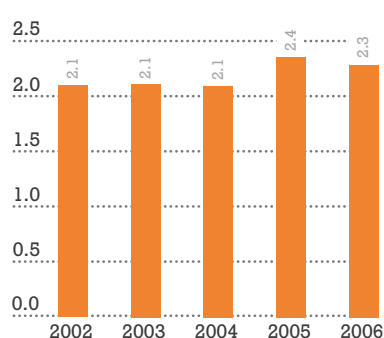
Thousand



The increase in customer enquiries is due to several factors: With email it has become easier to get in contact. M-Infoline has also become much better known.

### CIRCULATION OF MIGROS MAGAZINE

Millions



The total circulation of the Migros magazine in all three languages has levelled off at over 2 million copies.



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#### Footnotes

<sup>1</sup> Evaluation of main food labels by the WWF, the Foundation for Consumer Protection and the animal protection organisation “Vier Pfoten” in November 2006.

<sup>2</sup> Figures do not contain sales of the Mioplans-Natura label (used until 2003) and the Dolphin-Safe label (since 2005 no longer part of the ‘Engagement’ umbrella label).

<sup>3</sup> Products associated with two labels (Migros-Bio + Max Havelaar, Eco + Organic Cotton) were included in the sales of all respective labels but only once in total sales.

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*Society*

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# Fair Shares, not the Lion's Share

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The right of society to participate in Migros's corporate success is enshrined in its Statutes. With its generous Culture Percentage – which receives well over one hundred million francs every year in funding – Migros gives many people access to culture and education. Migros is also involved in projects all over the world seeking model solutions for ethical and social problems.

**A**s a Cooperative, Migros is less concerned about making profits than public companies whose investors expect some return for the capital they have contributed. Customers, employees and society benefit especially from added value. The Cooperative Statutes affirm that apart from selling low-priced goods and services, Migros has another equally legitimate business objective – to bring cultural goods and cultural services within the reach of the population. In its Environmental and Social Policy, Migros also declares its social engagement for everyone. As a company that buys goods from all over the world, Migros applies this principle not only in Switzerland, but also, and especially, in the sometimes far-off producer countries.

### The Unique 'Culture Percentage'

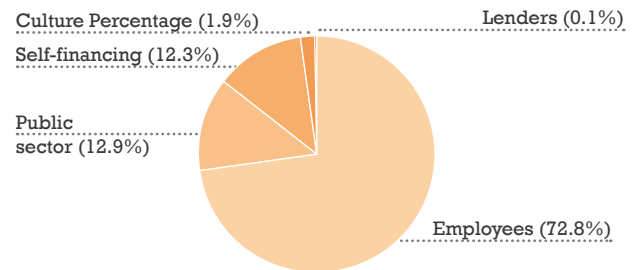
The Migros 'Culture Percentage' is a comprehensive, financial engagement by Migros in the areas of culture, society, education, leisure and the economy. This self-commitment is probably unique and firmly enshrined in Migros's Statutes and clearly differs from sponsorship where the company expects something in return. The Culture Percentage aims to give a wide section of the population access to culture and education enabling people to share in the social, economic and cultural changes that are taking place in society.

The idea of the Migros Culture Percentage goes back to Migros's founder Gottlieb Duttweiler. In the same spirit, the Federation of Migros Cooperatives and the Migros Cooperatives have undertaken to make an annual contribution to the Culture Percentage which is paid even when business is not so good. Currently, well over CHF 100 million flow into activities, projects and institutions. In 2006, Migros revised the strategy of the Culture Percentage, grouping the communication about all of the Cooperatives' activities under one roof, and expanding the website [www.kulturprozent.ch](http://www.kulturprozent.ch) accordingly.

Among the established institutions of the Migros Culture Percentage are the Gottlieb Duttweiler Institute (GDI), four 'Green Meadow Parks,' the Monte Generoso Railway, the Migros Museum for Contemporary Art, the Migros Club Schools and the Eurocentres. The GDI is a think tank and meeting point in Rüschlikon near Zurich and deals with visions of the future, consumer behaviour, global consumer culture and market change ([www.gdi.ch](http://www.gdi.ch)). The four 'Green Meadow Parks,' spread across Switzerland are open to the public who can visit them free. As a result of its firm support for the Monte Generoso Railway, the Migros Culture Percentage has opened up a popular mountain excursion to the public in Ticino ([www.montegeneroso.ch](http://www.montegeneroso.ch)). The Migros Museum for Contemporary Art in Zurich sees itself as a centre for modern artistic production. It is a place for reflection as well as artistic creativity ([www.migrosmuseum.ch](http://www.migrosmuseum.ch)).

### ADDED VALUE

2006



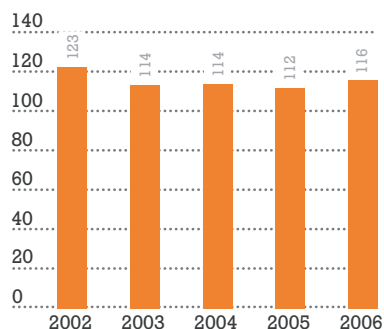
The Net Added Value figure for the Migros Group amounted to CHF 6,153 million in 2006. Staff costs still account for the lion's share of this figure.

In addition to the institutions, Migros's own activities and its support for projects and creative artists are also a key component of the Migros Culture Percentage. The central concern here is to give people access to contemporary forms of artistic expression – creative artists as well as members of the public. The activities cover an enormous range: The Zurich Cooperative alone supports over 3,000 regional cultural institutions and projects every year under the terms of the Culture Percentage. Below are four current examples of the work of the Culture Percentage at the national level:

- Steps is the Migros Culture Percentage's international festival of dance presenting contemporary dance all over Switzerland every two years. The tenth production of the festival occurred in spring 2006, and had under the motto 'simply perfect' the ideal body in dance as its theme. A total of 83 events were staged in 25 towns with a total of about 25,000 paying spectators ([www.steps.ch](http://www.steps.ch)).
- The Culture Percentage has provided support for pop music in Switzerland with its pop music festival m4music for some years now. For the first time, in 2006, this sponsorship was linked to support for small music labels which have Swiss musicians under contract. These small, independent labels are extremely important for artistic development ([www.m4music.ch](http://www.m4music.ch)).
- After the cities of Zurich and Berne, Geneva also opened a 'Culture Office' with support from the Culture Percentage last year. The Culture Office is a sort of materials hire agency for young creative artists. There they can use and borrow equipment for photography, films and music production at low cost and with no red tape ([www.kulturbuero.ch](http://www.kulturbuero.ch)).
- In 2006 the Culture Percentage started a new type of project – 'Innovage' for retired people with initia-

**COST OF CULTURE PERCENTAGE**

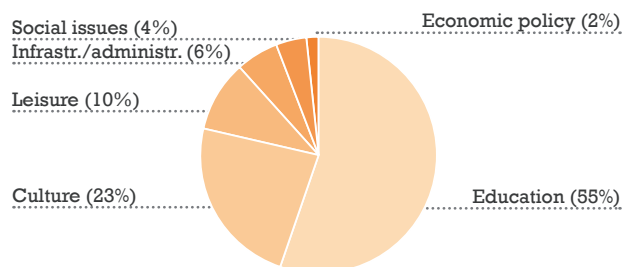
CHF million



The Migros Culture Percentage is raised jointly by the Cooperatives and the FMC and amounted to CHF 116 million in 2006.

**DISTRIBUTION BY SECTOR**

2006



The Culture Percentage provides funding for the segments Culture, Social Issues, Education, Leisure and Economy. Education has the largest share of the Culture Percentage.

tive. Innovage aims to help highly qualified pensioners win ambitious commissions for voluntary work. There are many people who have left their working lives behind, but who could apply their experience to social and cultural purposes ([www.innovage.ch](http://www.innovage.ch)).

#### **Education for as Many People as Possible**

The Migros Culture Percentage has a high standing and a long tradition in the education sector. The Club Schools open up the possibility of an education for people from all walks of life while also catering to continuing private or professional development. The Migros Club School was founded in 1944 and can now be found in 54 locations all over Switzerland. The Schools offer over 600 different courses in languages, IT, management and business, and especially leisure. Some ten million student hours are spent in the Club Schools every year – about half of which are in language courses. Thanks to support from the Migros Culture Percentage, new courses are always being offered. Course participants also benefit from a wide range of products available throughout Switzerland, all offering excellent value for money ([www.klubschule.ch](http://www.klubschule.ch)).

Eurocentres, the Migros-owned foundation for European language and education centres, is present in 29 locations on five continents; making it one of the world's largest providers of language schools in the linguistics field. Every year, some 13,000 people attend courses; 60 percent of them come from Europe

and Southwest Asia, and 20 percent from Asia and Latin America. Four-fifths of the students attend English courses. Eurocentres offers successful foreign language training in an international atmosphere, helping to promote understanding between people from different linguistic, cultural and social backgrounds ([www.eurocentres.ch](http://www.eurocentres.ch)).

#### **Ethical and Social Projects**

Child labour is a problem that cannot be solved simply by banning it because poor families often depend on the income their children earn. Take the Indian town of Tirupur, for instance, where many items of clothing are produced for Migros. Ten years ago, Migros commissioned the Indian-German K.I.D.S. Foundation to provide an education for children who work for Migros's suppliers. In 2000, a 12-classroom school was commissioned. Migros paid for the land, buildings and facilities out of its 'Targeted Aid Fund.' Migros's suppliers have now donated money to the Kids School for the third consecutive time. In 2006 over CHF 100,000 was collected. The money is being used to extend the school buildings, and the number of places for pupils has now risen from 750 to 1,200. In addition, a training centre for 125 trainees is to be built. Teaching materials and infrastructure are also being improved, and two buses have been purchased for taking pupils to and from the school.

Contaminated drinking water is the main cause of many life-threatening diseases in developing countries;

**Each year, well over CHF 100 million flow from the Migros Culture Percentage back to society.**

every 15 seconds, a child dies from diarrhoea. One simple method for improving water quality is solar water disinfection (SODIS) developed by EAWAG, the Swiss Federal Institute of Aquatic Science and Technology ([www.sodis.ch](http://www.sodis.ch)). It works like this: Transparent PET bottles are filled with polluted water and laid in the sun for six hours. The water is then free of diarrhoea-causing germs. The method may be simple and effective, but it takes time and money to spread the word. As a result of the cooperation between EAWAG, the development organisation Helvetas and Migros, a significant step was taken in 2004 to extend the distribution of SODIS. Migros has agreed to put a total of CHF 1.5 million over at least five years into financing SODIS projects conducted by Helvetas in partner countries.

In southern India, Migros has been supporting an Aids prevention programme for three years. The project aims to raise people's personal responsibility for prevention, and in a strongly religious society to create a climate in which the disease can be fought without taboos. Machines dispensing free condoms have been installed in 25 textile businesses, and literature is also available. The literature contains health information in the regional language, Tamil. The many illustrations help even illiterate people to understand how to protect themselves from infection with HIV. There is also a local organisation sponsored by Migros which does public relations work on this subject.

The WWF Pandamobile will soon be celebrating three decades on the road in Switzerland travelling from school to school. Every two years an exhibition with a guest host presents the children with a different environmental topic in this travelling classroom. Migros has been the main sponsor of the Pandamobile since 2001 contributing an annual sum of CHF 200,000. In 2006 and 2007, the converted former Migros mobile shop takes to the road to talk about water. The exhibition gives the schoolchildren many different impressions and facts all about water; showing them how to conserve this precious liquid in their daily lives.

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## *Employees*

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# Excellent Working Conditions

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Migros is Switzerland's largest private employer. It employs around 80,000 people from over 140 nations. For many years, Migros has had a well developed social partnership and progressive national collective agreement in place. Its employees enjoy extensive participatory rights, and receive fair wages and excellent fringe benefits. Migros is firmly committed to vocational training.

**W**ith 79,597 employees, Migros is Switzerland's largest private employer – and one of the most progressive. “As a model employer, we create the right conditions for a motivating and performance-oriented work atmosphere that attracts the best workers”, as it says in the Migros Mission Statement. For Migros, it is especially important to establish solid working relationships with its social partners, to motivate employees with targeted personal development programmes, to give them a sense of personal responsibility and to cater to their physical and psychological well-being. All of the principles and responsibilities affecting staff and managers are set out in the Personnel Policy which Migros revised in 2005.

### Progressive Collective Agreement

In 1983, Migros introduced a national collective agreement (L-GAV) which it has renewed and refined every four years. The L-GAV is an agreement between Migros and its social partners which is generally regarded as exemplary. It now covers over 40 retail, service and Industry companies operating in 29 business sectors. The L-GAV plays a pioneering role in retailing; a sector in which 250,000 people, or about 70 percent of the employees, are not covered by any collective agreement.

In 2006, Migros renegotiated the L-GAV. The new agreement, which will run from 2007 to 2010 and which introduces a series of additional benefits, puts major emphasis on greater compatibility between work and family. The guarantee for a job following maternity leave has been extended to cover the whole pregnancy. To supplement the generous maternity leave (16 to 18 weeks of full pay), fathers will be allowed a total of four weeks' paternity leave during the child's first year. The company will pay for two weeks, and fathers can apply for two weeks' unpaid leave.

The right of mothers and fathers to be re-employed after they have given up their jobs to look after their new baby has been extended. Anyone wishing to resume work after the 12-month family phase should be able to do so without losing out. Mothers and fathers, therefore, have a right to be re-employed in the same job, at the same grade and at the same wage as before. Their previous period of employment is not lost. New family arrangements and lifestyles are likewise taken into account. The L-GAV now gives step-parents, foster parents and same-sex partners parity with natural parents, married and cohabiting couples.

Under the L-GAV, the employer should offer employees protection and prospects. Employees, therefore, now continue to receive their previous salary when they are ill for two years, making rehabilitation easier. When a company is restructured, the employer is obliged to provide active mobility management with a collection of benefits to support employees so that they receive new opportunities and prospects in another position.

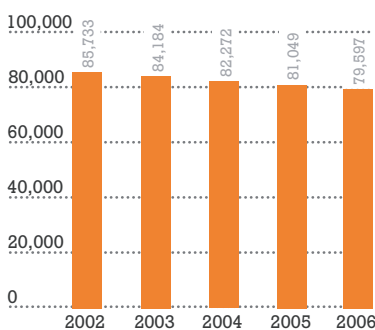
Migros's social and contract partners in the L-GAV are the Swiss Distributive Workers' Association (KV Schweiz), the Swiss Butchery Staff Association (MPV) and the national conference of Migros Group personnel committees. The national conference, representing all employees, works with KV Schweiz and the MPV to ensure that there is broad support for the L-GAV among staff. The trade union Syna, even though its members sanctioned the new L-GAV 2007–2010, refused to sign the new agreement due to trade union policy reasons.

### Expanded Social and Contractual Partnership

The social and contractual partnership continues to be very important at Migros. The new L-GAV puts guaranteed freedom of association on a modern footing.

#### EMPLOYEES

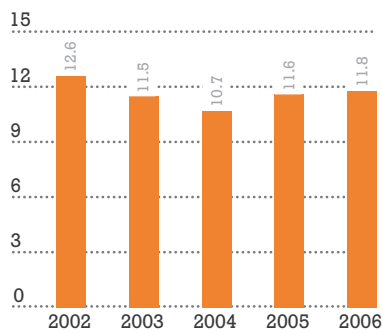
Thousand



The number of employees has fallen slightly year after year. This was due to measures such as structural and process optimizations.

#### FLUCTUATION RATE

Percent



After reaching a low in 2004, the fluctuation rate has slightly increased again. The reason for this is probably the improved job market situation.



## The national collective agreement between Migros and its social partners is generally regarded as exemplary.

All employees are in every respect free to join trade unions, associations and similar organisations. As members of the L-GAV Equality Commission, the contract partners also have a guaranteed right of access to business premises for recruiting members, and for cooperating with the company's social partners. They, therefore, have rights that extend well beyond those guaranteed by law.

The commitment to a pluralistic, multi-level social partnership is now expressly embodied in the L-GAV. In addition to the employees' associations and the Migros national conference at the Group level, each enterprise also has its own personnel committee. The personnel committees are guaranteed wide-ranging participatory and joint decision making rights in the co-determination regulations at the company and plant level. Among these rights are the right of members of the personnel committees to conduct their business during working hours, and to claim five or more days for further training. A comprehensive ban on discrimination and unwarranted dismissal is also in place.

The cooperation between the personnel committees and management is institutionalised. The position of the personnel commissions is also enhanced by their ability to consult the Equality Commission or a court of arbitration when there are differences of opinion. The personnel committee is therefore in a position to represent the interests of employees, for example with organising working hours and in the annual wage negotiations. Migros is also the only company in Switzer-

land to recognise corporate co-determination: As equal members, employees have a right to sit on the Migros companies' executive boards where they can represent the interests of staff at the highest level.

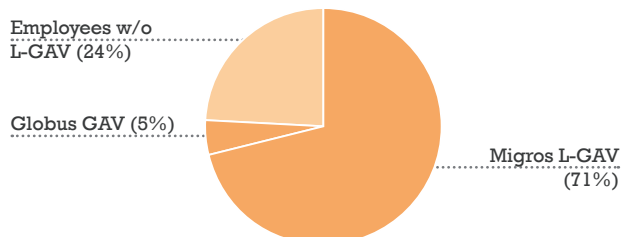
### Good Rates of Pay

Since 2002, Migros has increased its nominal wages by 10.25 percent; equivalent in real terms to a rise of 6.25 percent. Migros uses M-FEE, a non-discriminatory payroll system which ensures that employees receive the same wage for equivalent work. Migros has defined a wage band for 22 function levels. Within this band, individual employees are paid according to their experience and performance. Over 95 percent of all employees are connected to this system. The minimum wage at Migros, depending on the region, ranges from CHF 3,300 to CHF 3,500. This lower limit applies to 20-year-olds with no professional training who now make up just 0.3 percent of the workforce.

There are no excessive managerial salaries at Migros. The six members of the FMC Executive Board (including the CEO) received a total of CHF 3.8 million in 2006. They did not draw any bonuses or other remunerations. The members of the FMC Board of Directors received a total of CHF 0.98 million in 2006, including attendance fees for meetings. Of this total, the Chairman of the Board of Directors was paid CHF 0.36 million, and the nine external members CHF 0.62 million. The CEO and the managing directors of the affiliated Cooperatives did not receive any remunera-

### PROPORTION OF EMPLOYEES COVERED BY L-GAV/KAB

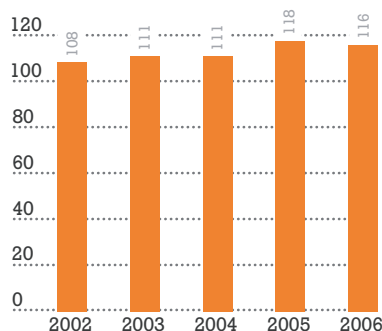
2006



More than three quarters of all employees of the Migros Group are covered by a Migros national collective agreement (GAV) or the equivalent Migros conditions of employment for management (KAB).

### COVER RATIO OF MIGROS PENSION FUND

Percent



The cover ratio of the Migros Pension Fund has always been above 100 percent and has still increased over the past years.<sup>1</sup>

tion in their capacity as members of the FMC Board of Directors.

The fringe benefits at Migros are also advantageous. On top of all the family policy benefits, and on top of the extended daily sickness benefit insurance, all employees are entitled to 5 weeks' annual holiday from the day they join. Young people under 20 and staff from the age of 49 have 6 weeks, and staff over the age of 59 have 7 weeks' paid leave. Each of these is one to three weeks more than prescribed by law. Migros employees also benefit from the financial employee profit-sharing scheme, preferential terms on many products and services and shopping concessions. The Migros Pension Fund, which is a defined benefits scheme, provides a high level of insurance benefits. The retirement pen-

tioned at women who have only lived in Switzerland for eight years or less. They are to be in a position to take up professional training or apply for a job in retailing within eleven months. The programme has been running since 1997, and over 200 female immigrants have taken part; most of them successfully. Other integration schemes include an internal course on the culture of other countries, specific further training for immigrants, language courses and a sensitising tool for senior management.

The proportion of female employees at Migros is just short of 60 percent. The main influence on this high figure are the ten Migros Cooperatives, some two-thirds of whose workforces are women. Migros actively promotes equal opportunities through measures such

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## **Whilst generally there is a lack of available apprenticeship places today, Migros is providing more and more openings.**

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sion, assuming maximum insurance years, is 74 percent of final salary. Two-thirds of contributions to the pension fund are financed by the employer. The employer contribution rate of 17 percent (employee contribution: 8.5 percent of gross salary) means that the benefits paid by Migros are well above the average for Switzerland as a whole. The employer also pays for the Migros old-age reserve pension which allows employees at all levels to take early retirement.

### **Equal Treatment and Integration**

The principle of non-discrimination against employees is enshrined in the national collective agreement. There is to be no discrimination of any kind against employees based on personality characteristics such as gender, origin, sexual orientation or disability. Migros ensures that an atmosphere of mutual respect and tolerance is maintained among its employees, and it actively supports the integration of disabled people. There are about 850 people with disabilities working for Migros. Employees who feel that they are subjected to discrimination can refer to the company's social counsellors, the personnel committees or to the personnel department.

There is considerable cultural diversity at Migros with employees coming from over 140 different nations. The proportion of foreigners is at 28.5 percent well above that of the resident population. Some 60 percent of the foreigners employed at Migros come from EU countries, mostly neighbouring countries; plus Portugal and Spain. Migros has targeted measures in place to encourage the integration of employees with different languages and cultures. The 'Spice' job integration project is one example run by Migros in Zurich. It is di-

as further training programmes and development opportunities for women as well as operating a socially acceptable structure for working hours. Migros's function-oriented payroll system (M-FEE) guarantees equal wages for equivalent work – regardless of gender. The majority of members of the senior Cooperative bodies – Cooperative Councils and the FMC Assembly of Delegates – are women, in accordance with the Statutes. At the management level, just under 20 percent are women. Since the reorganisation of the management structures in 1998, when management grades were cut from seven to two, the proportion of women in managerial positions has risen steadily.

### **Targeted Further Training**

Migros selectively encourages its staff to realise their potential. In 2006 the company invested a total of CHF 27.1 million<sup>2</sup> in training and further training for its employees. On average, there was more than one training day for each employee. In addition to the wide range of company further training programmes on offer, Migros also supports employees who attend external continuing training programmes. The facilities for funding further training are set out in regulations tailored to the situation of the different Migros enterprises. Employees' supervisors decide on contributions to costs for external further training which will extend employees' professional skills. Support is provided, for example, for attaining a Swiss federal professional skills certificate, up to a technical college degree. In most companies, employees also receive heavily subsidised entry to leisure, language and IT courses run by the Club Schools, and sometimes also for courses

run by the KV Business School, the industrial colleges and adult education centres.

### Largest Number of Traineeships

Migros is a particularly active investor in the training of young people. When the second Jowa Training Bakery opened in November 2006, Migros held the first Vocational Training Day in Gränichen (AG). The aim was to give those involved in vocational training, such as the State, Cantons and Vocational Colleges, an insight into Migros's major commitment to basic vocational education by taking an educational centre as an example. Traineeships are currently in short supply everywhere, and unemployment among young people is increasing, but Migros is offering more and more training places: Since 2002, Migros has increased the number of its traineeships by 16 percent. In 2006, 1,149 trainees joined a basic educational programme at Migros. A total of 2,809 young people are currently completing a basic vocational training course at Migros's 40 training centres. About 60 percent of all trainees are given the opportunity after passing their final examination of continuing to work for Migros.

Migros is the biggest provider of basic vocational education courses in Switzerland. It offers 37 different careers from professionals for the retail trade, through baker/confectioners, computer engineers, lorry drivers or chemical lab technicians to office workers – the range is extremely varied. Migros is particularly proud of the performance of its graduates: The success rate in final examinations in 2006 was 95 percent, well above the national average. This figure shows that the quality as well as the quantity of training is right.

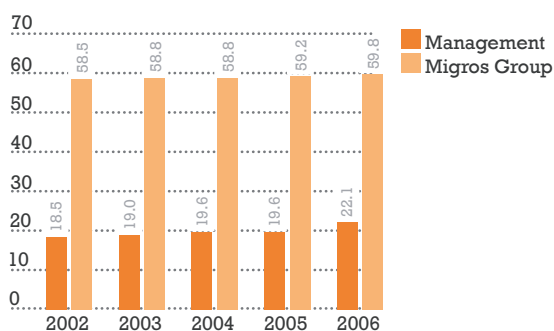
### Health and Safety

Work safety and employees' health are increasingly important issues at Migros – especially in the M-Industrial companies and in logistics. To establish clear principles and provide the tools to prevent accidents and sickness and to implement statutory requirements for the whole Group, Migros has set up a so-called 'business group solution' (BGL). This was approved at the end of 2005 by the Swiss Federal Coordination Commission for Occupational Work Safety and is the largest such concept in Switzerland. The basis of the BGL is a 24-page document – comprising, for example, a safety mission statement, safety targets and guidelines on training, risk assessment and procedural planning. There is also a manual available for supervisors containing all inter-sector documents needed for practical implementation of the BGL. The documents specific to each business, such as risk investigations, risk-analyses and training documents, are available on the intranet.

In recent years, the average number of employees involved annually in moderate to serious accidents at work (i.e. they were incapable of work for at least three days) at Migros has been around 1,500. The principal aim of the 'business group solution' is to steadily reduce this figure. But for Migros, it is actually about more than just preventing accidents: The aim is to comprehensively improve the health of its staff. In management training, for instance, subjects such as addiction prevention, stress management, work/life balance and non-violent communication are tackled. There is also a wide range of courses for all employees; including health courses for cashiers, ergonomics at the computer, courses on correct lifting and carrying or back exercises. Employees in need can turn to the Migros company social advisory office. This office can offer, for example, advice

### PROPORTION OF FEMALE EMPLOYEES

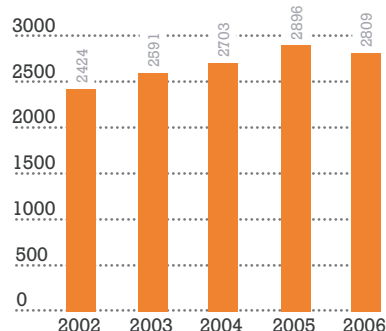
Percent



The proportion of female employees within the entire Migros Group lies just below 60 percent. The proportion of females in management positions has increased by 2.5 percent last year to 22 percent.

### AVAILABLE APPRENTICESHIP PLACES

Number of places



In 2006, Migros has provided another 100 openings for apprentices. The decrease shown for 2005–2006 is due to an adjustment of contract terminations in the data acquisition system.

on workplace conflicts or personal or family problems, assistance with health problems, help with everyday legal matters and offers support on financial issues. Last year, the Migros Cooperative Zurich was awarded the Zurich Prize for the Promotion of Health and Well-Being at Work for its comprehensive health management programme.

Most Migros enterprises operate a so-called attendance management scheme. Supervisors have targeted discussions with people who are often absent. The main idea of these schemes is to identify any points of stress at the workplace as early as possible. Where physical or psychological problems are evident, it is important to seek a solution with expert help immediately. Migros works closely with sickness, accident and disability insurers. All actions are focussed on the rapid reintegration of the employees. The meat processing company Micarna was awarded the 'Vocational Integration Prize 2006' by the disability insurance agency of the Canton Fribourg in recognition of its efforts to reintegrate employees who had been ill or suffered an accident and who risked disability.

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Footnote

<sup>1</sup> The cover ratio is influenced by the actuarial valuation interest rate, which was lowered in 2005 and 2006. Without this measure, the cover ratio would have been even higher.

<sup>2</sup> External cost of training measures and further training without worktime.

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## *Ecology*

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# Pioneering Benefits for the Environment

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Migros started early to conserve energy, and has been constantly increasing its efforts ever since. As a result of the numerous measures it has introduced, the consumption of electrical power per square metre of sales area is no longer rising. The construction of Switzerland's first 'Minergie' supermarket was a key milestone. Migros has also made a special commitment to climate protection, for which it has defined targets up to 2010. Migros is also undertaking huge efforts in waste management and recycling.

**M**igros has been firmly committed to environmental protection for over three decades. It began with energy conservation, and since then further issues have been regularly taken up. Since 1975, for example, Migros has kept consumption statistics from the M-Industrial companies, the Cooperatives and their shops. Today, Migros operates a comprehensive environmental management system which is coordinated by the FMC's Ecology and Energy Departments. A total of eight staff spend their time working on corporate environmental protection, and the regional Cooperatives and enterprises have their own environmental officers.

### Defined Targets

Migros has been cooperating with the Energy Agency for Industry (EnAW) since 2002. Set up by major trade associations, EnAW actively promotes greater energy efficiency and reduced greenhouse gas emissions, and it has signed a corresponding framework agreement with the State. Because of this cooperation – with the M-Industrial companies, shops, operations centres<sup>1</sup>, freight services, and most recently the headquarters of Hotelp-lan and Migros Bank also being progressively included; Migros now has binding standards in place to increase energy efficiency and reduce CO<sub>2</sub> emissions (see table below). Several leisure facilities and the Globus Group are also currently in the process of defining concrete

targets. There are also company-specific targets for water consumption, as well as the use of refrigerants and waste.

With environmental controls in place, checks can be made on whether individually agreed environmental targets have been achieved. This assessment and a benchmarking should be an incentive for the individual Industrial companies and Cooperatives to introduce further measures and improve the environmental performance of Migros as a whole. Transparent consumption of resources also makes it possible to react quickly to adverse trends or disruptions.

### Focus on Energy Saving

A great deal of energy is consumed in the manufacture, storage, distribution and sale of products. Migros's current annual consumption of electrical power is around 1000 GWh, about 1.7 percent of Swiss electricity consumption. Power is needed mainly for product refrigeration, in-store air conditioning, store lighting and for the many different processes used by the Industrial companies and operations centres. Supermarkets are major consumers of electrical power; with the main culprit being product refrigeration which generally accounts for over half of the power requirement. Each metre in length of refrigeration cabinets uses almost as much electricity as a single house. Then there is lighting, bread-warming stations, grills, escalators. All of 590

## TARGETS AND RESULTS<sup>2</sup> OF TARGET AGREEMENTS WITH THE ENERGY AGENCY FOR INDUSTRY

Energy efficiency (%)		2004	2005	2006	2010	on target?
Shops	Combustibles	105.6%	105.7%	107.0%	109.9%	ok
Industry	Combustibles	104.0%	105.9%	106.0%	108.7%	ok
Operating Centres	Combustibles	100%	-	103.4%	110.3%	ok

The energy efficiency is a measure of activities carried out by a company to reduce its energy consumption. The greater the share of energy saving measures of the total energy consumption, the greater the efficiency. The starting year for the target agreements (100% energy efficiency) is the year 2000 for shops and industry and the year 2004 for Operating Centres.

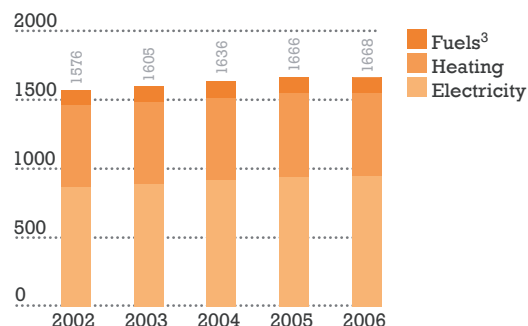
CO <sub>2</sub> -intensity (%)		2004	2005	2006	2010	on target?
Shops	Combustibles	80.9%	79.8%	77.6%	84.3%	ok
Industry	Combustibles	91.0%	82.1%	80.4%	84.2%	ok
Operating Centres	Combustibles	100%	-	87.8%	73.4%	ok
Operating Centres	Fuels	100%	97.0%	90.3%	86.3%	ok

The CO<sub>2</sub> intensity is a measure of activities carried out by a company to reduce its CO<sub>2</sub> emissions. The greater the share of measures for reducing the total CO<sub>2</sub> emissions, the smaller the CO<sub>2</sub> intensity. The starting year for the target agreements (100% CO<sub>2</sub> intensity) is the year 2000 for shops and industry, and the year 2004 for Operating Centres.



### TOTAL ENERGY CONSUMPTION ABSOLUTE VALUES

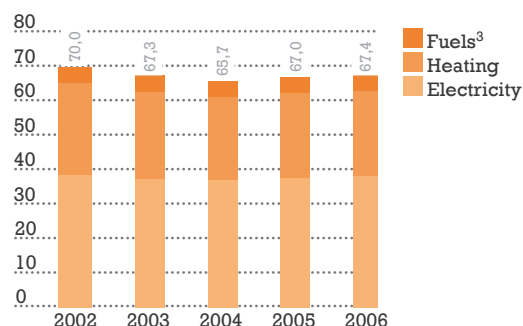
GWh



The total energy consumption of Migros has increased slightly since 2002 due to the rising need for electrical power. The heating requirement and fuel consumption was reduced year by year.

### TOTAL ENERGY CONSUMPTION SPECIFIC

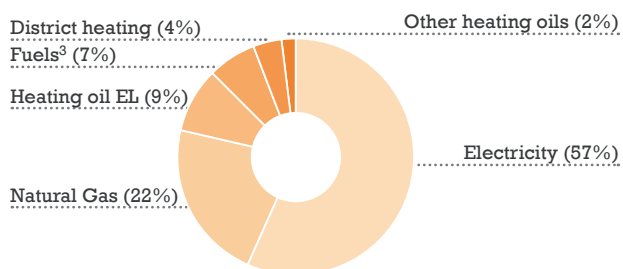
KWh/CHF 1000 of sales



In relation to sales, total energy consumption was reduced in the years 2002 to 2004. Over the last two years, energy consumption has remained constant due to an increased need for electrical power.

### PERCENTAGE OF ENERGY SOURCES OF TOTAL ENERGY CONSUMPTION

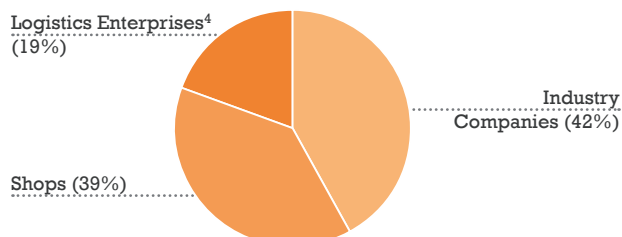
2006



Electricity accounts for more than half the energy consumption. Today, Migros is using considerably more natural gas as fuel as its carbon dioxide emissions are lower than those of heating oil. From an energy point of view, fuel is of minor importance.

### PERCENTAGE OF TOTAL ENERGY CONSUMPTION CONSUMED BY OPERATING UNITS

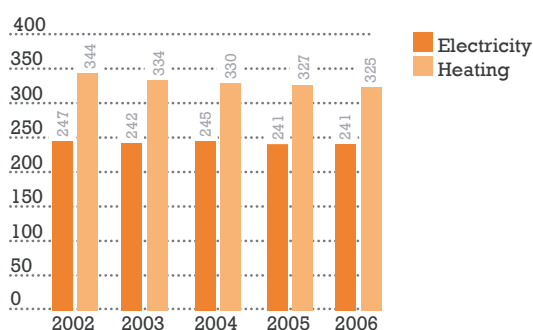
2006



The Industrial Companies and shops consume approximately the same amount of energy – Industrial Companies require, in particular, a lot of heat and the shops electricity.

### SPECIFIC ENERGY CONSUMPTION OF INDUSTRIAL COMPANIES

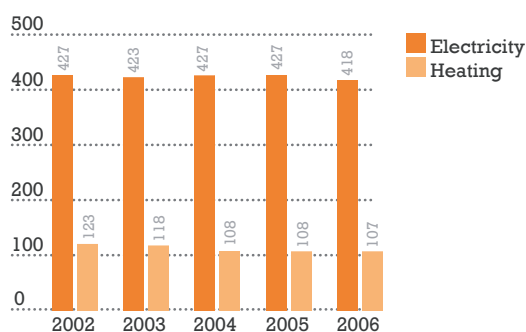
kW/ton of production



Per ton of produced products, Industrial Companies reduced, in particular, the heating requirement as well as the consumption of electrical power.

### SPECIFIC ENERGY CONSUMPTION OF SHOPS

kWh/square metre sales area



Energy consumption per square metre of sales area was reduced drastically since 1990. Past years have still shown a slight reduction.



Migros shops are, therefore, responsible for over half of Migros's electrical power consumption.

Migros's power consumption is rising more or less parallel to its corporate growth. The expansion of the range of fresh chilled products and automation in the manufacturing plants result in a continuous rise in power consumption. But Migros has introduced a number of measures as a result of which consumption per square metre of sales area has remained constant in recent years. The progressive installation of sliding glass lids on freezer cabinets alone has cut annual power consumption by about 10 million kWh. This is equivalent to the consumption of about 3,300 households. A great deal of work is also being done behind the scenes on energy optimisation. The smoking ban in Migros Restaurants introduced in mid-2006 has led to ventilation being scaled down. Following the introduction of new shops lighting concepts, illumination levels have been optimised, while at the same time requiring much less electricity. Last year, experts at Migros, in collaboration with the Federal Office of Energy, conducted a study investigating the potential for the nationwide deployment of efficient refrigeration equipment. They also played a major part in achieving an improved Minergie Standard for sales areas which will ensure further energy saving in the long term.

Migros's consumption of thermal energy is roughly half its consumption of electrical power. The M-Industrial companies account for two-thirds of Migros's total heating requirements. Most of the heating is required for production processes, such as baking, cooking and sterilisation or UHT sterilisation. Over the past few years, heat recovery and insulation have substantially

By incinerating wood waste and using district heating from refuse incineration plants, Migros is also making use of renewable energy. In addition, Migros uses a number of innovative solar plants. Since 2006, for example, in the Milandia leisure park in Greifensee (ZH) has a 650 square metres solar collector plant, the second largest in Switzerland. Also last year, the M-Parc La Praille offered its roof free of charge to the city of Geneva to build a large photovoltaic plant to supply energy to the city. In terms of overall quantity, however, the proportion of solar energy generation at Migros is still low.

### Doing Something for the Climate

Migros recognises the dangers of climate change, and supports measures to reduce the emission of greenhouse gases such as carbon dioxide (CO<sub>2</sub>). Migros, therefore, endorses the federal law on CO<sub>2</sub> emissions and the international Kyoto Protocol. To make an active contribution to climate protection, Migros has entered into voluntary agreements with the Energy Agency for Industry (EnAW). As a result, all 590 Migros shops, the 10 operations centres, 15 M-Industrial companies and freight services have binding climate protection and energy targets up to 2010 (see table p. 40).

Migros generates CO<sub>2</sub> emissions by burning fossil fuels in its production plants and heating systems in buildings as well as a result of the petrol and other fuels consumed by its own vehicles. The M-Industrial companies have managed to stabilise their CO<sub>2</sub> emissions in recent years despite increased production levels. By using waste heat and replacing oil by gas, and despite a massive increase in floor space, the shops have actu-

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## All Migros Shops, Operating Centres, Industry Companies and the transport operation have binding energy and climate targets.

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reduced the specific heat requirement per tonne produced. Nevertheless, absolute heat consumption by the whole Group has continued to rise; mainly because of increased production at the M-Industry companies.

The latest example of Migros's continuous progress in energy saving is the 'Migros Markt' in Amriswil (Thurgau) which opened its doors for the first time in autumn 2006. This shop manages without conventional heating, and is the first supermarket to comply with the Minergie Standard. This has been made possible by a highly insulated building shell and by increased use of heat pumps to recirculate waste heat from refrigeration equipment. The Migros Cooperative Eastern Switzerland now aims to build all new properties according to the Minergie Standard where possible.

ally managed to reduce emissions. Migros's goods transportation services have also cut their CO<sub>2</sub> emissions; especially through the use of bio fuels. Thanks to these positive developments, Migros met its specific targets for 2006, and received corresponding certificates from EnAW.

Apart from carbon dioxide, there are other greenhouse gases, such as the hydrocarbons CFC and HCFC, which contain fluorine and chlorine. These substances are still used in many refrigeration facilities in Switzerland – including Migros – as refrigerants in refrigeration equipment, air conditioning equipment and heat pumps. The State intends to gradually end the use of CFCs and the less climatically harmful HCFCs. By the end of 2006 every Migros enterprise had prepared an

inventory of refrigeration equipment, recording the refrigerants used by category. Only a very small quantity of CFCs are still in use – especially in older shops which are due for renovation. Migros now has a revised withdrawal strategy, and in accordance with the law aims to adapt all plants concerned to environmentally friendly technology in the medium term.

### High Recycling Quotas

Every year a total of about 200,000 tonnes of waste is generated at Migros – in roughly equal proportions for the M-Industrial companies and the ten regional Cooperatives. Migros aims to close material cycles as far as possible and to design products and packaging so that they can be disposed of in an environmentally friendly manner. Migros, therefore, uses reusable containers instead of cardboard boxes in logistics where it is ecologically practical. There are some seven million plastic reusable containers in circulation. Migros is the only company in the world to use reusable plastic containers specially developed for transporting bananas. Once these containers arrive in shops, they are folded together and transported back to the producers who then refill them. Migros also places great emphasis on recycling: Over 60 percent of industrial waste is reused.

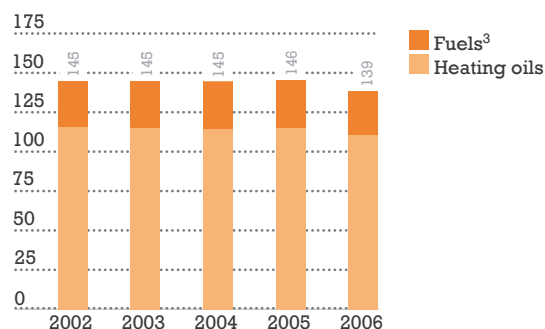
More and more discarded goods and waste products are becoming valuable commodities: Higher prices can, therefore, be attained on the waste materials market; resulting in reduced disposal costs and lower prepaid recycling charges. Last year, Migros launched the 'Waste Exchange' project in order to use this potential. The aim of the project is for enterprises to no longer dispose of their waste individually, but collect it together and pool the waste disposal channels. This should optimise the quality of waste management and reduce costs.

### Proper Waste Management

Virtually all customer returns are recycled. Migros operates the largest deposit system for empty containers and disused products in the entire retail sector. In 2006, Migros accepted about 13,000 tonnes of customer waste. Because of its well developed infrastructure, Migros achieves a very high quota of sorted collection of customer returns. The in-shop redeposit system covers PET beverage bottles, PE dairy product bottles, batteries and electrical appliances and devices. Specialist markets take back a range of other materials, such as lamps and lighting, paints and varnishes. Migros supports all reliable private sector waste disposal systems, and also the Swiss Lighting Recycling Foundation which was established at the end of 2005. These systems are funded by prepaid recycling charges, which the dealer pays over for each product sold. Migros has most recently given its strong support for the expansion of voluntary waste management systems. Toys and equipment used in building,

### TOTAL CARBON DIOXIDE EMISSIONS

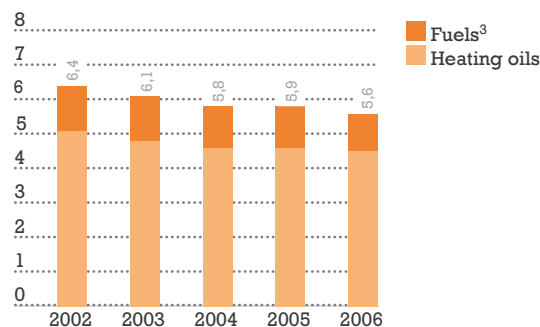
1000 tons



Despite of the growth of the Migros group, emission of CO<sub>2</sub> remained the same between 2002 and 2005. During the past year, Migros even managed to significantly reduce emission of CO<sub>2</sub>. This can be attributed to the group's continuously implemented measures for climate protection.

### CARBON DIOXIDE EMISSIONS SPECIFIC

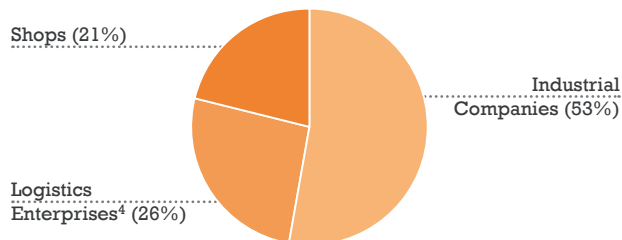
kg / CHF 1000 of sales



The specific carbon dioxide emissions were significantly decreased during the past years; this was achieved by increasing energy efficiency and implementing climate protection measures as part of the target agreements with the Energy Agency for the Industry.

### PERCENTAGE OF TOTAL CARBON DIOXIDE EMISSIONS

2006



Due to their high use of heating oil, Industrial Companies are responsible for over half of the carbon dioxide emissions.

**TOTAL OPERATIONAL WASTE**

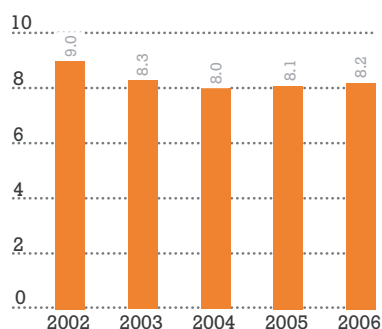
1000 tons



The total volume of waste has remained more or less constant during the last years. The Shops and Logistics Enterprises produce nearly the same amount of waste as the Industrial Companies.

**SPECIFIC OPERATIONAL WASTE**

Kilogram / CHF 1000 of sales

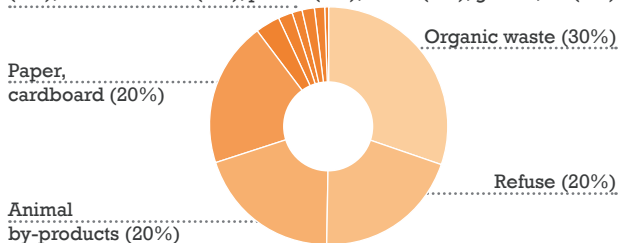


As Migros sales have increased, whilst volumes of waste have more or less remained unchanged, the specific volume of waste has fallen over the past years.

**COMPOSITION OF OPERATIONAL WASTE**

2006

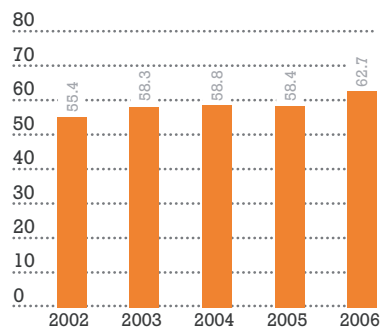
Timber, bulky waste, building rubble (3%); slurry, special waste (2%); miscellaneous (2%); plastic (2%); metal (1%); grease, oil (1%)



Organic waste, such as expired food products or waste from production and offcuts, constitutes the highest waste percentage. Animal by-products refer to slaughtering products not used for food (bones, innards, etc.).

**RECYCLING RATE FOR OPERATIONAL WASTE**

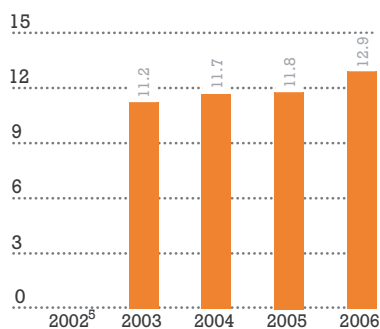
Percent



The recycling rate for operational waste is constantly increasing. One of the reasons for this trend are the increasing price of valuable substances making recycling more worthwhile.

**CUSTOMER RETURNS**

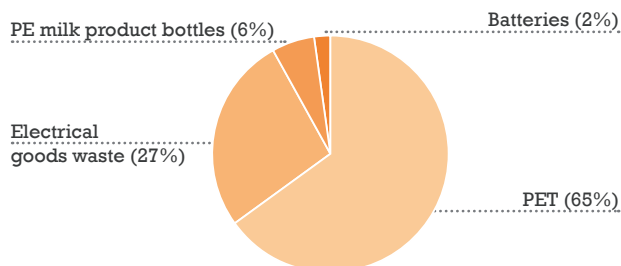
1000 tons



The volume of valuable substances returned by customers is increasing. Customer returns are collected by Migros and forwarded to the Recycling organisations.

**TYPE OF CUSTOMER RETURNS**

2006



PET bottles constitute the largest percentage of customer returns. Using specific campaigns, Migros is attempting to improve the still unsatisfactory recycling of batteries (see main text).

gardening and hobbies have been integrated into the 'electrical appliances' category.

In 2006, Migros played a substantial part in the reorganisation of PET recycling in Switzerland with two other major retailers joining the system. The new solution will improve the public service – collection in public places – which means that the collection quota should rise. It could also mean a cut in recycling charges. Migros passes the cost reduction on in the form of a price deduction on M-Budget water. Last year, to improve the unsatisfactory collection rate for batteries, Migros was actively involved in the national 'Battery Collection Weeks'. Batteries are hazardous waste, but consumers often dispose of them in their refuse. In the autumn, Migros placed so-called 'Battery Bags' on its shop shelves which had information

road transport costs by 10 percent. In the past year, Migros has already managed to reduce the cost per pallet by 5 percent. It, therefore, also hopes to achieve a reduction in environmental pollution.

To achieve the transport targets agreed with the Energy Agency for Industry, Migros uses climate-friendly fuels. Seven Cooperatives are already using a type of diesel containing rapeseed methyl ester (RME) – Migros Eastern Switzerland even uses a 30 percent blend. RME is produced from rape, and is climate-neutral in the consumption phase which means that in combustion it only releases as much carbon dioxide as the plant originally took in. The Migros Cooperative Zurich has been operating eight lorries since 1999 (eleven since 2005) that run on totally climate-neutral

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**With a volume of one million tons per year,  
Migros is the largest rail customer of SBB Cargo in Switzerland.**

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about mandatory returns and which customers could use for the collection of used batteries.

Litter – rubbish that is dropped or carelessly thrown away – is a growing problem in towns and developed areas. Constantly increasing volumes of beverage cans and bottles, take-away packaging, newspapers and cigarettes are polluting streets, squares and green spaces. Towns and local authorities are increasing their efforts to pass the rising cost of cleaning up litter on to the retailers. Migros has recognised the problem and wants to cooperate with the Swiss retail community of interests (IG DHS, see page 11) in tackling this problem. The IG DHS has already commissioned a study to examine the role of the retail sector. Migros is in discussion with local authorities and is looking at ways to combat the scourge of litter.

### **Optimised Transport Systems**

In its Environmental and Social Policy, Migros states its commitment to improved transport efficiency and to logistics and transport systems whose impact on the environment is reduced. Over long distances, Migros, therefore, uses rail transport whenever possible: With an annual freight volume of one million tonnes, Migros is the biggest customer of SBB Cargo using the Swiss railway network. For domestic transport, about 30 percent of the total distance travelled is by rail. Deliveries to shops, however, is carried out almost exclusively by road. Migros carries two-thirds of its own road freight, and has its own fleet of 433 vehicles; 35 already comply with the lowest-pollutant EURO-5 emission standard. The aim of the National Transport Optimisation Project (NATRO), launched in 2005, is to cut domestic

Biogas which is produced from its own green waste and leftover food.

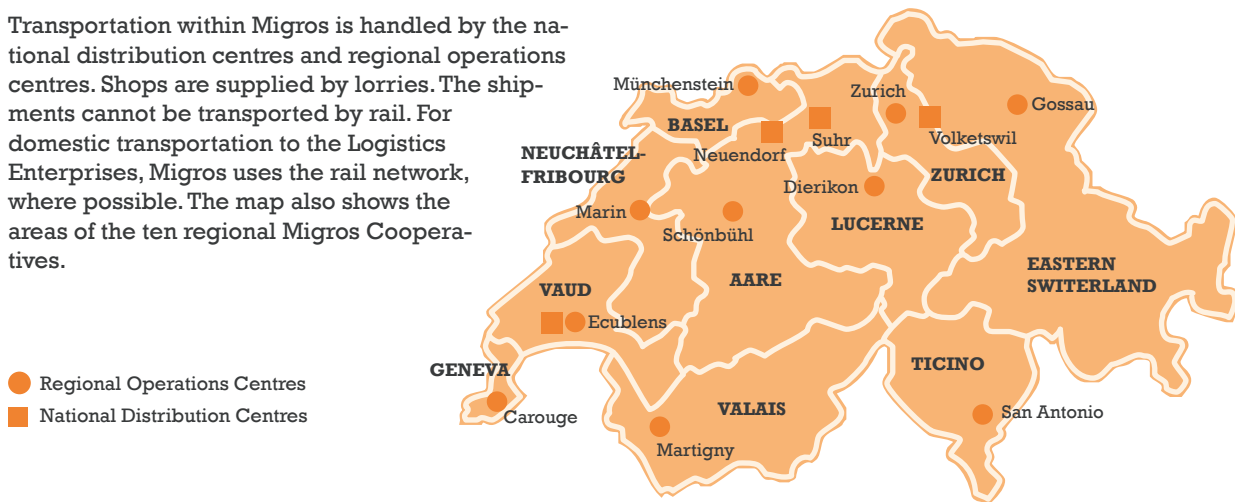
For business and commuter traffic, Migros has a number of attractive offers for its employees. The long-standing partnership with the car-share enterprise Mobility is a key activity promoting more environmentally friendly business and private travel. The Federation of Migros Cooperatives not only allows employees to use Mobility for business trips, it also offers favourable terms for private trips. Employees also receive discounts on season tickets for public transport. Other Cooperatives and enterprises have introduced similar schemes of their own. In 2006 Migros also took part in 'Bike to work.' This campaign was conducted by the cycling lobby IG Velo, and underwritten by the Federal Offices of Sport and Public Health, and the Swiss Council for Accident Prevention (bfu). Over four weeks, 1600 Migros employees travelled to work mainly by bike. Migros was also a co-initiator and main sponsor of the campaign.

### **Innovations in Shopping Traffic**

Migros is also in favour of ecological improvements in customer traffic. Over four-fifths of all shops are easy to reach on foot or by bike. The twenty or so large centres located in developed areas are also accessible by public transport. Where building circumstances allow, shops have places available for parking bikes. In cooperation with the car-share enterprise Mobility, Migros has created the M-Budget vehicle category which offers especially good value. There are 75 small Mobility cars stationed close to large Migros supermarkets. Mobility transporters are available at four large M-Parcs. People who do not own a car can use these vehicles at very cheap rates

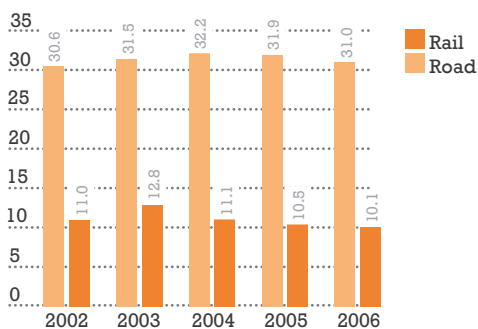
## TRANSPORT LOGISTICS

Transportation within Migros is handled by the national distribution centres and regional operations centres. Shops are supplied by lorries. The shipments cannot be transported by rail. For domestic transportation to the Logistics Enterprises, Migros uses the rail network, where possible. The map also shows the areas of the ten regional Migros Cooperatives.



### TRANSPORT KILOMETRES BY RAIL AND ROAD

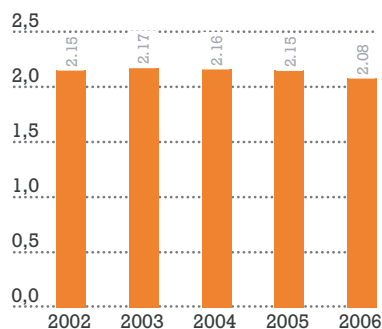
Million kilometres



Transport kilometres are the total of all distances covered by lorries<sup>6</sup> or railway wagons within a year. The total road and rail kilometres have fallen slightly since 2004 and 2003.

### KILOMETRES COVERED SPECIFICALLY BY LORRIES

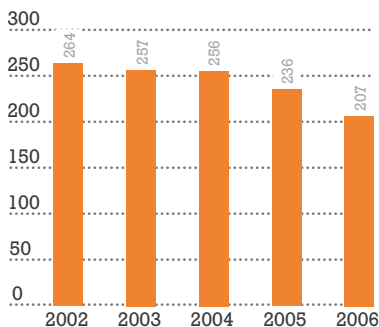
Kilometres / CHF 1000 of sales



The number of kilometres covered specifically by the lorry fleet<sup>6</sup> has fallen during the past year. Migros thus achieved higher sales with less road transportation. This is the first success of the transport optimisation program NATRO (see also main text).

### NITROGEN OXIDE EMISSIONS

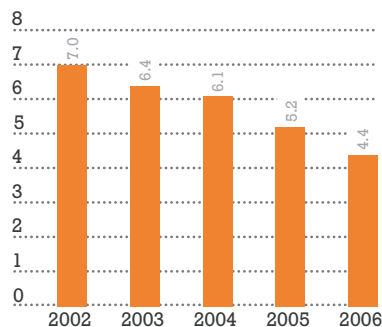
Tons



The nitrogen oxide emissions of the lorry fleet<sup>6</sup> has decreased significantly over the past years. Migros is constantly upgrading its lorry fleet with low-emission models.

### FINE PARTICLE EMISSIONS

Tons



Like the nitrogen oxide emissions, also fine particle emissions are reduced by the use of modern lorries<sup>6</sup> complying with the latest European standards.



## Over 80 percent of all shops can be easily reached by customers on foot, by public transport or by bicycle.

for larger shopping trips or for carrying bulky items. Since November 2006, Migros has also been delivering large household appliances such as washing machines and fridges to homes free of charge.

Studies on traffic behaviour have shown that in Switzerland most shopping trips are done on foot, by bike or on public transport. However, it is also a fact that today private cars are used for about 40 percent of all shopping trips. At larger shopping centres, where much greater quantities are purchased and transported home, this figure is much higher. For new shopping malls, Migros therefore plans to include enough parking places to cover its customers' needs. In recent years, environmental organisations have been increasingly calling for parking places or trips to be restricted at large new centres.

Migros is resisting such measures which actually do little for the environment. On the contrary, there is a risk that search traffic will increase, and customers will switch to other locations further away which will lead to generally more pollutants being released into the air. Migros's view is that more consideration must be given to traffic and transport problems in building planning legislation. It, therefore, cooperated with the Federal Office for Building Development, the Federal Office for the Environment and other retail sector representatives on the recommendation of location planning for traffic intensive facilities which appeared in June 2006. Migros

aims to continue its dialogue with all interested parties on mobility issues.

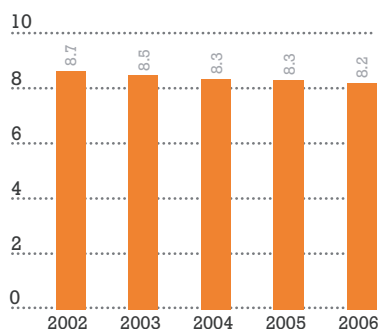
### Natural Diversity

Migros owns some 1.5 million square metres of land; making it one of the largest property owners in Switzerland. Over the past few years, its awareness has grown surface areas in developed areas are especially important to the natural diversity of our country. In 2005, Migros, therefore, joined the Nature & Industry Foundation whose backers include the Federal Office for the Environment. The Foundation promotes a 'close to nature' concept for company sites. Migros has so far had four of its sites certified; most recently in mid-2006, the Eastern Switzerland Cooperative's operations centre in Gossau. As a trading company, however, Migros's properties have less impact on biodiversity than the indirect effect of its product purchasing. For example, the cultivation of food or the depletion of raw materials have an adverse effect on biological diversity. Migros influences these effects through its production standards and labels such as Bio or FSC. Apart from these Standards, Migros runs individual model projects helping to conserve global habitats with substantial biodiversity, such as sustainable palm oil production (see section "What we offer").

In 2004, Migros also made a commitment with Chiquita for a long-term nature conservation project in Costa Rica, a country rich in plants and animals species.

### WATER CONSUMPTION

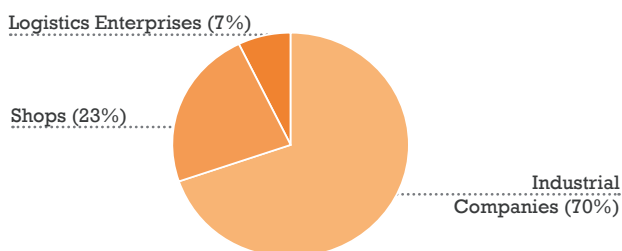
Million m<sup>3</sup>



Migros has considerably reduced its water consumption since 1990. Water consumption still shows a slight fall over the last years.

### PROPORTION OF WATER CONSUMPTION

2006



Most water is consumed by the production of the Industrial Companies. On average, they require 4.8 m<sup>3</sup> of water per ton of produced goods.

On the edge of a banana plantation, the two companies set up a 100-hectare nature conservation area. The reserve has a visitor centre, a schoolroom, a botanical garden and a nature trail explaining how bananas are grown. The partnership project represents a new model of cooperation between firms, the State and the local population. With this cooperation, Migros is making an innovative contribution to rainforest conservation. After contributing to the start-up funding, in each of the past two years Migros has held banana promotions in its shops, and donated CHF 200,000 to the project every time. Early in 2006, the Notal rainforest reserve was officially declared a private nature conservation area by the Costa Rican government.

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#### Footnotes

- <sup>1</sup> Operating Centres are the regional logistics centres of the Cooperatives (see figure on page 46).
- <sup>2</sup> The data for 2006 had not been finally approved by EnAW at the time of publication. Minor deviations from the figures provided may be possible.
- <sup>3</sup> Fuel includes the lorry fleets of the regional Migros Cooperatives and Scana but not of the other Industrial Companies and lorries used during outsourced transport orders.
- <sup>4</sup> Logistics Enterprises includes the consumptions of the Operating Centres, Distribution Companies and of the FMC.
- <sup>5</sup> Data about Customer returns has only been gathered since 2003.
- <sup>6</sup> The lorry fleet of the regional Migros Cooperatives and Scana without the lorry fleet of the other Industrial Companies and lorries used during outsourced transport orders.



# Appendix

## GRI-Index

The Index provides an overview of the G3 reporting items required by the Global Reporting Initiative GRI. Apart from the heading and status of the respective indicator, the index also includes references to the respective Global Compact principles and states where the information is contained in the report. The last page also contains additional information about individual indicators.

By basing its reporting on the latest GRI standard, Migros aims to achieve completeness and comparability with other sustainability reports.

The GRI certifies compliance at level B for the report, based on the following conditions:

- answering all indicators (indicators 1.1 to 4.17) in section "Strategy & Profile"
- information is provided about the management approach for each category (economy, ecology, working practice, human rights, society, product responsibility) in section "Performance indicators" and
- reporting on a total of at least 20 indicators (at least one per category).

The full indicator headings and further information about conformity levels can be found at: [www.globalreporting.org](http://www.globalreporting.org)

Page 15 contains a list of the ten Global Compact principles.



### Legend

- The indicator is reported on or a reason is given why it is not reported on.
- ◐ The indicator is partially reported on.
- The indicator is not reported on.
- ◆ The indicator is irrelevant for Migros.
- \* Core indicator.
- P Directly relevant Global Compact principle.
- (P) Indirectly relevant Global Compact principle.
- Additional information on page 52.

No	Abbreviated Titel and Status of the Indicators	Global Compact	Page
STRATEGY & PROFILE			
Profile			
1.1	Chairman and CEO's Statement	●	3
1.2	Risks and Opportunities	●	16
Organizational Profile			
2.1	Name of Organization	●	titel page
2.2	Primary Brands, Products, and/or Services	●	8, 20
2.3	Operational Structure	●	8, 9, 11
2.4	Location of Headquarters	●	11
2.5	Countries of Operation	●	8
2.6	Nature of Ownership and Legal Form	●	11
2.7	Markets Served	●	8
2.8	Scale of the Organisation	●	8, 10, 34
2.9	Changes (Significant)	●	8, 11
2.10	Awards Received	●	14, 16
Report Parameters			
3.1	Reporting Period	●	titel page
3.2	Date of most Recent Previous Report	●	titel: page inside
3.3	Reporting Cycle	●	titel: page inside
3.4	Report Contact Person	●	Imprint
3.5	Report Content: Process for Defining	●	15 →
3.6	Boundary of the Report	●	titel: page inside
3.7	Limitations on Report Scope	●	9 →
3.8	Basis for Reporting (e.g. on Subsidiaries)	●	→
3.9	Data Measurement Techniques	●	→
3.10	Re-statements of Information	●	→
3.11	Significant Changes in Scope and Methods	●	→

No	Abbreviated Titel and Status of the Indicators	Global Compact	Page
3.12	GRI Content Index	●	Appendix
3.13	Assurance	●	→
Governance, Commitments, and Engagement			
4.1	Governance Structure	●	11→
4.2	Chair/ Executive Officer Status	●	9, 11→
4.3	Board: Non-executive Directors	●	9, 11→
4.4	Board: Mechanisms for Feedback	●	11, 35
4.5	Remuneration: Senior Executives	●	35
4.6	Board: Conflicts of Interest	●	11→
4.7	Board: Qualifications and Expertise	●	→
4.8	Internal Statements: Mission and Principles	●	14, 15, 25
4.9	Board: Oversight of Performance	●	14→
4.10	Board: Evaluating own Performance	●	14→
4.11	Precautionary Principles	● P7	16, 17
4.12	External Charter/ Initiatives Endorsed	●	14, 20, 25, 40
4.13	Memberships	●	11
4.14	Stakeholder: List	●	15
4.15	Stakeholder: Basis for Identification	●	→
4.16	Stakeholder Dialogue	●	16
4.17	Reaction to Stakeholder-Initiatives	●	16
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Management Approach		●	→
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EC2	Climate Change: Financial Risks	○ * (P7), (P8)	
EC3	Benefit Plan Obligations	● *	35
EC4	Financial Assistance from Government	○ *	
EC5	Entry Level and Minimal Wages	► (P6)	35
EC6	Suppliers (locally-based): Policies, Spendings	● *	20
EC7	Local Hiring Policy	◆ * (P6)	
EC8	Infrastructure Developments	● *	30
EC9	Indirect Economic Impacts	●	20, 25, 31

No	Abbreviated Titel and Status of the Indicators	Global Compact	Page
Environment			
Management Approach		●	14, 15, 40
EN1	Materials: Used	○ * (P8)	
EN2	Materials: Recycled Input Materials	○ * P8, P9	
EN3	Energy: Direct Energy Consumption	● * (P8)	40, 41
EN4	Energy: Indirect Energy Consumption	● * (P8)	40, 41
EN5	Energy: Efficiency Savings	● P8, P9	40
EN6	Products: Energy-efficient or Renewables	● P8, P9	21
EN7	Indirect Energy Consumption	► P8, P9	45
EN8	Water: Consumption	► *	47
EN9	Water: Sources	◆	
EN10	Water: Recycled	○ P8, P9	
EN11	Biodiversity: Land Use	● * (P8)	→
EN12	Biodiversity: Impacts on	○ * (P8)	
EN13	Biodiversity: Habitats Protected or Restored	● P8	47
EN14	Biodiversity: Managing Impacts	● P8	20, 47
EN15	Biodiversity: Red List Species	○ (P8)	
EN16	Greenhouse Gas Emissions: Direct and Indirect	● * (P8)	42, 43
EN17	Greenhouse Gas Emissions: Others Indirect	○ * (P8)	
EN18	Greenhouse Gas Emissions: Reduction	● P8, P9	40, 42, 45
EN19	Ozone-depleting Substances by Weight	○ * (P8)	
EN20	NOx & SOx, and Other Significant Air Emissions	► * (P8)	45, 46
EN21	Wastewater: Discharge (Quality and Destination)	● * P8	47
EN22	Waste: Total Weight and Disposal Method	● * P8	43, 44
EN23	Spills (Significant): Total Number and Volume	● * (P8)	→
EN24	Waste (Hazardous): Transported Weight	► (P8)	43, 44
EN25	Affected Water Bodies	◆ (P8)	→
EN26	Products: Environmental Impact Reduction	○ * P8, P9	
EN27	Products/Packaging: Percentage Reclaimed	► * P8, P9	43, 44
EN28	Non-compliance Environmental Laws	● * (P8)	→
EN29	Transport: Environmental Impact of Transport	● * (P8)	40, 41, 42, 43, 45, 46
EN30	Environmental Protection Expenditures	○ * P8	

No	Abbreviated Titel and Status of the Indicators	Global Compact	Page
<b>Labor Practices and Decent Work</b>			
Management Approach		●	14, 15, 34, 35, 36, 37 →
LA1	Workforce: Employment Type, Contract, Region	● *	34 →
LA2	Employee Turnover by Age Group, Gender, Region	► *	P6 34
LA3	Employee Benefits	○ (P6)	
LA4	Collective Bargaining Agreements	● * (P1), P3	34, 35
LA5	Operational Changes: Minimum Notice Period(s)	○ * P3	
LA6	Health & Safety: Workforce in Committees	○	
LA7	Health & Safety: Rates of Injury, Lost Days	● *	37 →
LA8	Health & Safety: Serious Diseases - Prevention	● *	37
LA9	Health & Safety: Agreements with Trade Unions	►	34
LA10	Training & Development: Hours per Employee	► *	36
LA11	Training & Development: Lifelong Learning	●	36
LA12	Training & Development: Performance Reviews	●	34
LA13	Diversity: Workforce	► * (P1), P6	36
LA14	Remuneration: Basic Salary Men - Women	○ * (P1), P6	
<b>Human Rights</b>			
Management Approach		●	14, 15, 25 →
HR1	Human Rights: Significant Investment Screening	◆ * P1, P2, (P4), (P5), (P6)	→
HR2	Human Rights: Procurement Screening	● * P1, P2, (P4), (P5), (P6)	24, 25
HR3	Human Rights: Employee Training	○ P1, (P4), (P5)	
HR4	Discrimination: Number of Incidents	○ * P1, P6	36
HR5	Freedom of Association: Right at Risk	● * P1, P3	35 →
HR6	Child Labour: Operations with Significant Risk	◆ * P1, P5	→
HR7	Forced Labour: Operations with Significant Risk	◆ * P1, P4	→
HR8	Human Rights: Security Personnel Trained	◆ P1, P2	→
HR9	Indigenous People Rights: Incidents	◆ P1	→

No	Abbreviated Titel and Status of the Indicators	Global Compact	Page
<b>Society</b>			
Management Approach		●	14, 15, 30
SO1	Impacts of Operation on Communities	◆ * (P1)	→
SO2	Corruption: Number of Business Units Analyzed	○ * P10	
SO3	Anti-corruption: Training	○ * P10	
SO4	Corruption: Actions Taken in Response to	○ * P10	
SO5	Public Policy Development	● * (P10)	11
SO6	Political Contributions: Total Value	● (P10)	11
SO7	Legal Actions: Anti-competitive Behavior	●	→
SO8	Non-compliance: Significant Fines	○ *	
<b>Product Responsibility</b>			
Management Approach		●	14, 26, 27 →
PR1	Products: Customer Safety Sssessments	► *	26, 27
PR2	Non-compliance: Customer Health & Safety	●	26
PR3	Products: Information Requirements	● * (P8)	26, 27
PR4	Non-compliance: Product Information	○ (P8)	
PR5	Customer Satisfaction	●	27
PR6	Marketing Communications: Voluntary Codes	○ *	
PR7	Non-compliance: Marketing Communications	●	→
PR8	Customer Complaints: Customer Privacy	○	
PR9	Non-compliance: Provision of Products	● * P1	→

**Legend**

- The indicator is reported on or a reason is given why it is not reported on.
- The indicator is partially reported on.
- The indicator is not reported on.
- ◆ The indicator is irrelevant for Migros.
- \* Core indicator.
- P Directly relevant Global Compact principle.
- (P) Indirectly relevant Global Compact principle.
- Additional information on page 52.

## ADDITIONAL INFORMATION

**3.5 Report Content: Process for Defining:** The method suggested by the GRI for defining the relevance of topics was applied in this report. The following topics are relevant for Migros: a) significant economic, ecological and social effects; b) particular concerns of target groups.

**3.7 Limitations on Report Scope:** Migrol and Hotelplan offer products and services that significantly affecting the environment. These service companies are, however, outside of the system's boundaries. Currently, no efforts are made to extend environmental control to these operations. They do, however, operate their own environmental protection programmes (see also pages 16 and 40).

**3.8 Basis for Reporting (e.g. on Subsidiaries):** The basis for reporting has not changed during the last financial year.

**3.9 Data Measurement Techniques:** The report keeps to the indicators defined by the GRI at all times.

**3.10 Re-statements of Information:** There is no change to statements from previous reports.

**3.11 Significant Changes in Scope and Methods:** No changes in scope or methods, apart from where explicitly stated.

**3.13 Assurance:** The report was not audited externally.

**4.1 Governance Structure:** Governance is through committees. Permanent committees include: Audit, Finance, Human Resources Policy as well as Personnel Issues and Remuneration. For further information, see Annual Report.\*

**4.2 Chair / Executive Officer Status:** The chair of the managing board has no operational function.

**4.3 Board: Non-executive Directors:** 9 of the 23 members of the FMC board are external members independent of the M-Community. Internal members that are not independent of the M-Community are the representatives of the Cooperatives, employee representatives of the M-Community and the CEO.

**4.6 Board: Conflicts of Interest:** External members of the FMC board that are independent of the M-Community must fulfil the following qualifications: No close business links and not holding several important offices within the M-Community.

**4.7 Board: Qualifications and Expertise:** Two employee representatives shall be members of the FMC board. No specific processes for defining qualifications with regard to economic, social and ecological topics have been defined for other members of the FMC board.

**4.9 Board: Oversight of Performance:** The FMC board oversees the Executive Board and the CEO. The Executive Board can delegate tasks to the Supporting Committee Sustainability which reports back on the activities and status of the work.

**4.10 Board: Evaluating Own Performance:** No such processes have been implemented.

**4.15 Stakeholder: Basis for Identification:** Target groups are representative interest groups, influenced by the Group or that influence the Group. These were defined in 2003 as part of the formulation of the Environmental and Social Policy. The following requirements apply for NGOs: The subject matter relates to the core business of Migros. They are professionally managed and have a positive image. They have performance credentials that can be easily communicated and can communicate tangible, understandable contents.

**Economy, Management Approach:** For more information see corporate statement (corporate mission of Migros 2010) as well as the Environmental and Social Policy.\*

**Environment, Management Approach:** For more information, see the Environmental and Social Policy.\*

**EN11 Biodiversity: Land Use:** There is no knowledge of any buildings being located in or adjacent to zones with increased biodiversity.

**EN21 Wastewater: Discharge (Quality and Destination):** The wastewater poses no environmental hazard and is generally discharged untreated into municipal wastewater treatment plants. Companies generating increased pollutants operate their own preliminary treatment plants.

**EN23 Spills (Significant): Total Number and Volume:** No incidents involving a significant discharge of chemicals, oils and fuels in 2006 are known.

**EN25 Affected Water Bodies:** See EN21.

**EN28 Non-compliance Environmental Laws:** No non-compliance of environmental laws is known.

**Labor Practices and Decent Work, Management Approach:** For more information, see the Environmental and Social Policy, the Personnel Policy and the national collective agreement.\*

**LA1 Workforce: Employment Type, Contract, Region:** In 2006, the Migros group had 79,597 employees, corresponding to 59,345 personnel units (2005: 59,934). The number of employees in other countries was 3.0% in 2006 (2005 3.3%).

**LA7 Health & Safety: Rates of Injury, Lost Days:** Ratios are shown in the Absence and Case Management of the individual companies and are used as indicators for actions and campaigns as well as for negotiating premiums with insurance companies. A system generating standard evaluations at Group level is currently in its implementation phase.

**Human Rights, Management Approach:** For more information see Environmental and Social Policy and Personnel Policy.\*

**HR1 Human Rights: Significant Investments Screening:** Migros has no production companies outside Switzerland.

**HR5 Freedom of Association: Right at Risk:** No known incidents.

**HR6 Child Labour: Operations with Significant Risk:** See HR1.

**HR7 Forced Labour: Operations with Significant Risk:** See HR1.

**HR8 Human Rights: Security Personnel Trained:** See HR1.

**HR9 Indigenous People Rights: Incidents:** See HR1.

**Society, Management Approach:** For more information see Environmental and Social Policy.\*

**SO1 Impacts of Operations on Communities:** Migros has no production companies outside Switzerland.

**SO7 Legal Actions: Anti-competitive Behavior:** There are currently no known antitrust proceedings involving Migros.

**Product Responsibility, Management Approach:** For more information see Environmental and Social Policy.\*

**PR7 Non-compliance: Marketing Communication:** There are no known relevant procedures or infringements of the law.

**PR9 Non-compliance: Provision of Products:** There are no known incidents.

\* The mentioned documents can all be found at: [www.migros.ch](http://www.migros.ch).

### Environmental and Social Policy

Über die Migros > Nachhaltigkeit > Publikationen > English Documents

Only in German (and French):

### Annual Report

Über die Migros > Medien > Geschäftsberichte

### Corporate Statement

Über die Migros > Nachhaltigkeit > Publikationen

### Personnel Policy and National Collective Agreement

Stellen > Die Arbeitgeberin Migros > Daten, Fakten und Wissen > Personalpolitik

Stellen > Die Arbeitgeberin Migros > Daten, Fakten und Wissen > Gesamtarbeitsvertrag

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### **Additional information (only in German and French) is also available in the Internet at**

[www.migros.ch](http://www.migros.ch) > Über die Migros > Nachhaltigkeit  
[www.migros.ch](http://www.migros.ch) > Sortiment > Engagement  
[www.kulturprozent.ch](http://www.kulturprozent.ch)  
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