

From strong ethics to brand renaissance, democratic governance to long-term sustainability, **The Co-operative Group Sustainability Report** is an open account of our performance and priorities.

Sustainability Report 2008/09



The **Co-operative Group**: one of the largest consumer co-operatives in the world

The Co-operative Group vision and aims

Vision

'To be the best co-operative business in the world.'

Aims

- To strive for world-class levels of business performance.
- To be open, responsible and rewarding, putting co-operative values & principles into everyday practice.
- To enhance the lives of our people, members, customers and the communities in which we trade.
- To work for the long-term success of the co-operative sector.

About co-operatives

As defined by the International Co-operative Alliance, a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise.

The Group's business practice is guided by the values & principles of the Co-operative Movement.

Co-operative values & principles

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The Co-operative principles are guidelines by which co-operatives put their values into practice. They are:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation between co-operatives
- Concern for community.

Image: Goole Estate Farm, East Yorkshire

The **Co-operative Group:** business growth

Acquisition of Somerfield

On 2 March 2009, The Co-operative Group completed its £1.57bn acquisition of the Somerfield supermarket chain. The acquisition creates the fifth largest operator in the UK grocery market with the enlarged Co-operative Food representing 8% of market share and its 3,200 outlets generating annual sales in excess of £7bn. The integration process is likely to take up to two years, with the Somerfield brand remaining in some locations throughout that period, as stores are gradually converted to The Co-operative brand. The Somerfield Bristol headquarters will be retained for approximately 18 months, while all head office functions are gradually moved to Manchester.

Merger with Britannia

The merger of The Co-operative Financial Services and Britannia Building Society was confirmed following the Annual General Meeting of Britannia on 29 April 2009. 88.6% of Britannia savings members and 86.2% of borrowing members voted in favour of the proposal, exceeding the required majorities of 75% and 50% respectively. The merger will bring about the most diverse customer-owned enterprise in UK financial services and will create a business with £70bn of assets, nine million customers, more than 300 branches and 20 corporate banking centres. The new business will be a wholly-owned subsidiary of The Co-operative Group. Britannia members will become members and co-owners of The Co-operative Group and, along with existing Co-operative Group members, will continue to share in the profits and have a say in how the business is run.

Merger with Lothian Borders & Angus Co-operative Society

In December 2008, Lothian Borders & Angus Co-operative Society became part of The Co-operative Group. The move followed a series of meetings at which 98% of the Society's members voted to join The Co-operative Group. The business brought over 50 food stores, four funeral branches and five pharmacy branches to the Group's portfolio.

Proposed merger with Plymouth & South West Co-operative Society

Plymouth & South West members voted in favour of a transfer to The Co-operative Group with an intended transfer date of 6 September 2009.

The Co-operative Group: family of businesses

The Co-operative Group ('the Group') is an industrial and provident society, which is owned and democratically run by its members. The Group operates solely in the UK and is headquartered in Manchester city centre.

Following the acquisition of Somerfield in 2009, The Co-operative Group employed 123,000 staff.

The Co-operative Estates is a large and diverse land and property operation, with interests that span retailing, property investment and land development.

The Co-operative Farms is one of the UK's largest farming businesses with around 60,000 acres of farmland in England and Scotland in 2008. It supplies products, such as soft fruit, cider, potatoes, green vegetables and packet flour to The Co-operative Food stores.

End of Life Planning delivers funeral pre-payment plans and, in 2008, generated sales of £16.9m.

The Co-operative Legal Services offers a range of services, from the writing of wills, to home sales and purchases. In partnership with The Co-operative Funeralcare, a probate service is also offered.

The Co-operative Electrical is the Group's online electrical shop. During 2008, the business rebranded and achieved sales of £54m.

Sunwin Services Group comprises five businesses: Cash in Transit Services, ATM support, E-Solutions, Sunwin Security and Aegis Guarding. Each business supplies the Group, as well as a number of other clients. In 2008, Sunwin Services Group generated sales of £21.7m.

Sunwin Motor Group is the Group's car dealership, and in 2008 recorded a turnover of £209m.

The Co-operative Clothing is the Group's clothing business, and supplies branded uniforms to the family of businesses and other customers. In 2008, The Co-operative Clothing generated sales of £4m.

The Co-operative Beds is the Group's online bed shop. Following a warehouse relocation in 2008, the business will expand its range during 2009.

Throughout this Report, 'Trading Group' is used to describe all parts of The Co-operative Group's businesses, with the exception of The Co-operative Financial Services (CFS). The Co-operative Insurance and The Co-operative Asset Management are used to describe Co-operative Insurance Society Limited, which brings together both The Co-operative Insurance and Co-operative Investment brands.

More information on The Co-operative Group's businesses can be found at: www.co-operative.coop/corporate/groupoverview/ourbusinesses/ and a full list of the Group's subsidiaries can be found at: www.co-operative.coop/corporate/groupoverview/oursubsidiaries

The co-operative food

The Co-operative Food is the largest independent store operator in the UK. At the end of 2008, it comprised more than 2,500 outlets, employing some 56,600 people, and had a turnover of £4.5bn in 2008. In March 2009, The Co-operative Food began its two-year integration with Somerfield, to make it the UK's fifth largest food retailer. The enlarged business has around 96,000 employees and 3,200 outlets.

The co-operative financial services

The Co-operative Financial Services comprises The Co-operative Bank and its internet bank, smile, The Co-operative Insurance, The Co-operative Investments and The Co-operative Asset Management. In 2008, CFS' net revenue was £1,945.9m. The Co-operative Financial Services completed its merger with Britannia on 1 August 2009. The enlarged business has more than £70bn assets, nine million customers, more than 12,000 employees, more than 300 branches and 20 corporate banking centres across the UK.

The co-operative pharmacy

The Co-operative Pharmacy is the third largest pharmacy business in the UK, employing some 6,600 people, and operating nearly 800 pharmacies. In 2008, the business had a turnover of £744m.

The co-operative funeralcare

The Co-operative Funeralcare is Europe's largest funeral director, employing some 3,600 people, and operating 800 funeral homes. In 2008, the business achieved sales of £274m.

The co-operative travel

The Co-operative Travel is the UK's largest independent travel services provider. In 2008 the business generated a turnover of £262m and employed 4,300 people. In addition to an extensive branch network consisting of over 400 outlets, The Co-operative Travel operates a travel management division, an online offering and, from 2009, a tour operation.

The Co-operative Group Sustainability Report 2008/09



Introducing The Co-operative Group's 2008/09 Sustainability Report and approach to sustainable development.

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Our **social responsibility** priorities range from support for Fairtrade to higher animal welfare standards, ethical screening of finance to community contributions.

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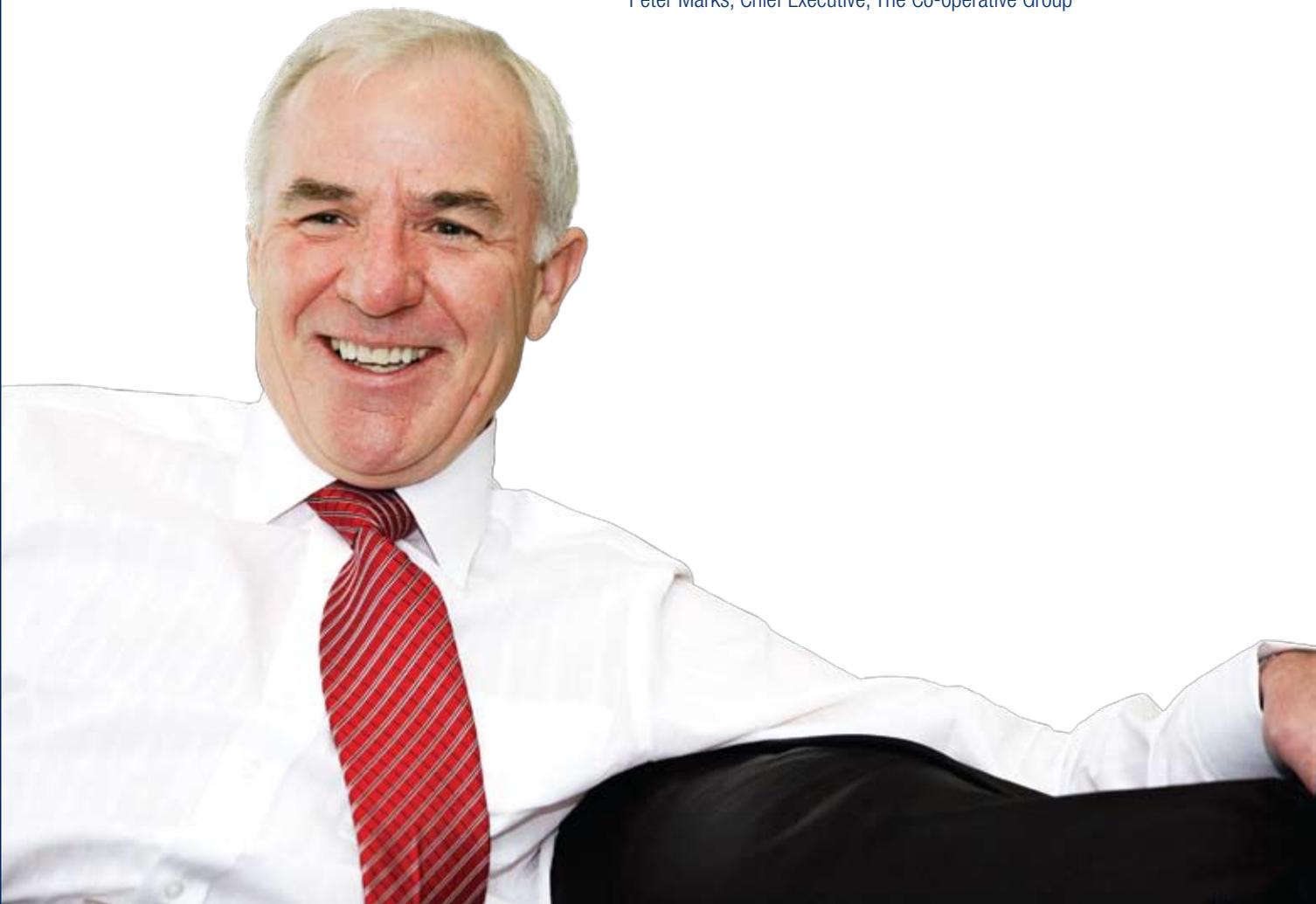
We seek to be transparent and accountable in our pursuit of sustainable development. Securing **independent assurance** plays an important part in achieving this goal.

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chief executive introducing our 2008/09 sustainability report

‘The past year has been an extraordinary one in the renaissance of The Co-operative Group. Against the background of a challenging UK economy, we continue to grow our business.’

Peter Marks, Chief Executive, The Co-operative Group



The past year has been an extraordinary one in the renaissance of The Co-operative Group. Against the background of a challenging UK economy, we continue to grow our business. The coming together of the Group and United Co-operatives in 2007 created one of the largest co-operatives in the world. This has provided the platform for an unprecedented period of expansion – one that has seen Somerfield, the Britannia Building Society and two independent co-operative societies become part of The Co-operative Group in 2009.

Our continued success, however, will be judged on our ability to marry responsibility and competitiveness. The guiding principle for the integration of these businesses will be the pursuance of ‘best of the best’; taking what is most successful about each and building that into the approach of the enlarged business. As such, we anticipate that the Group’s leadership on ethics and sustainability will not only continue, but will have more impact than ever.

The Group’s 2008 financial results, announced in May this year, already testify to the benefits of the Group and United merger. 2008 delivered significantly improved profitability and a strong balance sheet. Gross sales passed the £10bn mark for the first time and were up 15% in comparison with the previous year, while operating profits of £275m represent a 60% improvement on 2007. In addition, despite the widespread challenges in the financial services marketplace, CFS returned strong results: profits of £147m; a 20% increase in customer deposits; reduced personal customer bad debts; and increased levels of customer satisfaction.

Our comprehensive rebranding programme has contributed to the Group’s strong performance. 2008 saw us progress the largest rebranding exercise in UK retailing history. By the end of the year, more than half of the Group’s outlets had been refitted with our new brand; and rebranded food stores have recorded an average sales uplift of 13%. We also launched, in February 2009, a £10m brand marketing campaign; the biggest in the Group’s history and one which highlighted our values & principles.

2008 saw the completion of a constitutional review to draw up appropriate governance structures for the enlarged Co-operative Group. Good governance lies at the heart of co-operation, ensuring that the business is responsive to the opinions of its members and I feel we have created a governance structure that will serve us well over the coming years.

Stakeholder engagement also featured more broadly on the Group’s agenda. Members and customers were invited to participate in reviews to shape aspects of our approach to ethical and environmental matters. In total, almost 250,000 responses were gathered across three consultations, the first of which saw a new Ethical Policy being launched for our food business in early 2008. The Co-operative Bank’s Ethical Policy was relaunched in 2009, with a series of new agenda-shaping banking positions that further cement the bank’s commitment to international development, animal welfare and the environment.

Consultation on the priorities for our community investment activities culminated in the launch of a new Community Plan in early 2009, which focuses resources and attention on three priority themes: tackling global poverty, combating climate change and inspiring young people. We have already made significant progress in these priority areas, further details of which can be found in this Report. For example, we became the first major retailer to convert all own-brand hot beverages to Fairtrade and the first to stock Fairtrade Palestinian olive oil; we have achieved planning permission to extend the wind farm on our land at Coldham, and to build a new wind farm on our land near Goole; and the Group committed a further £1m to its Green Energy for Schools programme.

The Co-operative Bank Ethical Policy reached a landmark in 2008, when, 16 years after its launch, the value of finance declined for ethical reasons passed the £1bn mark; whilst over the same period, the bank’s commercial lending has gone from strength to strength, standing at £4.4bn in December 2008.

I am always delighted when our, often pioneering, hard work is acknowledged. In 2008/09 The Co-operative’s accolades included: becoming Retail Week’s ‘Responsible Retailer of the Year’ for the second consecutive year and The Grocer’s ‘Green Retailer of the Year’. The Financial Times also awarded us the accolade of ‘most ethical brand’ and the Renewable Energy Association gave us their Pioneer Award. The Group also achieved a Platinum rank in the Business in the Community (BITC) Corporate Responsibility Index, which measures commitment to corporate responsibility, and this annual rating now forms one of the business’ key performance indicators.

The performance set out in this Report demonstrates that, for an increasing number of people, the co-operative way of doing business is as relevant today as it was when it transformed the face of retail in the nineteenth century. Customers are thinking harder about which businesses are deserving of their trust. This is especially true in a period when some previously highly respected businesses have let their customers down very badly on the ethical front. Indeed, I don’t think it is going too far to say that the faith placed in the whole economic system has been badly dented by the actions of a few high-profile businesses where self-interest was placed above the interests of customers and the public generally.

Against this backdrop, I commend this report to you as an open and honest account of our performance – good, bad and indifferent – in what is a truly exciting period for The Co-operative Group; one in which our trusted brand is generating substantial growth and is set to go from strength to strength.



Peter Marks

about this report

Scope of the Report

This Sustainability Report was published in September 2009. It is an annual report, which relates to the operations and stakeholders (page 7) of The Co-operative Group. Unless otherwise stated, performance relates to the calendar year 2008. Where significant material events have occurred in the early part of 2009, these are also commented upon.

Unless otherwise stated, the Report covers those businesses that make up The Co-operative Group, including its subsidiaries.

Standards and guidelines

This Sustainability Report aims to provide a 'warts and all' account of The Co-operative Group's economic, social and environmental performance. It has been prepared in accordance with the Global Reporting Initiative's G3 Sustainability Reporting Guidelines, which provide a globally recognised framework for reporting on an organisation's economic, social and environmental performance. The data and commentary in this Report are assured in accordance with the AA1000 Assurance Standard (2008). This requires the Report to be considered in relation to the principles of inclusivity, materiality and responsiveness (page 6).

Using this Report

The Report is split into 17 main performance sections – covering issues as diverse as sustainability management, social inclusion and biodiversity. A detailed discussion of why the Group reports on each of these issues is included at the start of each section, under the header 'Materiality and strategy'. Indicators are used throughout the Report to help make sense of the Group's performance.

Performance benchmarks

Where possible, performance is benchmarked against that of other organisations to help the reader make sense of reported performance. Such comparative information is reported in a box like this.

Restatements

Where a review of previously reported data has identified inaccuracies, the information is restated and identified by the symbol . Details of restatements are provided in the online version of this Report: www.co-operative.coop/sustainabilityreport

Target attainment: 2008 overview

During 2008, the Group has been working towards a series of targets set in prior years' reports. Progress is detailed throughout the Report and, in each case, classified within one of five progress categories:

Level of progress	Definition	2008 targets falling within each progress level
 Target achieved	Target attained	54 (68%)
 Close to target	Attained 75–99% (for targets set for completion in 2008)	5 (6%)
 On track	Attained 75–99% of progress expected in 2008 (for longer-term targets)	11 (14%)
 Behind schedule	Attained less than 75% of progress expected in 2008 (for short- and longer-term targets)	8 (10%)
 Target not achieved	No progress made	0 (0%)

In addition, two targets (2%) were dropped or revised in 2008, due to changes in business priorities and external changes. These are marked  in the Report.

74 targets have been set for attainment in 2009 and beyond. Targets are agreed annually in conjunction with relevant business areas, taking into account resources available and business priorities. Change within the business (inside front cover) also has an impact on the target-setting process.

This Report is the third fully consolidated annual Co-operative Group Sustainability Report. An online version is available at: www.co-operative.coop/sustainabilityreport. The most recent previous report was published in September 2008 and related to the calendar year 2007.

sustainable development policy

The Co-operative Group seeks to deliver value to its stakeholders in an ecologically sustainable and socially responsible manner.

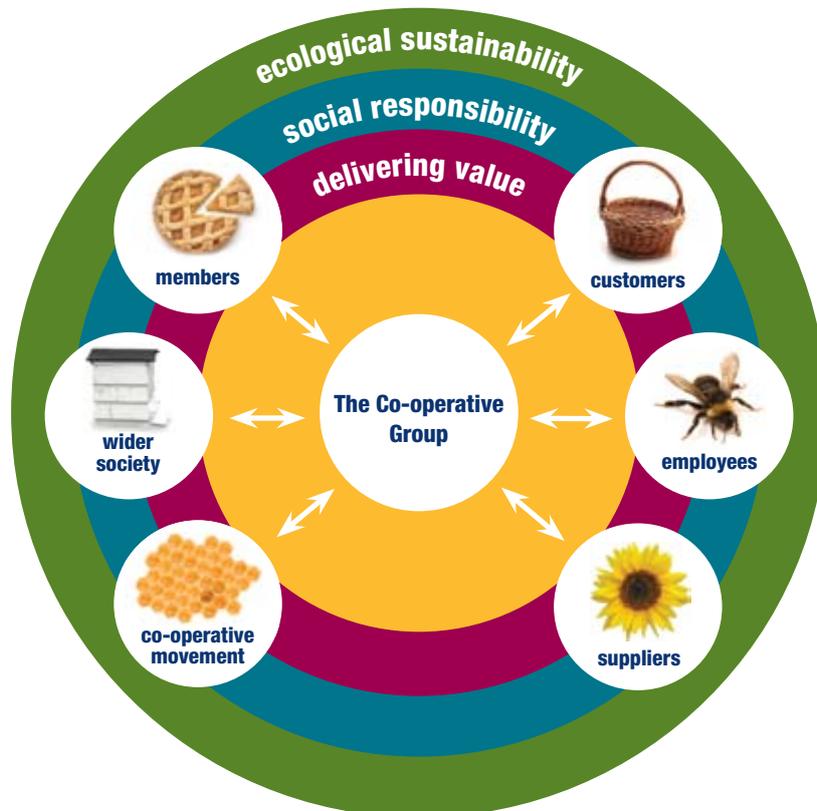
The Co-operative Group recognises the need to manage and develop its businesses in a sustainable manner – ie, business development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

We will seek to be transparent and accountable in our pursuit of sustainable development: reporting on progress (or the lack of it), securing independent verification and setting clear priorities and targets for all material activities.

We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing wastes), and that any business activity that exceeds these limits is, by definition, unsustainable in the long term and will need to be reconstituted. Nature cannot withstand a progressive build-up of waste derived from the Earth's crust, nor can it withstand a

progressive build-up of society's waste, particularly substances that cannot degrade into harmless materials. In addition, the productive area of Nature should not be diminished in terms of quality (diversity) or quantity (volume) and must be enabled to grow. These we recognise as the minimum conditions for ecological sustainability.

There are ethical components of sustainable development for which business should be accountable. These extend far beyond legislative compliance. Unlike for ecological sustainability, there exists much less consensus as to what constitutes socially responsible business practice. Therefore, when considering such matters, the Group will undertake stakeholder dialogue and be guided by the views arising, particularly those of members and customers, given their vital roles in governance and economic viability, respectively. More broadly, the Group will be guided by the long-established co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity, along with the pursuit of legislative compliance.



sustainability management

Indicators

Sustainability governance and management systems

Awards and recognition

Targets 2008

- ✓ Ensure that The Co-operative Group's sustainability accounting and reporting systems are recognised as being at the leading edge of best practice in the retail and/or financial sectors in 2008 (page 10).
- ✓ Continue to contribute to the development of global standards for business accountability (page 11).

- ✓ target achieved
- ⊞ on track
- ✗ target not achieved
- ⬅ close to target
- ⬅ behind schedule

Targets 2009

- Ensure that The Co-operative Group's sustainability accounting and reporting systems are recognised as being at the leading edge of best practice in the retail and/or financial sectors in 2009.
- Continue to contribute to the development of global standards for business accountability.

Background

The Co-operative Group is a member-owned co-operative, and is registered in the UK under the Industrial and Provident Societies Act. The Group aligns its sustainability management and reporting with the three principles set out in the AA1000 AccountAbility Principles Standard (2008)¹.

Application of the AA1000 principles

Inclusivity: The Group includes the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Key mechanisms include its democratic governance structures and the engagement of stakeholders in policy and strategy development. During 2008 and early 2009, some 250,000 members and customers participated in Ethical Policy (pages 9 and 39) and Community Plan (page 57) consultations, and oversight of the Group's sustainability, community and membership strategies was undertaken by a committee made up entirely of non-executive directors, many of whom were drawn from the Group's ordinary membership (page 8).

Materiality: The Group identifies and focuses activity on those issues that are of greatest relevance and significance to its stakeholders and to the business. The diagram on page 7 details those factors that influence materiality decisions. This Report is structured around the issues that have been identified as being most material, and each section of the Report details how materiality has been determined in each of these areas.

Responsiveness: The Group is responsive to relevant and important stakeholder concerns. Examples include policy development and implementation (page 9), community and campaigning activity, and the Group's sustainability reporting, in which targets are set in relation to material issues, and progress detailed in an open and honest manner.

As owners of the business, members of The Co-operative Group have a say in how it is managed, through their participation in its democratic governance structure, as detailed on pages 100–101. Members' capacity to effect change within the business includes, but is not restricted to, the area of sustainability.

Materiality and strategy

It is The Co-operative Group's vision to be the best co-operative business in the world. In pursuit of this, commercial success, competitive advantage and social goals have been identified as strategic imperatives, as set out in a balanced scorecard:



While the Trading Group and CFS have a common set of strategic priorities, the methodology for measuring these differs slightly in most cases, reflecting the differing nature of their respective markets and operations. In accordance with the Business Review requirements of the Company Act 2006, the key performance indicators underpinning strategy, together with progress, are now reported on for both the Trading Group and CFS².

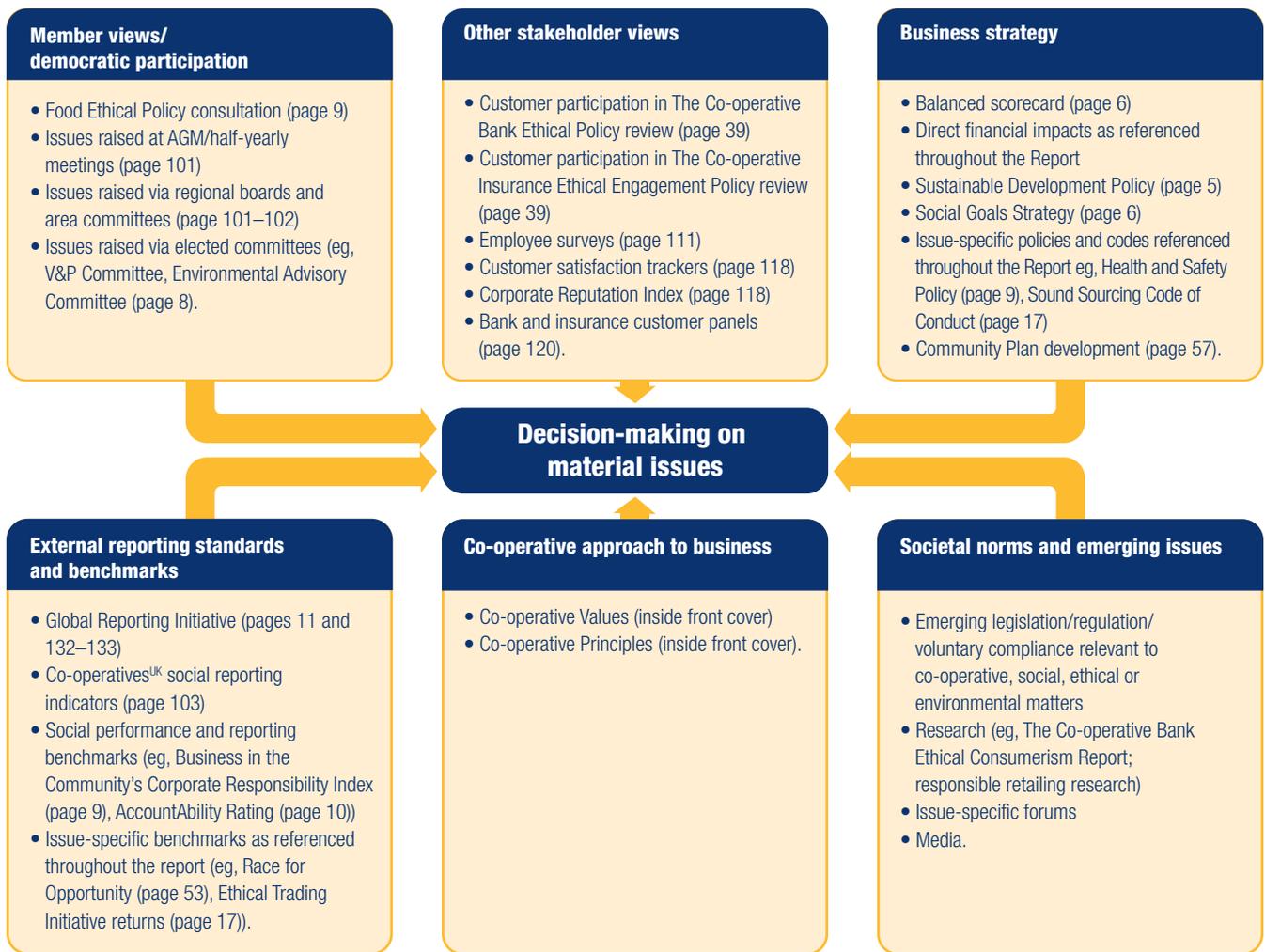
In 2006, a Group-wide Social Goals Strategy was developed. This was considered, refined and approved by the Executives of CFS and the Trading Group, and subsequently the Group Values & Principles (V&P) Committee, a senior committee of the Group Board. The strategy acknowledges that no business can lead on every aspect of sustainable development, and that issues need to be prioritised and resources focused.

The strategy has been refined over time and now sets out the Co-operative's aim to progress and lead on: 'openness and honesty', particularly in respect of sustainability accounting, auditing and reporting; 'stakeholder accountability and engagement', particularly in respect of customer and member involvement in policy development; 'ecological sustainability', with a particular focus on combating climate change, followed by waste and biodiversity; 'international development', with a focus on tackling global poverty; and 'community investment and campaigns', with an emphasis on positive public policy engagement.

In 2009, it was agreed that 'water' would be added to the list of ecological priorities, and the consultation on the Community Plan (which is a subset of the Social Goals Strategy) added 'inspiring young people' to the community priorities of combating climate change and tackling global poverty (page 57).

The need for the business to develop in a more sustainable manner³ is central to the Group's strategy. It is recognised that

Mechanisms that influence materiality decisions



there are physical limits to the resources of the Earth, both in terms of generating materials and absorbing wastes, and that any business activity exceeding these limits is, by definition, ecologically unsustainable in the medium to long term. In its pursuit of the social element of sustainable development, the Group will continue to be guided by its stakeholders (and members in particular), by sustainability standards and the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity.

Underpinning the Group's pursuit of sustainable development is an increasingly robust system of governance, management, accounting and internal control, together with a renewed commitment to provide leading-edge openness and honesty.

Inclusivity

The Co-operative Group has identified six classes of stakeholder, upon whom its continued success is, to varying degrees, dependent, and engagement with key stakeholders remains an important ongoing activity in the Group's approach to sustainability. Examples of such engagement range from employee surveys, supplier training events and customer satisfaction surveys – typical of the approaches undertaken by many businesses of the Group's size – to consultations on the direction of the Group's ethical policies and member democratic participation. These latter examples of embedded engagement reflect the co-operative values & principles and have wide-reaching impacts on business strategy.

Democratic participation is an important element of the Group's approach to inclusivity. Elected area committees and regional boards, which are drawn from the Group's membership, consider

issues as diverse as store performance, developments and closures and the allocation of Community Fund donations⁴. Working in parallel with the democratic governance structure, the business also operates more traditional governance structures, which include mechanisms to manage and oversee the Group's approach to sustainability⁵.

Stakeholders

Members Anyone who is aged 16 or over, who lives in the UK, shares the Group's values & principles and agrees to invest at least £1 can become a member of The Co-operative Group. At the end of 2008, the Group had 2.5 million economically active members who received a dividend payment, and 310,000 democratically active members.

Customers It is estimated that approximately 22 million customers use the Group's businesses over the course of a year.

Employees At the end of 2008, the Group had 82,000 staff, of which 74,300 were employed by the Trading Group (page 111), and the remaining 7,700 were employed by CFS.

Co-operative Movement There are over 800 million co-operators across the world, and the Group, as one of the largest co-operatives worldwide, seeks to deliver value to the rest of the Co-operative Movement in line with the sixth co-operative principle, 'co-operation between co-operatives'.

Suppliers Relationships with the Group's suppliers range from infrequent purchases to ongoing strategic partnerships across the different business areas. For example, The Co-operative Food, by far the Group's largest business area, sourced goods for resale from around 2,500 suppliers in 2008.

Wider society Amongst other groups, 'Wider society' encompasses the communities within which the Group trades, local and national governments, NGOs, industry organisations, multi-stakeholder groups, charities and external expert organisations.

Engagement and stakeholder views arising are presented in relevant sections of this Report.

Governance

Throughout 2008, oversight of the Group's sustainability, community and membership strategies was undertaken by a senior committee of The Co-operative Group Board – the Group V&P Committee⁶. The Committee was appointed by the Board and during 2008 comprised one elected director from each of the former Group's eight regions, three directors from the former United Region and three directors representing corporate members, along with the Group Chair, the Chair of CFS and a Deputy Chair of the Board, who chairs the Committee⁷.

That such authority should rest with a body made up entirely of non-executive directors, many of whom are drawn from the Group's ordinary membership⁸, is significant, and is almost certainly unique among large businesses in the UK.

The term 'social accountability' is gaining increased currency amongst businesses; however, its scope is usually restricted, at best, to stakeholders having a say in what issues a business measures and reports on (ie, the 'materiality' of the issues). This is good and proper, and an approach CFS has pioneered for over a decade, and for which it has received more than a dozen awards. At the same time, The Co-operative Group members are firmly embedded in governance (both in general, and in sustainability governance specifically) and policy formulation (pages 100–102). As such, whilst engagement with stakeholders continues to be central to the Group's approach, there is an increased focus on how the Group's strategies, policies and performance respond to stakeholder concerns via its democratic structures (ie, the 'responsiveness' of the business).

More broadly, the majority of The Co-operative Group Board members (25 of 32, or over 75%) are elected by the Group's 45 area committees, which, in turn, comprise individuals from the individual membership base (page 100). The remaining seven members are elected by, and from, the corporate membership of the Group, who represent societies to whom the Group provides services.

Each region has a V&P Committee, which is tasked with ensuring that co-operative principles and social goals are pursued at a regional level. A region's V&P Committee comprises elected members delegated from area committees and the regional board, and has the authority to escalate issues for the consideration of the Group V&P Committee.

In 2007, the Group V&P Committee established an Environmental Advisory Committee⁹ chaired by a non-executive member of the Group Board. In 2008, the Committee included representation from management and six regional board designates (as put forward by the regions for the consideration of the Chair and management representatives from Social Goals and Membership).

Risk management and internal control

The Group operates a diverse range of businesses and is, therefore, exposed to a complex array of risks (in this context risks are considered material only in so far as they have the ability to impact the short- and/or long-term value of the business). In 2008, in accordance with the requirements of the new Enhanced Business Review regulations, the Annual Report and Accounts of the Group and Co-operative Financial Services each provided a statement on the principal risks and uncertainties being faced¹⁰.

Each business has a risk register that identifies the likelihood and impact of risks occurring and the actions being taken to manage them. Risk assessments are updated on a regular basis by

bespoke risk management committees and are regularly reported to the Management Executive teams and Group Board through the Audit & Risk Committee¹¹. Significant risks are combined for the whole business and recorded in a Group Risk Register, which is considered by the Group Risk Management Committee (this includes representation from the Group's Social Goals and Sustainability department)¹², which provides reports, four times a year, to the Group Audit & Risk Committee. Damage to reputation or brand, including the strength of the Group's ethical stance, is one of the risks addressed by the Group.

Throughout 2008 the Trading Group and CFS Boards each had responsibility for their respective business' systems of internal controls, which aim to safeguard those business' assets. A key part of the process in assessing internal control by the Group Audit & Risk Committee is an annual 'letter of assurance' process by which the Executives confirm they have assessed the effectiveness of their systems of internal financial and non-financial controls, their compliance with policies (including those relating to safety, health and the environment), local laws and regulations (including the industry's regulatory requirements) and reporting any key control improvements required. The outcome of these letters is reported to the Group Audit & Risk Committee. The directors are then able to review the system of internal controls and, in 2008, believe it complies with the Turnbull Report guidance. The Committee considers that there have been no weaknesses that have resulted in any material losses, or contingencies that have not been disclosed.

On appointment, directors undertake an induction programme, designed to develop their knowledge and understanding of the Group. Throughout their period in office, directors are regularly updated on the Group's business, its competitive and regulatory environments, corporate social responsibility matters and other changes affecting the Group and the industries in which it operates.

Throughout 2008, the Group Board received quarterly progress reports on ethics and sustainability matters. In addition, the Group and CFS Executive teams received monthly updates on progress, with an emphasis on matters arising and developments pending.

Performance benchmark

In April 2007, a Queen's Award for Enterprise in the Sustainable Development category was conferred upon the Group. The Award recognised the Group's achievements in embedding sustainability across its operations and runs for five years. The official announcement stated: 'The business has implemented an impressive range of initiatives across all aspects of its activities, reflecting a commendable corporate sustainability ethos. Key among these initiatives is its suite of impressive ethical investments and its laudable leadership on Fairtrade issues. Innovative schemes to reduce its transport impacts, coupled with pioneering research to reduce the impact of its own-brand packaging, and investment in projects to reduce energy consumption, also testify to the ambitious sustainability aims of the Group. The Group is also to be praised for its strong Co-operative Community Investment Foundation that provides direct financial support, as well as volunteer support, to a number of community organisations, and for its social goals agenda.' The Group is the only major food retailer or major financial services provider to have been awarded the Queen's Award for Enterprise in the Sustainable Development category across its operations.



Performance benchmark

In recent years, the Trading Group, The Co-operative Insurance and The Co-operative Bank have all separately benchmarked their strategy, management, reporting and performance in the area of corporate responsibility via participation in Business in the Community's (BITC) annual Corporate Responsibility (CR) Index¹³ and, in the last-ever absolute rankings, the bank was ranked first. Having attained Platinum, the highest ranking, in the 2007 CR Index, CFS was, in 2008, additionally invited to apply for entry into the new 'Platinum+' category, which challenges businesses to demonstrate the degree to which CR is embedded in business strategy. Assessment was via a rigorous evaluation meeting, involving senior managers from across the business, along with the Chief Executive. CFS is one of only seven businesses to have achieved the Platinum+ standard. A consolidated Group-wide submission to the full CR Index was also made for the first time in 2008. The Group was placed in the Platinum group, attaining a total score of 96.5% and scoring higher than the sector average in each of the seven categories.



Management

Day-to-day management of the Group's Social Goals Strategy is undertaken by the ethics and sustainability (19.5 full-time equivalent staff) and community and campaigns (16 full-time equivalent staff) teams in the Group's Social Goals and Sustainability department¹⁴. The department came together in 2006, following the centralisation of a number of Trading Group and CFS corporate functions. The Head of Social Goals and Sustainability reports to the Group Marketing Director, who is a member of the Trading Group Executive¹⁵.

Responsible investment activities are, additionally, supported by a distinct team (7.5 full-time equivalent staff) within The Co-operative Insurance's Investment Management function, and responsible retailing by a distinct team within The Co-operative Food, who are supported by an Ethical Trade Working Group. In 2007/08, seven regional energy managers were recruited and over 2,500 employees were trained and became energy champions across The Co-operative Food stores. Many other individuals throughout the business are directly responsible for aspects of the Group's sustainability programme.

Policy

The Group's overarching approach to ethics and sustainability was consolidated in a new Sustainable Development Policy in 2007 (page 5). This outlines the Group's aspiration to deliver value to its stakeholders in an ecologically sustainable and socially responsible manner, along with its commitment to be transparent and accountable in the pursuit of sustainable development.

In addition, the Group has a suite of bespoke, customer/member-mandated ethical policies in place in connection with the majority of its business activity¹⁶. The Co-operative Bank and The Co-operative Insurance operate customer-mandated ethical policies that govern, respectively, who the bank will and will not finance and The Co-operative Insurance's approach to engagement with investees (pages 41–43). During 2008, The Co-operative Bank customers were consulted for the fifth time on the bank's Ethical Policy (page 39). The consultation solicited the largest-ever response from bank customers,

and, as a result, nine new ethical positions were added to the Policy in the areas of human rights, international development, ecological impact and animal welfare. This followed the launch of a member-mandated Ethical Policy for the Food business in early 2008¹⁷. Over 100,000 co-operative members, of whom 64,000 were members of The Co-operative Group¹⁸, were consulted, and the vast majority endorsed the adoption of the Policy, which covers ethical trading, animal welfare, environmental impact, food quality, diet and health, and community retailing issues¹⁹; making it what is believed to be the world's largest consumer poll on ethics. In addition the consultation asked members to identify one issue where they would welcome further progress. Responses clustered around: ethical trading (27%); animal welfare (25%); and the environment (22%). Progress made and targets set in key policy areas are detailed throughout this Report.

Sound sourcing is a major activity for the Co-operative Group. Most significantly, policies in this area comprise: CFS' Sustainable Procurement and Supplier Policy, which focuses on goods not for resale; and the Group's Sound Sourcing Code of Conduct, which focuses on goods for resale (page 17). The Sound Sourcing Code of Conduct was amended in 2009, following approval by the V&P Committee.

In early 2009, the Group agreed a new Human Rights and Trade Policy (page 19), which sets out the extreme conditions that need to be breached for the Group to suspend trade with a nation state, designated region, or in a particular product. In addition, a Responsible Sourcing Policy for both farmed and wild fish, was launched in 2008 (page 86).

Health and Safety Policies for both The trading Group and CFS seek to ensure that the health, safety and well-being at work of all employees is safeguarded, and that non-employees are protected from any hazard created by the Group's operations²⁰. The Policy statements are signed by the Chief Executives, and are applicable to all Group businesses, their management and employees. Health and safety performance in relation to employees during 2008 is detailed on page 115. A host of specific policies have been developed in relation to issues such as diversity, packaging and pesticides, and these are detailed in relevant sections throughout this Report.

The Trading Group and CFS have separate Codes of Business Conduct covering relations with customers, members, employees, suppliers, community and competitors. In both instances, the codes provide procedures to report, in confidence, suspected serious malpractice. A revised Trading Group Code of Business Conduct is currently under development, to be issued in 2009.

Performance benchmark

CFS – Business in the Community Company of the Year

In July 2008, The Co-operative Financial Services won the prestigious Business in the Community (BITC) Impact on Society Award, which carries the designation of BITC 'Company of the Year'. The award recognises those companies that, through leadership and the integration of responsible business practice, are improving their overall impact on society.



Achievements: reporting

1990 The Co-operative Bank Partnership Report named Best Social Report, at the ACCA UK Sustainability Reporting Awards and receives special commendation for Stakeholder Reporting in the European Environmental Reporting Awards.

2000 The Co-operative Bank Partnership Report named Best Social Report and Best Environmental Report at the ACCA UK Sustainability Reporting Awards.

2001 The Co-operative Bank Partnership Report named Best Sustainability Report and The Co-operative Insurance awarded Best Social Report at the ACCA UK Sustainability Reporting Awards.

2002 The Co-operative Bank Partnership Report named Best Sustainability Report at the ACCA UK Sustainability Reporting Awards and at the European Sustainability Reporting Awards. Also ranked first in the biennial global survey of the world's leading sustainability reports carried out by the United Nations Environment Programme/SustainAbility.

2003 The Co-operative Bank's Partnership Report named Best Sustainability Report and The Co-operative Insurance Social Accountability Report awarded Best Social Report (joint winner) at the ACCA UK Sustainability Reporting Awards.

2004 The Co-operative Financial Services Sustainability Report awarded Best Sustainability Report at the ACCA UK Sustainability Reporting Awards and ranked first in the biennial global survey of the world's leading sustainability reports carried out by UNEP/SustainAbility.

2006 CFS' Sustainability Report was runner-up at the ACCA UK Sustainability Reporting Awards; the report was also ranked 'number two' by the United Nations Environment Programme in its most recent biennial global survey of the world's leading sustainability reports.

2008 The Co-operative Group's Sustainability Report 2006/07 achieved the highest AccountAbility Rating of any report undertaken to date. The Sustainability Report 2006/07 was runner-up in the Best Sustainability Reporting category at the ACCA UK Sustainability Reporting Awards.

2009 The Co-operative Group Sustainability Report 2007/08 was named the most 'Open and Honest' Report at the International CR Reporting Awards 2008. The Sustainability Report 2007/08 outperformed all the G100 companies in the AccountAbility Rating (performance benchmark below).

Accounting and reporting

The process of accounting, auditing and reporting on material social, ethical and environmental impacts is a central component of the Group's pursuit of sustainable development. It is a critical driver of performance improvement for management, and, at the same time, provides crucial data to stakeholders, not least members, who can use it to inform their customer and governance relationships with the Group.

Performance benchmark

The AccountAbility Rating²¹, undertaken by AccountAbility and **csrnetwork** (now Two Tomorrows), measures the extent to which responsible practices are placed at the heart of business. The Co-operative Group's Sustainability Report 2007/08 was benchmarked against those of the Fortune Global 100 (G100). The Group scored 82%, which is significantly higher than the average G100 retail and fast-moving consumer goods (FMCG) sector score of 39%, and average financial services sector score of 45%. The Group's score bettered the highest-scoring G100 company, Vodafone (78%). The Group also outperformed the highest-scoring retail and FMCG company, Tesco (56%), and the highest-scoring financial services company, HSBC (68%), by a considerable margin. The report highlights that 'the breadth and depth of issues discussed in both the Sustainability Report and on The Co-operative's website is highly commendable, especially in light of the significant number of issues represented amongst all the sectors in which The Co-operative operates'.

The development and maintenance of accounting systems across a business as large and complex as the Group can, at times, be challenging, and requires that resources are focused on measuring those things that are most important to the business and its stakeholders. This prioritisation continues to inform the information reported herein. Additionally, content of this Report is informed

by the Global Reporting Initiative's G3 Sustainability Reporting Guidelines. This Report has been checked by GRI and found to be consistent with a GRI G3 application level of A+²². A summary index detailing the Group's reporting against the G3 indicators is provided on pages 132–133, with a more detailed account provided online²³.

Performance benchmark

The Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines provide a globally recognised framework for reporting on an organisation's economic, social and environmental performance. The Co-operative Group Sustainability Report 2007/08 was also checked by GRI and found to be consistent with a GRI G3 application level of A+. The Group believes that in 2007 and 2008 no other UK company from the food retail, bank or insurance sectors produced a sustainability report to an A+ level²⁴.



Audit and assurance

The Group is committed to the AA1000 Assurance Standard (AS)²⁵ and, as previously described, considers its sustainability management and reporting to be aligned with the AA1000 principles as set out in the AA1000 Assurance Principles Standards (APS)²⁶. The AA1000AS was revised and relaunched in 2008, and the Group's 2008/09 Report is its first to report in line with the new standard. The AA1000AS (2008) sets out the core elements of credible public assurance statements, and the requirements of the assurance provider in relation to their independence and competencies. In undertaking an assurance assignment based upon AA1000AS (2008), the auditor assesses the degree to which:

- the organisation includes the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability – **inclusivity**;

- reporting contains the information that is relevant and important to stakeholders, as well as the reporting organisation – **materiality**; and
- the reporting organisation has coherently responded to relevant and important stakeholder concerns – **responsiveness**.

The Group appointed Two Tomorrows to provide assurance, primarily on the basis of the high standing in which the principal auditors are held²⁷. Given the generally low levels of trust in business, it is vital that those providing sustainability audit and assurance are viewed as being not just professional, but also challenging and sensitive to the aims of sustainable development. The scope and depth of the third-party independent assurance extends to the verification of all key performance data and claims made within this Report, unless otherwise stated in the assurance statement, along with an evaluation of adherence to the AA1000 principles (type 2 assurance)²⁸ (pages 130–131). The assurance providers were contracted to provide a moderate level of assurance²⁹ for the majority of the Report content, and a high level of assurance³⁰ over the bank's Ethical Policy implementation.

In 2008, the supporting internal audit programme was reviewed; partly informed by key issues identified in the last report cycle. Audit activity focused on The Co-operative Trading Group's sound sourcing/labour standards programme (pages 17–19).

Influence and action

For more than a decade, the Group has been active in shaping sustainability accounting and reporting standards, at both a national and international level. During 2008, the Group supported the following activities:

- The Accountability, Future of Reporting and Assurance Commission
- The international launch of the AA1000AS Reporting Standard.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Overview of Group environmental management (page 63).
- Overview of Group community and campaigns management (page 58).
- Details of the Group's democratic structure (pages 100–101).
- Summary of the Group's recent constitutional review (page 100).
- Co-operative values & principles (inside front cover).
- Sustainable Development Policy (page 5).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Engagement Policy (page 39).
- The Co-operative Food Ethical Policy (pages 25, 33 and 63).
- Human Rights and Trade Policy (page 19).
- Sound Sourcing Code of Conduct (page 17).
- Materiality and strategy is covered in more detail on the first page of each section of the Report, along with the targets and indicators relevant to the section.

Accompanying notes

- 1 www.accountability21.net
- 2 The Co-operative Group Annual Report and Accounts 2008 (pages 20–22), and Co-operative Financial Services' Financial Statements 2008, pages 18–19.
- 3 In 1987, the Brundtland Report, 'Our Common Future', defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.
- 4 Terms of reference for elected committees can be found at: www.co-operative.coop/en/corporate/sustainability/areacommittees/ and www.co-operative.coop/en/corporate/sustainability/regionalboards/
- 5 The Co-operative Group complies with the UK Combined Code on Corporate Governance as far as it is applicable to an Industrial and Provident Society. Compliance is reported in the 2008 Annual Report and Accounts of The Co-operative Group, pages 26–30 and Co-operative Financial Services' Financial Statements 2008, pages 36–42.
- 6 Terms of Reference for the V&P Committee can be found at: www.co-operative.coop/en/corporate/sustainability/vandptor/
- 7 The V&P Committee met five times during 2008 and also held a conference at which it met with regional V&P committees. During 2008, the Committee's structure was reviewed as part of the wider Constitutional Review and, as a result, a new structure was adopted in June 2009 (page 100).
- 8 Anyone who is aged 16 or over, who lives in the UK and agrees to invest at least £1 can become a member of The Co-operative Group.
- 9 Terms of Reference for the Environmental Advisory Committee can be found at: www.co-operative.coop/corporate/sustainability/eradvisorytor/
- 10 The Co-operative Group Annual Report and Accounts 2008, p29 and Co-operative Financial Services' financial statements 2008, pages 48–50.
- 11 The Co-operative Group Annual Report and Accounts 2008, page 27, the Audit and Risk Committee has 11 members. Amongst other things, the Committee monitors the integrity of the Society's financial statements and any formal announcements relating to the Society's performance, together with any significant financial reporting judgements contained in the financial statements.
- 12 The Co-operative Group Annual Report and Accounts 2008, page 29.
- 13 www.bitc.org.uk
- 14 The Head of Social Goals and Sustainability and the PA to the Head of Social Goals and Sustainability are included within the ethics and sustainability headcount.
- 15 The Group Marketing Director has Executive responsibility for community and environmental strategy and performance across The Co-operative Group, and for marketplace strategy and performance in the Trading Group. Marketplace issues at CFS are the Executive responsibility of the Managing Directors for Retail and Corporate Markets. Trading and CFS Executive teams have Directors of Human Resources with Executive responsibility for workplace issues, such as diversity, health and safety and well-being.
- 16 Customer/member-mandated ethical policies are in place for the bank, insurance and food businesses. In 2008, these businesses, together, accounted for 69% of the Group's total revenue.
- 17 www.co-operative.coop/food/ethics/Ethical-trading/Ethical-policy/
- 18 Respondents comprised 64,000 Co-operative Group members and 36,000 members of other Co-operative societies. Results presented in this Report relate only to Co-operative Group member responses. Analysis by the Group's Customer Insight team shows that respondents to the consultation were representative of the overall membership base in terms of age, gender and location, and there was a significantly higher representation from the prime target audience of working families.
- 19 Further details of the Policy are presented throughout this Report in the 'Materiality and strategy' paragraphs at the start of relevant sections.
- 20 The Co-operative Group Annual Report and Accounts 2008, page 23; and Co-operative Financial Services Financial Statements 2008, page 32.
- 21 www.accountabilityrating.com
- 22 For further information on G3 application levels, see: www.globalreporting.org/GRIReports/ApplicationLevels/
- 23 A full account of the Group's performance – or non-reporting – against all G3 indicators is provided in the online version of this report at: www.co-operative.coop/sustainabilityreport
- 24 Based on our assessment of corporate reports detailed at www.corporateregister.com and at www.globalreporting.org/GRIReports/GRIReportsList/; Corporate Register lists details of approximately 95% of all sustainability reports published.
- 25 www.accountability21.net
- 26 *Ibid.*
- 27 Members of the Two Tomorrows team (previously known as **csrnetwork**) have previously provided assurance on CFS and Group Sustainability Reports, which were rated by UNEP's biennial assessments as incorporating the best third-party audit and verification of any reporting in the world. Further information relating to the audit team, including Statements of Competencies and of Impartiality, can be found at www.twotomorrows.com/
- 28 AA1000 Assurance Standard 2008, Accountability, www.accountability21.net Type 1 assurance evaluates the nature and extent of an organisation's adherence to the three AA1000 AccountAbility Principles. Type 2 assurance evaluates adherence to AA1000 AccountAbility Principles, as for type 1 assurance, and, in addition, evaluates the reliability of specified sustainability performance information.
- 29 An assurance provider achieves moderate assurance where sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error is reduced, but not reduced to 'very low but not zero'.
- 30 An assurance provider achieves high assurance where sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error is 'very low but not zero'.

social responsibility **contents**

- 14** International development and human rights
- 25** Animal welfare
- 33** Diet and health
- 39** Ethical finance
- 46** Social inclusion
- 50** Diversity
- 57** Community investment

Image: Tea growing in the foothills of Mount Mulanje, South Malawi, the source of some of the Co-operative's Fairtrade tea

Our **social responsibility** priorities range from support for Fairtrade to higher animal welfare standards, ethical screening of finance to community contributions.

Strategy

Taking a responsible approach to business has been a guiding focus of The Co-operative Group since its inception. Today, the Group's co-operative values & principles (inside front cover) resonate strongly with contemporary ideas of corporate social responsibility. However, there are still areas where the co-operative difference is manifest, not least in how the interests of ownership, control and benefit are vested with consumers, not capital (pages 99–105). For more than a decade, UK retail co-operatives (of which the Group now accounts for the majority of turnover) have been seen by many as the UK's leading ethical traders. A 2008 study on business ethics found, for the second consecutive year, that consumers ranked The Co-operative Group as 'the most ethical brand' in the UK¹.

As a large and diverse business, The Co-operative Group has a wide range of social impacts – both positive and negative. Compared to ecological sustainability, consensus as to what constitutes socially responsible business practice is more limited. When considering such matters, the Group is responsive to the views of its stakeholders (particularly members² and customers), whilst seeking to ensure its approach is aligned with co-operative values & principles.

Reporting

In the 2007 Co-operative Food Ethical Policy consultation (pages 9, 25, 33 and 63), over half of the members responding cited ethical trading and animal welfare as the most important ethical issues on which the Group should focus³. Support for new policy positions addressing these, along with the issues of food quality, diet and health, and community retailing, consistently attracted the support of over 90% of members in the consultation. Extensive research with customers of The Co-operative Insurance⁴ and The Co-operative Bank has also endorsed ethical finance (and various elements therein) as a priority for The Co-operative Financial Services. Over 95% of bank customers consistently supported new policy statements in the areas of international development and animal welfare in the fifth bank Ethical Policy review that was initiated at the end of 2008 (page 39). In addition, the co-operative principles of 'concern for community' and 'voluntary and open membership', and the co-operative value of 'equality', drive the inclusion of community investment, social inclusion and diversity as priority reporting areas in relation to social responsibility.

Developments

The Group has conducted a series of extensive member and customer consultations, generating in total almost a quarter of a million responses and resulting in the launch of two new or revised Ethical Policies and a new Community Plan in 2008 and early 2009. In 2008, The Co-operative Food launched its Ethical Policy (page 9). In 2009, The Co-operative Bank updated its Ethical Policy (page 39), and the Group's new Community Plan (page 57) was launched in 2009.

Recognition

- Group received a Queen's Award for Enterprise 2007 (Sustainable Development Category). The award runs for five years (page 8).
- In May 2008, the Co-operative was named the UK's most ethical brand for a second year running, in a poll by GfK NOP for the Financial Times.
- In July 2008, CFS won the prestigious Business in the Community (BITC) Impact on Society Award, which carries the designation of BITC 'Company of the Year' (page 9).
- CFS achieved the new Platinum+ standard in the BITC Corporate Responsibility Index, 2008. It was one of only seven businesses to receive this recognition, and the only one in its sector; the Trading Group achieved a Platinum ranking in BITC Community Index 2008, with a score of 96.5% (page 9).
- In October 2008, The Co-operative Group was awarded the first-ever Lifetime Achievement Award by the RSPCA for its leadership in relation to animal welfare (page 26).
- A number of awards were achieved for the Group's 'From Farm to Fork' project (page 37), including the Best Community Initiative at the Checkout Convenience Awards in May 2008, the IGD Food Industry Social Innovation Award in October 2008, and the Food and Drink Federation, Chairman's Award in October 2008.
- In the Concerned Consumer Index, January 2009, The Co-operative Bank was rated as the bank that consumers would be most likely to buy products and services from and would be most likely to recommend to their family and friends⁵.
- In March 2009, The Co-operative Food was rated the number one supermarket for addressing social and environmental issues, for the second consecutive year, in the Concerned Consumer Index⁶.

Accompanying notes

- 1 GfK NOP (May 2008) consumers and ethical brands in 2008.
- 2 74% of Trading Group employees and 72% of CFS employees are members of The Co-operative Group.
- 3 27% of Co-operative Group members who responded listed ethical trading as the single most important issue; 25% listed animal welfare; and 22% listed the environment.
- 4 Over 44,000 customers responded to a poll in 2004/05 that sought customers' views on how The Co-operative Insurance should engage with investees with a view to influencing their behaviour. 98% of customers were in favour of the adoption of an Ethical Engagement Policy to guide the management of The Co-operative Insurance's investments.
- 5 www.populuslimited.com/concerned-consumer-index-260109.html
- 6 www.populuslimited.com/concerned-consumer-index-230309.html

social responsibility international development and human rights

Indicators

Fairtrade range and sales value

Supplier capacity building

Improvement actions resolved

Microfinance support

Support for overseas co-operatives

Targets 2008

- ✔ Increase the number of Fairtrade lines stocked by The Co-operative Food to over 200 products (page 15).
- ✔ Continue the roll-out of Sedex to suppliers of The Co-operative Food, and work with suppliers to progress corrective actions identified as part of a risk-based auditing programme (page 17).
- ✔ Extend awareness-raising and training sessions on sound sourcing for suppliers, with a focus on Africa and UK migrant workers (page 19).
- ✔ Establish a committee to champion ethical trading values within The Co-operative Food, with representation from commercial teams (page 17).
- ✔ Undertake social audits of all tier-one production sites of The Co-operative Clothing during 2008 (page 19).
- ⚡ Launch at least one new microfinance scheme via The Co-operative Bank (page 20).
- ✔ Via The Co-operative Bank's Customers Who Care programme, educate and raise awareness of the Universal Declaration of Human Rights and encourage participation in human rights activism (pages 22–23).
- ✔ Support the Co-operative College's Fair and Square education programme (page 23).

- ✔ target achieved = on track ✘ target not achieved
 ⚡ close to target ⚡ behind schedule

Targets 2009

Sustain at least 20% year-on-year sales growth of Fairtrade products in The Co-operative Food in 2009.

Commence water access, sanitation and renewable energy project with Fairtrade sugar cane producer communities in southern Malawi during 2009.

Ensure The Co-operative Food's own-brand tier-one production sites complete a self-assessment on Sedex and work with suppliers to progress corrective actions arising during 2009.

Targets 2009 continued

Extend awareness-raising and training sessions on sound sourcing for The Co-operative Food suppliers, with a focus on North Africa, South Africa, China and the UK during 2009.

Work with suppliers of The Co-operative Clothing to progress corrective actions during 2009, following the roll-out of Sedex to all overseas tier-one production sites.

Develop a Fairtrade cotton product offering from The Co-operative Clothing during 2009.

Increase the number of Travelife-accredited properties, used for The Co-operative Travel's own-brand holidays, to 25 by the end of 2009.

Launch two new microfinance schemes via The Co-operative Bank during 2009.

Establish one producer co-operative for tea smallholder farmers in the Kericho area of Kenya, with support from The Co-operative College UK and The Co-operative College Kenya.

Background

When undertaken equitably, and with respect for human rights, trade has an unparalleled capacity to lift people out of poverty and enhance quality of life across the world. In the past century, few major economies have been lifted out of poverty without the utilisation of international trade, which offers particularly important opportunities for people living in rural areas, where three-quarters of the world's poor are estimated to live¹. Notwithstanding the need for powerful, developed countries to bring about a more ethical international trading system, the day-to-day pressures of business competition and mainstream customer purchasing behaviour, together with the political, cultural and socio-economic backdrop of many countries, make progress on development and the assurance of decent labour standards very challenging. It is estimated that the livelihood of nearly three billion people, or half of the world's population, is made secure by co-operative enterprise and that co-operatives directly employ an estimated 100 million workers; more than all the world's multinational companies². Indeed, many Fairtrade producers, such as The Co-operative Group's Kuapa Kokoo cocoa supplier in Ghana, are co-operatives³.

Materiality and strategy

A conservative estimate suggests that over 750,000 individuals in the developing world directly benefit from the Group's international development activity each year⁴. The breadth and longevity of the Co-operative's support for poverty alleviation firmly position it amongst the most progressive of businesses on international development issues.

Following a consultation in 2008 in which over 50,000 members, customers and colleagues took part, 'tackling global poverty' was confirmed, in early 2009, as one of three priority areas for the Group's Community Plan (page 57). In response, The Co-operative Group will now invest a further £1m per year for three years to help alleviate poverty in the developing world.

The size and global reach of The Co-operative Food business give it a particularly significant role regarding international development; in 2008, Co-operative own-brand products were sourced from over 1,400 production sites in over 50 countries⁵. An ethical trade working group was formed in 2008, which aims to facilitate the integration of ethical trade into core business activities and set terms of reference for the food business. Development awareness-raising and funding is also factored into a variety of products the food business offers, not least through the consistent leading support offered to Fairtrade products.

In its approach to international development, CFS seeks to be the world's leading retail bank and institutional investor. Via its provision of financial services, the bank seeks to support poverty reduction and the principles of the Universal Declaration of Human Rights (UDHR), and a revised Bank Ethical Policy, launched in February 2009 (page 39), contains several new provisions on international development and human rights⁶. Customers of The Co-operative Insurance have, similarly, signalled their concern about a range of economic justice and human rights issues⁷.

Fairtrade



The Co-operative Group has demonstrated continued commitment to the FAIRTRADE Mark since it was launched in the UK in 1994. The Mark appears on certain products, and acts as an independent guarantee that disadvantaged producers and workers in

the developing world are getting a better deal⁸. The UK Fairtrade Foundation estimates that more than 7.5 million people – farmers, workers and their families – across approximately 60 developing countries, benefit from the international Fairtrade system⁹, of which it is estimated that over 150,000 people benefited from The Co-operative Food's sales of Fairtrade products in 2008¹⁰.

During 2008, the range of Fairtrade goods for sale in The Co-operative Food stores was extended to 230 products (2007: 180), of which 146 (63%) were own-brand.

In a 2008 book on the history of the movement, the Executive Director of the UK Fairtrade Foundation described The Co-operative Group as "a pioneer in the area of sustainability" and made extensive references to The Co-operative Group, CFS and individual staff who have played key roles in promoting Fairtrade over the years¹¹. Through ongoing campaigning, product innovation and leadership, the Group has helped develop the UK as one of the largest Fairtrade markets in the world.

Details of Fairtrade products are provided on a dedicated section of The Co-operative Group's website¹², along with details of producers and benefits arising. As well as pioneering the sale of Fairtrade products in British supermarkets, The Co-operative Food has also helped make available Fairtrade products outside higher-priced premium niche markets. Such 'accessible' products include Fairtrade own-brand mid-priced coffee granules and Fairtrade chocolate¹³.

Performance benchmark

Sales of Fairtrade goods in The Co-operative Food's stores totalled £49m¹⁴ in 2008 (2007: £34m¹⁵). This represented 16% of UK supermarket sales of Fairtrade products (2007: 15%)¹⁶.

Typical sources of Co-operative Fairtrade products



Achievements: Fairtrade firsts

1992 The Co-operative sold Cafédirect coffee from 1992, before the FAIRTRADE Mark was introduced in 1994.

1997 Bank announces that all coffee in vending machines will be Fairtrade.

1999 Group announces it will stock Fairtrade chocolate, tea and coffee in all stores.

2000 Brings Fairtrade bananas to the UK and launches first own-brand Fairtrade product – Co-operative Milk Chocolate, made by Divine.

2001 Launches own-brand fairly-traded wine in advance of international Fairtrade standards.

2002 All own-brand block chocolate converted to Fairtrade. Begins to sell Fairtrade mangoes and pineapples – a world first.

2003 All own-brand coffee converted to Fairtrade.

2004 Launches the UK's first own-label Fairtrade Easter Egg.

2006 Launches first ever Fairtrade Argentinian wine and world's first Fairtrade peanuts.

2007 Launches the UK's first supermarket Fairtrade cotton carrier bag, first Fairtrade grapefruits and, at Christmas, sells the UK's first mince pies and own-brand Christmas pudding carrying the FAIRTRADE Mark¹⁷.

2008 Launches the UK's first Fairtrade chilled fruit smoothies from a supermarket, first Fairtrade ice lollies and first Fairtrade sparkling wine. Becomes the first supermarket chain to switch entire hot beverage range (tea, coffee and hot chocolate) and cotton wool range to Fairtrade.

2009 First supermarket to stock Fairtrade Palestinian olive oil – the first Palestinian product to receive Fairtrade certification.



Cotton wool

In December 2008, The Co-operative Food became the first retailer to convert its entire own-brand cotton wool range to Fairtrade. All the products in the range are made with Fairtrade cotton from Cameroon in West Africa.



Coffee

The Aguadas Coffee Co-operative in Colombia, comprising 1,200 farmers from 30 villages, has been supplying The Co-operative Food with Fairtrade coffee since 2003; the year that it became the first supermarket to convert all its own-brand coffee range to Fairtrade. In 2008, to celebrate the fifth anniversary of the switch to Fairtrade coffee, the Group agreed funding for five additional development projects, in the Aguadas community, including the rebuilding of a school.



Olive oil

In early 2009, The Co-operative Food became the first supermarket to stock Fairtrade Palestinian olive oil – the first Palestinian product to receive Fairtrade certification. Almost 75% of Palestinians live below the United Nations poverty line, and olive and olive oil production is a vital source of income for communities in the West Bank and Gaza. The oil is sourced from the Palestine Fair Trade Producers Company (PFTPC), which is made up of eight co-operatives, and around 265 growers.



Sugar

In 2008, The Co-operative Food completed the switch of all own-brand sugar to Fairtrade, sourced from the Kasinthula Cane Growers Association (KCGA) in Malawi. The KCGA also supplies the sugar that goes into The Co-operative Food's Fairtrade chocolate bars, some own-brand cakes and biscuits, and its organic ale. In 2008, Tate & Lyle announced the switch of all its own-branded grocery product range to Fairtrade and The Co-operative Food changed trading relationships to purchase all branded sugar from Tate & Lyle. Thus, since October 2008, all sugar sold in The Co-operative Food – brand and own-brand – is Fairtrade.

Sound sourcing: The Co-operative Food

The Group was a founding member of the Ethical Trading Initiative (ETI)¹⁸ – an alliance of companies, non-governmental organisations (NGOs) and trades unions, established in 1997, who work together with the aim of improving working conditions in supply chains. In 1999, the then Trading Group established a Sound Sourcing Code of Conduct¹⁹, developed with reference to the ETI Base Code and the ILO conventions²⁰. This ‘continuous improvement’ code is available in a number of languages and is issued to all own-brand suppliers at the commencement of trade; requiring them to commit to work towards minimum standards for working conditions. Compliance with sound sourcing criteria is referenced in all letters of agreement with suppliers. The Code was revised in 2008 to bring it in line with the ETI Base Code format, and to facilitate more effective communication of the Code’s requirements to suppliers and workers in the supply chain. Each of the businesses within the Trading Group committed to adopt the revised Code, which was formally endorsed by the Values & Principles (V&P) Committee (page 8) in 2009.

Since 2005, The Co-operative Food has been a member of the Supplier Ethical Data Exchange (Sedex)²¹; an internet-based electronic database where suppliers post labour standards information, including social audit reports. From August 2007, The Co-operative Food’s own-brand suppliers²² have been asked to join Sedex and complete a self-assessment registration. Subsequent to this, the systematic transfer of labour standards information from the existing internal system to Sedex commenced. Sedex can benefit suppliers by enabling them to share information such as self-assessment and audit reports, with multiple customers, thus removing unnecessary duplication and costs. It also promotes a more efficient audit process and allows the Food business to get more detailed and accurate information on suppliers within its large and complex supply chain. Additionally, this assists with reporting requirements for the ETI and enables more effective risk assessment of the supply base.

The Co-operative Food is actively engaged in a number of Sedex working groups; for example, the Sedex Associate Auditor Group, which works to improve the quality of social audits²³. Sedex does not verify the quality of the information it holds, and so it is the responsibility of information users to undertake due diligence. The Co-operative Food will only accept social audits deemed to be of sufficient quality – that is, they must be conducted by approved independent auditors and be undertaken to a recognised robust format; for example, as provided by the Sedex Members Ethical Trade Audit (SMETA) guidelines²⁴. Ten due diligence audits on third-party auditors were undertaken during 2008, in Thailand, Kenya, South Africa and the UK, as part of The Co-operative Food’s engagement with Sedex members to review and improve the effectiveness of the Sedex risk assessment tool. Nine of these audits were shadowed by The Co-operative Food employees and one by an NGO²⁵.

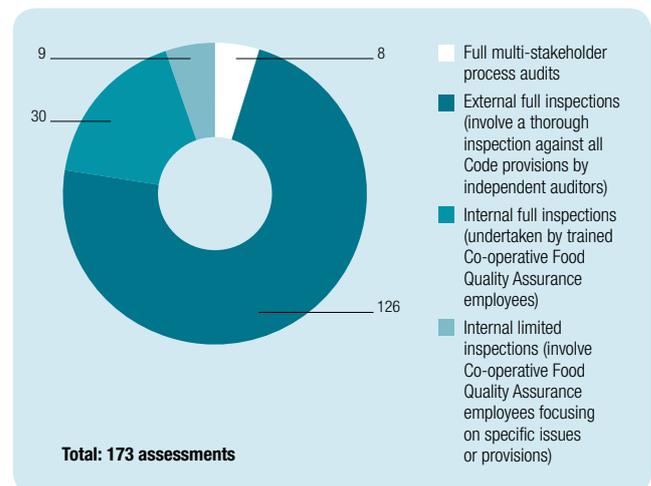
The Co-operative Food is increasingly focusing on supplier capacity building and closing off issues identified during audits. A new Ethical Trading and Sustainability Officer position was recruited in March 2008, to support the Ethical Trading Manager. By the end of December 2008, over 1,230 supplier sites had registered and completed a self-assessment on Sedex, a significant increase on the previous year (approximately 700). Over 80% of tier-one sites now have a completed self-assessment form and the risk profile of the suppliers in the ethical trading programme is more fully understood. In total, this represents over 300,000 workers at peak times²⁶.

Accounting systems and reporting

The Co-operative Food makes an annual submission to the ETI, which contains details of its sound sourcing management programme on a site-by-site basis. The ETI rates and benchmarks performance and categorises the business as ‘beginner’, ‘improver’, ‘achiever’ or ‘leader’. In one of the five reviewed areas, ‘commitment’²⁷, the Group’s performance in 2008 was rated as ‘leader’, whilst in the remaining four areas, ‘monitoring, independent verification and reporting’²⁸, ‘awareness-raising and training’²⁹, ‘corrective actions’³⁰ and ‘management procedures, pricing and incentives’³¹ it was rated as ‘achiever’. These ratings are consistent with the previous year. The submission was internally audited in early 2009, and the ETI reserves the right to validate members’ submissions on a random basis. The submission is also reviewed by NGO members and independent consultants and feedback is provided.

During 2008, 173 site assessments were progressed amongst suppliers to The Co-operative Food to determine the degree of compliance with sound sourcing criteria. A significant proportion of assessments (77%) were undertaken by third parties, the majority of which were approved independent audit bodies and NGOs³². Following the migration to Sedex and subsequent reduction in duplicate audits, The Co-operative Food’s technical managers are increasingly able to commit time and resource to support suppliers in addressing issues identified by audits undertaken by other organisations. Furthermore, drawing on external resources has enabled The Co-operative Food to widen the breadth and depth of its monitoring programme. This has included gathering further information on tier-two, high-risk sites that have never been audited. The table on page 18, which details non-conformances with the Code, reflects the split between tier-one and -two suppliers for the first time.

2008 site assessments by type



Of the 173 site assessments, 136 (79%) related to tier-one sites (2007: 123, or 65% of total) and 37 (21%) to tier-two (2007: 67, or 35% of total). Assessments undertaken in the UK or continental Europe totalled 110 (64%) (2007: 63%). Further afield, 18 were undertaken in mainly tier-two sites in Africa; 34 in China (where The Co-operative Food opened a representative office in 2005); three in South-East Asia; three in the Indian subcontinent; one in the USA; one in Colombia and two in Turkey. As in previous years, the majority (74%) of the sites assessed were connected with food and fresh produce (2007: 82%).

During 2008, for the first time the selection of suppliers for assessment was heavily influenced by risk assessment information, held by the Sedex system³³. All tier-one suppliers identified as high risk as at the end of 2008 have been audited in the past two years by an approved audit body, with the exception of three sites scheduled for audit in 2009.

During 2008, sites inspected within Europe and those outside Europe produced roughly equivalent levels of non-conformances overall³⁴. However, in relation to certain provisions (including child labour, living wages and discrimination), non-conformances were proportionally more prevalent in countries outside Europe³⁵.

In all but exceptional circumstances, The Co-operative Food has a policy of not delisting suppliers on the basis of finding non-conformances, believing that it is usually better for all concerned

(not least supply chain workers) for the business to continue to work in partnership with suppliers to find sustainable solutions to issues. In 2008, no suppliers were delisted on the basis of labour standards. When problems are found, a corrective action plan is agreed with the supplier. Since August 2007, monthly monitoring sheets detailing the status of improvement actions have been circulated to those who manage supplier relationships. All technical team members have received training on the Sedex system and ethical trade forms part of the role profile of all Technical Managers within The Co-operative Food.

A further 1,022 improvement actions dating from audits prior to 2008 were resolved in 2008, of which the majority related to safe and hygienic working conditions (72%)³⁶.

The Co-operative Food sound sourcing – findings and improvement actions

Code of Conduct provisions	Total number of improvement actions arising	Improvement actions completed to date	Examples of issues resolved	Due to be completed in 2009		Overdue action		Not active, delisted		Follow-up visit pending to verify completion	
				Tier-one	Tier-two	Tier-one	Tier-two	Tier-one	Tier-two	Tier-one	Tier-two
Exploitation of labour	1	1 (100%)	Inadequate notice provision.	–	–	–	–	–	–	–	–
Freedom of association	8	6 (75%)	Insufficient collective bargaining terms and conditions; inadequate worker information/training on rights of freedom of association; and lack of formalised systems for consultation with workers.	–	2	–	–	–	–	–	–
A safe and hygienic working environment	593	340 (57%)	Workplace general conditions in need of improvement; fire safety in need of enforcement; and inadequate availability of first aid equipment.	75	51	60	61	5	–	1	–
Child labour ³⁷	18	11 (61%)	Young worker policy awareness inadequately enforced; and inadequate wage records kept.	1	–	2	–	2	–	2	–
Living wages to be paid	103	49 (48%)	Wages not compliant with legal minimum/industry benchmark wage; and inadequate pay records kept.	8	27	8	8	–	–	3	–
Working hours are not excessive	235	103 (44%)	Hours worked are not compliant with national law; and one day rest in seven not given.	35	35	43	15	1	–	3	–
No discrimination	8	4 (50%)	Age discrimination evident.	1	1	1	–	–	–	1	–
Regular employment	150	87 (58%)	Written terms and conditions not provided to workers.	11	17	20	10	–	3	2	–
No harsh or inhumane treatment	2	1 (50%)	Sexual harassment evident.	–	1	–	–	11	–	12	–
				131	134	134	94	11	0	12	0
Total	1,118	602 (54%)	–	265 (24%)		228 (20%)		11 (1%)		12 (1%)	

Capacity building

Work continued in 2008 to help suppliers build skills and knowledge via capacity-building workbooks and supplier training sessions. Workbooks allow sites to assess themselves against the Sound Sourcing Code of Conduct, identify areas of risk, consider improvement actions and pursue continuous improvement. Workbooks also serve as a useful information tool for suppliers, containing information on national and international legislation. The first workbooks were rolled out in 2001, and in 2008 covered 16 countries. They are made available to suppliers on a dedicated supplier website. During 2008, workshops that included discussion of the social audit process were delivered to all key suppliers in South Africa and Kenya. In the UK, The Co-operative Food supported the Association of Labour Providers³⁸ by hosting two training sessions for suppliers on issues relating to the working conditions of temporary and migrant workers. Two further sessions are planned for 2009.

As part of The Co-operative Group's activities to integrate ethical trade into core business activities, an ongoing internal training programme is being delivered for key operational functions including Buying, Supply Chain, Product Development, Technical, Customer Services and Labelling Standards. In total, between September 2007, when the training programme began, and mid 2009, 18 training sessions had taken place, reaching 268 participants³⁹. Only a small number of staff across the relevant functions have yet to receive training, for example new staff, or those who were unable to attend previous sessions. These people will be targeted to receive training during 2009. In addition, a training session on ethical trading was delivered to representatives from the unions NACO and Usdaw⁴⁰ in April 2008.

During 2008, the Group continued to work with other retailers and stakeholders to develop improvements to working conditions and auditing standards. For example, The Co-operative Food joined Waitrose, Tesco and Marks & Spencer to launch an updated version of the UK Grower Handbook in April 2008. The Handbook, which was sent to all primary UK produce suppliers, helps UK growers to meet the requirements of the ETI Base Code, UK law and the Gangmaster Licensing Standards. In 2008, The Co-operative Group, along with other retailers and NGOs, launched the Local Resources Network⁴¹, which aims to link members sourcing from developing countries with local experts who have expertise in conducting workplace remediation. It will also be used to support ethical trading activities within The Co-operative Food.

Sound sourcing: The Co-operative Clothing

The corporate workwear business of The Co-operative Group was rebranded in April 2008 as The Co-operative Clothing (formerly Mandate Clothing Limited). Accompanying the rebrand, a decision was made to improve the ethical performance of the organisation, with a view to it becoming an ethical leader in the corporate clothing industry in the longer term. During 2008, all overseas tier-one production sites were subject to independent social audits⁴² and were requested to sign up to Sedex. Two of the suppliers were in Bangladesh, five in Lithuania, two in Belarus, one in China and one in Cambodia. All suppliers had signed up to Sedex by April 2009, and the system will now be used to help manage the follow-up of issues identified. A table detailing The Co-operative Clothing social audit findings and improvement actions is provided in the online version of this Report⁴³. In November 2008, a training course on labour standards (including the provisions of the Sound Sourcing Code of Conduct) was delivered to employees, including the Managing Director and Sales Director.



Workshop for suppliers of The Co-operative Food in Kenya. Subjects covered included the social audit process.

Sound sourcing: The Co-operative Travel

The Co-operative Travel launched its first own-brand joint venture tour operation in summer 2009. It joined the Travelife Sustainability scheme in April 2009⁴⁴, which exists to promote sustainable tourism. As part of this commitment, The Co-operative Travel will encourage joint venture hotels to engage with the scheme to assist with the monitoring and management of labour standards.

Human Rights and trade

Illegal settlements in the Israeli Occupied Territories

In 2008, trade was suspended with the illegal settlements in the Israeli Occupied Territories. The decision followed discussions with customer members (page 101), and was informed by the broad international consensus on the illegality of the occupation and the calls from representatives of the dispossessed in the region that a cessation of trade was desirable. No primary produce is now sourced from the illegal settlements and the removal of the very small amount of ingredients in own-brand composite products is being progressed.

Policy development

In early 2009, the Group agreed a new Human Rights and Trade Policy. This sets out the extreme conditions that need to be breached for the Group to suspend trade with a nation state or designated region or, in the case of a conflict, for it to suspend trade in a particular product.

Three primary conditions are set out in the Policy:

- Where democratic representatives of the indigenous population call for a cessation of all trading activity and consider such a course of action, and the additional economic hardships, as being less detrimental than the continuation of trading links. For example, Burma, where the democratically elected opposition party continues to call for economic sanctions.
- Where there is a broad international consensus that the status of a designated region is illegal and where there is evidence that trade is directly linked to the oppression of the population. For example, the illegal Israeli settlements, and the illegal Moroccan settlements in Western Sahara.
- Where there is strong evidence that trade is a contributory factor to the perpetuation of a conflict. For example, Sudan and the Democratic Republic of Congo.

The Co-operative Travel Ethical Strategy

The Co-operative Travel launched an Ethical Strategy in June 2008⁴⁵. As part of this, the business committed to supporting the work of The Travel Foundation⁴⁶, a UK charity that supports communities in holiday destinations worldwide by investing in sustainable tourism initiatives. From late 2008, customers have been given the opportunity to make a voluntary donation when they book their holiday. At the end of June 2009, £100,000 had been raised, and it is anticipated that over £500,000 will be raised by mid 2010. An increase in the volume of donations is expected, following staff training and the production of advertising literature in 2009.

CFS and ethical finance

Microfinance support

Microfinance is the provision of financial services to the working poor, usually in the form of small loans that can be as little as US\$100, which are provided by microfinance institutions (MFIs)⁴⁷. In 2007, the bank created a US\$50m (£25m) fund to help support the development of small businesses, in association with international banks, in some of the world's poorest countries. Via this fund, The Co-operative Bank helps support 54 MFIs in 25 developing countries across five continents⁴⁸.

The bank continued to develop its presence in the microfinance market throughout 2008. Progress, in terms of funds lent, was slower than anticipated, primarily due to the global financial climate. Many microfinance transactions, which the bank considered and approved during 2008, did not proceed due to the severe liquidity problems of other mainstream funders. As a result, the bank is looking to broaden the impact of the current US\$50m fund and also aims to participate in two new microfinance funds to meet demand from existing MFIs. The bank will look to progress the provision of development finance support to recipients who align with key Group priorities such as sustainable development, renewable energy and Fairtrade.



The Co-operative Bank helps to support microfinance institutions in 25 developing countries. Bank customers have also indicated their support for microfinance through the bank's 2008 Ethical Policy consultation.

During 2008, two colleagues from the bank visited Bosnia to witness the positive effects of microfinance first-hand. Details of this visit can be viewed online⁴⁹.

Bank screening of finance

During 2008, 137 finance opportunities (2007: 123) were referred to the Ethical Policy Unit in connection with international development and human rights, of which eight were declined (2007: 11) at a cost of £846,000 in terms of estimated income foregone in 2008.

International development-related business declines 2008

	Estimated income foregone 2008
Defence manufacturing consortium £25m syndicated loan contribution to a project developing air-to-air refuelling aircraft for use by UK Ministry of Defence. The project consortium consisted of five major armaments manufacturers, all of whom were engaged in the transfer of military equipment to oppressive regimes. Research indicated that the consortium could raise additional revenue by supplying the aircraft for use by oppressive regimes as well as UK forces.	£350,000
Electronics manufacturer Banking facilities for a business engaged in the manufacture of antennae for military aircraft. Between 2006 and 2007, military aircraft utilising this technology were supplied to a Middle Eastern government classified as an oppressive regime.	£175,000
Support services £5m lending to support services business with an aviation subsidiary engaged in the provision of strategic products such as radar and air traffic management systems to a Middle Eastern government classified as an oppressive regime.	£100,000
Components manufacturer £2m lending to a manufacturer of stealth radar covers for military aircraft. In 2006, a Middle Eastern government classified as an oppressive regime confirmed purchase of 72 of these aircraft.	£80,000
Armaments transfer £1.5m lending for a business engaged in the transportation, storage and handling of ammunition, armaments and explosives for armaments manufacturers and governments. Evidence of close involvement in the transfer of armaments to a Middle Eastern government classified as an oppressive regime.	£75,000
Machine manufacturer £800,000 lending to a business engaged in the manufacture of parts used in tobacco product manufacture. The bank declines all support for tobacco manufacture.	£25,000
Security services business £3m lending to an international security services business that violated national labour laws in four countries (US, Indonesia, Mozambique and Israel) and fundamental ILO Conventions on freedom of association and collective bargaining. Allegations upheld included: dismissal of workers for striking, and dismissal of workers for trades union membership.	£21,000
Manufacturing business Banking facilities for a business engaged in the manufacture of training ordnance, where there was evidence of transfer to a Middle Eastern country classified as an oppressive regime.	£20,000

The Co-operative Insurance engagement – armaments

In 2008, The Co-operative Insurance engaged with BAE Systems, urging the company to reform its approach to doing business with countries that have poor human rights records, and to submit itself to demonstrably rigorous, independent third-party verification on corporate responsibility in the future. This followed a similar

engagement in 2006. In addition, The Co-operative Insurance voted against the company's report and accounts from 2005 to 2007 on the basis of unacceptable disclosure of social, ethical and environmental (SEE) risks, but voted to accept in 2008 as it was felt that the company had moved into a position of acceptability, recent engagements notwithstanding.

The Co-operative Insurance overseas shareholder resolutions – human rights

In 2008, The Co-operative Insurance was presented with eight overseas shareholder resolutions relating to human rights, of which seven were supported and one vote of abstention was registered.

The Co-operative Insurance overseas shareholder resolutions

Company	Resolution	Vote registered
Chevron Texaco Corp, Halliburton Company	To adopt/review human rights policies.	Supported
Chevron Texaco Corp	To review guidelines for operating in countries with systematic and ongoing violations of human rights.	Supported
Halliburton Company, Microsoft Corp	To establish a board committee on human rights.	Supported
Microsoft Corp	To establish policies to protect freedom of access on the internet.	Supported
Power Corp Canada	To report on the implications of tightened Canadian sanctions on Burma in view of the company's shareholding in Total SA.	Supported
Toshiba Corp	To amend articles to mandate rules set by labour unions ⁵⁰ .	Abstained

Carbon offset

Through the carbon offset projects undertaken in 2008 (pages 71–72) the Group not only achieved real reductions in CO₂, but helped deliver social benefits in developing countries:

- **Energy-efficient stoves** emit fewer airborne particles and so can improve the living conditions of the users. In addition, less fuel is required for these stoves compared with their less-efficient counterparts, meaning that households reduce their spend on fuel by around 20%. It is estimated that over 138,000 people⁵¹ will ultimately benefit from the installation of energy-efficient stoves in Cambodia derived from 2008 offsetting activity.
- **Treadle pumps** in India have helped generate extra, year-round income for farmers and, subsequently, reduced the need for work-driven migration for long periods. Improvement of land management has also helped households to enrich their diet through the increased variety of crops they are able to grow and increased opportunities to afford livestock. It is estimated that over 305,000⁵² people will ultimately benefit from the installation of treadle pumps derived from 2008 offsetting activity.
- **Reforestation** Licensing agreements have enabled local communities to extract resources from the Kibale Forest National Park (KFNP) in Uganda at sustainable rates⁵³. In 2008, the project provided employment for 125 permanent workers and an additional 250 workers in high season, all of whom were employed from the local population. In addition to the funding provided for reforestation of the National Park, the Group has also approved funding of £20,000 (£10,000 in both 2007 and 2008) for a project benefiting villages adjacent to KFNP. These villages had been subject to raids by forest elephants from the park, damaging villagers' crops and

homes. Funding in 2008 paid for the provision of six water sources in neighbouring communities, providing safe, clean water to over 1,300 people⁵⁴.



Kibale Forest National Park, Uganda. Project to protect villages from raids by forest elephants.

The Co-operative Travel and The Co-operative Clothing also provide funding for climate change adaptation. Details are available in the online version of this Report⁵⁵.

Community involvement

Historically, little community money has been allocated for the support of international development projects. One exception is the support of agroforestry (see below). In 2009, £1m community investment for international development was agreed, and in the first half of 2009 support was committed for three new initiatives as detailed overleaf.

Agroforestry and tree planting in Malawi

In 2008, the Group approved funding of £96,000 over two years to support a project to improve access to food and wood for poor families and those affected by HIV and AIDS in southern Malawi. It also aims to reduce deforestation in the area. Satemwa Estates is located in the project area and provides The Co-operative Group with tea for the 99 Fairtrade tea blend. The project, run in partnership with Oxfam, and co-ordinated on the ground by a number of local NGOs, is helping to support 3,000 poor and vulnerable households in 150 villages. Villagers receive training on techniques for planting trees and shrubs alongside crops, as a cheap, sustainable way to improve soil fertility and increase crop yield. It also serves to increase access to wood for vulnerable households. In total, around 15,000 individuals will benefit.

Affinity products and services: raising awareness and funds for development

Product/service	Details	Outcomes
Fairbourne Springs	Fairbourne Springs is the first own-label ethical water of its kind in the UK. Each sale includes a donation to One Foundation, a charity that works in Africa installing PlayPump™ water systems, which are powered by children playing on roundabouts.	Over 110 PlayPump™ installations have been completed, helping over 275,000 ⁵⁶ people in Southern Africa gain access to clean water ⁵⁷ .
Oxfam mobile phone recycling scheme	The Co-operative Group has worked with Oxfam since 2004 to help its customers recycle mobile phones and inkjet cartridges. Freepost recycling bags are available in branches of The Co-operative Food, Pharmacy, Travel and Bank. It is the most widely available customer mobile phone recycling scheme in the UK.	In 2008, approximately 15,000 phones and 5,200 print cartridges were recycled ⁵⁸ , generating £44,000 in income for Oxfam (2007: £98,000), and bringing the total raised since 2005 to £292,000 ⁵⁹ . The funding generated by the scheme supports Oxfam programmes in developing countries such as in the Mulanje region of Malawi, where drama and songs are used to educate communities about HIV and AIDS.
Charity cards in support of international development and human rights	In 2008, The Co-operative Bank offered a range of credit cards in support of a variety of development charities, namely: Action Aid, CAFOD, Children in Crisis, Christian Aid, Oxfam, Save the Children, Sightsavers International, Tearfund, WaterAid and Y Care International; along with a number of human rights charities: Amnesty International (UK) and the Medical Foundation for the Care of Victims of Torture.	The bank makes a donation to each organisation when an account is opened, and further donations are made in proportion to the amount spent using the card. Together, in 2008, the cards in support of international development raised a total of £560,000 for the charities (2007: £595,600); and cards in support of human rights raised a total of £249,900 (2007: £264,800).



PlayPump™ installation in southern Africa. Every time a customer buys The Co-operative Fairbourne Springs Water, the Group makes a donation to the One Foundation to help fund the installations.



The Co-operative Group is supporting a project in Southern Malawi to assist villagers in planting trees and shrubs alongside crops, to improve soil fertility.

Development uplift for Malawi Fairtrade sugar producers

A Co-operative Group contribution of £285,000 over three years, from 2009, will support own-brand Fairtrade sugar producers in Malawi, and their communities. A total of 10,000 people are set to benefit from improved access to clean water, improved sanitation facilities and renewable energy from the project. These benefits are above and beyond those achieved through the Fairtrade premium.

Co-operative organisation of Kenyan tea smallholder farmers

A Co-operative Group contribution of £125,000 will support 8,000 small-scale Kenyan tea growers to organise into co-operatives, increase their market opportunities and achieve Fairtrade certification, thus becoming eligible to supply tea for The Co-operative's 99 Fairtrade tea blend. The Group's contribution is match-funded by Department for International Development's (DfID) Food Retail Industry Challenge (FRICH) Fund⁶⁰.

Agricultural co-operatives in Turkey

A Group contribution of £12,500 has funded a scoping study that will assess opportunities to help farmers develop co-operative structures, and then to identify opportunities for these co-operatives to supply to the tourism sector in Turkey. Turkey is one of The Co-operative Travel's most popular destinations and still faces

a number of development challenges comparative with other Mediterranean countries. The study is due for completion in 2009.

Member involvement

Regional V&P Committees agreed sponsorship for a number of Fairtrade events during 2008. These included The Fairtrade Foundation's fourth annual Fairtrade Universities and Colleges Conference, sponsored by the Central & Eastern Membership team, which was attended by over 100 commercial buyers, managers, students, academics and campaigners; and a Fairtrade weekend at the EAT! Newcastle Gateshead food festival, sponsored by the North East & Cumbria Regional Membership team.

Membership events with a focus on international development during 2008 included: the Central & Eastern Region's screenings of the hard-hitting film, 'Slavery, A Global Investigation', made for Channel 4 by award-winning documentary makers Kate Blewett and Brian Woods; and the North East & Cumbria Region's sponsorship of a 'Walk 4 Water' in Druridge Bay Country Park, Northumberland, which was attended by over 500 schoolchildren and their families, and launched a campaign to improve the lives of people in Africa.

Influence and action

'Defending Human Rights' campaign with Amnesty International

During 2008, the bank campaigned in partnership with Amnesty International UK (AIUK) to mark the 60th anniversary of the Universal Declaration of Human Rights (UDHR), and aimed to raise awareness and encourage action on human rights issues.

As part of the campaign the bank funded the production of an education pack, 'Human Rights are our Rights', which was made available to all UK secondary schools, and had a 91% take-up rate. The bank also funded the production and printing of 120,000 'My Rights' passports⁶¹, and financed the production of 'Everybody', a three-minute film that uses animation and live action to bring human rights to life. The film was screened in 150 Vue and Picturehouse cinemas across the UK for two weeks in November 2008, as well as being shown in school assemblies in the run-up to International Human Rights Day on 10 December 2008.

The bank developed a website⁶² hosting the campaign partnership with AIUK, which included a function for people to sign up and pledge to 'Make the World Keep its Word'⁶³. To date, over 5,000 people have signed up to the pledge via this website. In 2008, over 14,000 customers took part in the annual charity customer vote, which directed how £150,000 would be proportionately distributed to five human rights charities and organisations⁶⁴.

Soil Association air freight consultation

The Soil Association commenced a public consultation during 2007⁶⁵ on whether their organic standards should address air-freight in light of perceived environmental concerns⁶⁶. The Co-operative Group publicly responded to this consultation, stating its opposition to suggestions to ban or label air-freighted organic produce⁶⁷. In December 2008, the Soil Association announced that it would not be making any restrictions on air-freighting organic produce, and stated that the air-freight consultation had highlighted the positive role of organic farming in development.

The Supermarket Ombudsman

In 2008, the Competition Commission concluded a two-year inquiry into the grocery market. A report set out plans to tighten and broaden the provisions of the Supermarket Code of Practice (SCoP) so that more grocery retailers would be required to abide by its terms. It also sought to establish a Supermarket Ombudsman to oversee the revised code.

The Co-operative Group engaged fully with the Competition Commission inquiry; responding to a number of formal consultations and providing verbal evidence to commission hearings. The Group advised that it had always sought to set, or match, industry best practice and had made a voluntary commitment to abide by the spirit and underlying principles of the SCoP even though, historically, it did not cover retailers of the then size of The Co-operative Food. The Co-operative Group also supported the development of a reinvigorated SCoP, incorporating a notion of 'fair dealing' with suppliers. However, it felt an enlarged SCoP should be embedded before the Commission set about formally appointing an Ombudsman. In June 2009, The Co-operative stated that any prospective Ombudsman should have jurisdiction over all retailers subject to SCoP and command their full support to ensure credibility and a level playing field. The Co-operative advised the Commission that if agreement were reached with all relevant retailers to this end, it would support the introduction of an Ombudsman. The Co-operative Group's submissions to the Competition Commission are publicly available online⁶⁸.

The Co-operative Insurance: labour standards

In 2008, The Co-operative Insurance joined an institutional investor working group on supply chain management, alongside other UK Sustainable Investment and Finance (UKSIF) members, with the aim of increasing transparency and improving reporting. Between 2008 and 2009, the working group engaged with the following companies on supply chain management issues: Home Retail Group (formerly GUS), Associated British Foods, Next and Tesco. Investor dialogue focused on encouraging improved disclosure and performance in relation to the management of supply chain labour standards.

Outreach

In 2008, The Co-operative Group's Social Goals and Sustainability team sourced the following films/plays and with the Membership Services team, brought them, with the underlying issues they highlight, to the attention of customers and members:

- In 2008, supported six showings of **The Great African Scandal**⁶⁹, a documentary about the global trade in rice, cocoa and gold, which explored issues of trade justice and Fairtrade.



The Burma Play: A Comedy of Terror. The play aims to raise awareness of the plight and continued struggle of the Burmese people.

- In 2008, supported 13 performances of **The Burma Play: A Comedy of Terror**⁷⁰ including seven shows at the Edinburgh Fringe Festival.
- Human Rights Day 2008 On 10 December 2008, to mark Human Rights Day and the 60th Anniversary of the Universal Declaration of Human Rights, supported screening of **The Boy in the Striped Pyjamas**⁷¹ in Manchester, and the gala screening of **Slumdog Millionaire**⁷², at the BAFTA in London.

The Co-operative College⁷³

In 2008, the Group supported the Co-operative College's Fair and Square project, and representatives from the Group sit on the project's steering committee. The College provides education, training and research for the co-operative, mutual and social enterprise sectors in the UK and internationally. It works to raise awareness of co-operative values and, since 2008, has undertaken a three-year research and policy programme to evidence the benefit of co-operatives for international development. The College is partly funded by The Co-operative Group, via Co-operatives^{UK}⁷⁴.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Democratic participation – proposals and resolutions on international development and Fairtrade (pages 101 and 102).
- Campaign and support for the Beaver Lake Cree Nation's legal challenge against tar sand developments on their ancestral lands (page 75).
- Fairtrade cotton carrier bags (page 81).
- The Co-operative Food Ethical Policy (page 9).
- The Co-operative Clothing sound sourcing social audit findings (online Report).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).

Accompanying notes

- 1 International Fund for Agricultural Development (2001) Rural Poverty Report.
- 2 www.dfid.gov.uk/About-DFID/Who-we-work-with/Co-operatives
- 3 Ibid.
- 4 Individuals benefit from carbon offset project activity, donations from the sales of Fairbourne Springs and One Water, and sales of Fairtrade products.
- 5 44% of The Co-operative Food sales relate to own-brand products. Furthermore, own-brand food and fresh produce accounted for 91% of own-brand sales in The Co-operative Food in 2008.
- 6 The latest bank Ethical Policy consultation (page 39) introduced new statements excluding finance to organisations that take an irresponsible approach to the payment of tax in least developed countries, and to organisations that impede access to basic human necessities such as safe drinking water or vital medicines. The bank's position on the arms trade was extended to exclude the manufacture or transfer of indiscriminate weapons, regardless of the nation deploying them, and its statement supporting the Fundamental ILO Conventions was extended to make explicit reference to organisations that actively oppose the rights of workers to freedom of association, eg in a trades union. An explicit commitment to microfinance was also adopted.
- 7 The policy statements, 'protecting workers from exploitation' and 'supporting poverty reduction' received the highest level of endorsement (from 95% of customers) and 'advocate an end to trade which fuels conflict or undermines human rights' received the endorsement of 94%. Over 90% of customers also supported the promotion of responsible marketing practices regarding products such as breast milk substitutes and tobacco, and the promotion of greater access to basic necessities such as clean water. Even the policy position that attracted the lowest level of support – against the manufacture or transfer of armaments to oppressive regimes – commanded the backing of 89% of Co-operative Insurance customers.
- 8 Many farmers in developing countries have to contend with prices for their produce that fluctuate widely and may not even cover the costs of crop production. Fairtrade promises not only a stable price, but one which covers production costs, along with a premium that can be reinvested in the business or in local community schemes. For workers in factories and plantations, Fairtrade means: decent wages; minimum health and safety standards; the right to join trades unions; and access to good housing, www.fairtrade.org.uk
- 9 Figures published 2008. www.fairtrade.org.uk
- 10 The Fairtrade Foundation calculated that 7.5 million people in the developing world benefited from global sales of Fairtrade products in 2008, which totalled £2.3bn. The Group's Fairtrade sales in 2008 totalled £49m (2.13% of global sales) and therefore it can be estimated that over 150,000 people benefited from the Group's 2008 Fairtrade sales.
- 11 Lamb, H (2008), Fighting the Banana Wars and other Fairtrade Battles, Rider Books.
- 12 www.co-operative.coop/food/ethics/Ethical-trading/Fairtrade
- 13 Ibid.
- 14 Net sales figures.
- 15 The 2007 Fairtrade sales are restated due to some Fairtrade product lines being omitted from 2007 reporting.
- 16 Fairtrade retail sales in 2008 totalled £301m, as reported in The Grocer, 21 February 2009. The Co-operative Food's sales of Fairtrade products represented 16% of UK supermarket sales of Fairtrade products, whilst The Co-operative Food sales in total represented less than 4% of UK supermarket sales, as reported in The Grocer, 21 February 2009. Fairtrade retail sales in 2007 totalled £225m.
- 17 Talking Retail, Nexus Business Media, 10 October 2007.
- 18 www.ethicaltrade.org
- 19 Subsequently updated in 2001, www.co-operative.coop/soundsourcingcode
- 20 www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
- 21 www.sedex.org.uk
- 22 In-scope suppliers include all tier-one sites and some tier-two sites. A tier-one site is a production site at which goods are finished ready for supply to, or sale by, the end company. A tier-two site is a production site which supplies goods or materials to a tier-one site for incorporation into the finished product. In December 2008, there were over 1,230 production sites on Sedex, of which 590 are tier one.
- 23 Other working groups that The Co-operative Food is engaged in include the Product Development Working Group and the Environmental Group.
- 24 The SMETA guidelines were updated in 2008 following a comprehensive consultation process with key stakeholders.
- 25 Costs of the due diligence audits were covered by The Co-operative Food.
- 26 As at end December 2008.
- 27 'The company is a leader in the field of ethical trade.'
- 28 'Produces comprehensive and credible reports on its supply chain.'
- 29 'Provides appropriate training to all involved in ethical trade and is improving awareness of suppliers and their workers.'

- 30 'Has well-established systems for identifying and following up corrective actions to ensure improvements are being made.'
- 31 'Has a well-established and systematic approach to ethical trading with clear responsibilities and incentives for staff and suppliers.'
- 32 Before the decision to transfer supplier information to Sedex was made, The Co-operative Food's monitoring programme was carried out by its own technical managers and third parties commissioned by The Co-operative Food.
- 33 Through Sedex, a risk profile is determined based on responses to supplier self-assessment, worker profile information, country of operation and sector. In addition, high-risk suppliers are further reviewed by appropriate employees in the Food business to check their risk status.
- 34 Of the total 173 assessments undertaken, 36% were undertaken outside Europe; of the 1,118 improvement actions arising, 38% arose from sites outside Europe.
- 35 For example, 72%, 58% and 63% of the total non-conformances for the provisions of child labour, living wages and discrimination respectively occurred outside Europe.
- 36 Improvement actions are typically closed off by technical managers or independent auditors and require evidence from suppliers, such as photographic evidence or copies of documentation.
- 37 Where 'child' refers to any person under 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. www.ethicaltrade.org
- 38 www.labourproviders.org.uk
- 39 The training sessions were half-day workshops or meetings to introduce employees to the ETI, the Base Code and its relevance to their function.
- 40 National Association of Co-operative Officials and Union of Shop, Distributive and Allied Workers.
- 41 www.localresourcesnetwork.yourmembership.com/
- 42 With the exception of a supplier in Bangladesh who had been independently audited in November 2007.
- 43 For a table detailing the non-conformances arising from the social audits and the status of these, see the online version of this Report at www.co-operative.coop/sustainabilityreport
- 44 www.travelife.eu
- 45 www.co-operativetravel.co.uk/ethical-strategy/
- 46 www.thetravelfoundation.org.uk
- 47 MFIs are locally based, specialised institutions that are formal or semi-formal in nature, for example, commercial banks, credit unions and NGOs.
- 48 The Co-operative Bank helps fund MFIs in Azerbaijan (4), Bosnia (7), Cambodia (3), Colombia (3), Ecuador (2), El Salvador (1), Georgia (4), Ghana (1), Honduras (1), Kenya (2), Kosovo (1), Kyrgyzstan (1), Mexico (1), Moldova (2), Mongolia (1), Montenegro (2), Mozambique (1), Nicaragua (4), Pakistan (1), Peru (4), Philippines (1), Russia (2), Serbia (1), Tajikistan (2) and Uganda (2).
- 49 blog.goodwithmoney.co.uk
- 50 The Co-operative Insurance considered that the proponents' argument was not sufficiently convincing.
- 51 The Group's 2008 contributions to the energy-efficient stove project in Cambodia realised 50,000 tonnes of CO₂ savings. Based on CO₂ savings of 1.5 tonnes per stove over its lifetime, this therefore brought about the manufacture and use of 33,333 fuel-efficient stoves. On average each household has 1.2 stoves and consists of five people, meaning 138,888 people were positively impacted.
- 52 The Group's 2008 contributions to the treadle pump project in West Bengal and Uttar Pradesh in India will ultimately realise 12,632 and 14,858 tonnes of CO₂ savings respectively. Based on CO₂ savings of 0.45 tonnes per treadle pump, this therefore brought about the manufacture and use of 61,089 treadle pumps. On average, each household has one treadle pump and consists of five people, meaning 305,455 people will benefit.
- 53 The Co-operative Group Sustainability Report 2007/08: www.co-operative.coop/sustainabilityreport
- 54 In Nyabweya parish, one shallow well pump was installed and three protected springs were constructed and in Bujongobe parish two shallow well pumps were installed. On average, 300 people benefit from the installation of wells and 150 people from the installation of protected springs.
- 55 The Co-operative Group Sustainability Report 2008/09: www.co-operative.coop/sustainabilityreport
- 56 The number of beneficiaries is calculated using an estimate from Global Ethics (the organisation that funds the installation of the PlayPump™ water systems) that states that every pump installed provides access to clean water for around 2,500 people.
- 57 The Fairbourne Springs donation in 2008 funded 88 PlayPump™ installations, helping around 220,000 people in Southern Africa gain access to clean water. In addition, The Co-operative branded One Water (of which One Foundation is the charitable arm), which The Co-operative started selling in April 2006, has also provided funding for PlayPumps™ installations. Since the launch, sales of One Water have funded an additional 56 PlayPumps™, providing access to clean water to around 140,000 people (of which 23 PlayPumps™, benefiting 57,000 people, were funded in 2008). One Water will be removed from The Co-operative Food stores from June 2009 in order to focus on the Fairbourne Springs range.
- 58 CMR Ltd data.
- 59 The drop in the number of phones and cartridges recycled is considered to have resulted from competition from other recently launched mobile phone recycling schemes and changes to phone users' contract terms.
- 60 FRICH is a fund launched by the UK Government's Department For International Development to challenge the private sector to find ways of getting more food from Africa into UK supermarkets and other retail outlets, www.frich.co.uk
- 61 The 'My Rights' passports provide an easy-to-use guide, setting out the 30 articles of the UDHR, to which we are all entitled.
- 62 www.cooperativcampaign.co.uk/udhr
- 63 Signatories of the 'Make the World Keep its Word' pledge committed to taking responsibility for upholding the goals of the Universal Declaration of Human Rights in their daily life and in their community.
- 64 Anti-Slavery International received £45,000; Medical Foundation for the Care of Victims of Torture received £37,500; The Burma Campaign UK received £33,000; Free Tibet Campaign received £22,500 and Article 19 received £12,000.
- 65 The Co-operative Group Sustainability Report 2007/08: www.co-operative.coop/sustainabilityreport
- 66 www.soilassociation.org/Takeaction/Consultations/Previousconsultations/Airfreight/tabid/234/Default.aspx
- 67 The Co-operative Group Sustainability Report 2007/08: www.co-operative.coop/sustainabilityreport
- 68 www.competition-commission.org.uk
- 69 www.channel4.com/culture/microsites/C/can_you_believe_it/debates/scandal.html
- 70 www.theburmaplay.com
- 71 www.boyninthestripedpajamas.com
- 72 www.slumdogmillionairemovie.co.uk
- 73 www.co-op.ac.uk
- 74 www.cooperatives-uk.coop

Indicators

Sales of products from animals reared to accredited farm assurance standards

Sales of Humane Cosmetics Standard and Humane Household Products Standard accredited toiletry and household products

Targets 2008

- ✔ Transfer all own-brand Christmas 2008 fresh turkey and fresh turkey crowns to free-range (page 28).
- ✔ Introduce Freedom Food lamb by end 2008 (page 29).
- ✔ Launch campaign with BUAV in 2008 to raise member awareness of 'cruelty-free' products (page 31).

✔ target achieved = on track ✘ target not achieved
 ✔ close to target ← behind schedule

Targets 2009

Extend the range of chicken products accredited to Co-operative Elmwood higher welfare standards to include barbeque chicken and other processed and cooked chicken products.

Complete the switch to free-range egg ingredients in all prepared own-brand products containing egg.

Introduce a web-based database that records key animal welfare indicators, by flock, on all Elmwood chicken supplier farms.

Background

Over 800 million broiler chickens¹ and 9.2 million pigs² are produced in the UK every year. In addition, there are around 30 million hens involved in egg production³. To meet this level of production, most modern farms operate intensive systems. Factors such as price still remain the priority for the majority of food shoppers; however, a growing number are concerned about intensive production methods and seek to support products that guarantee higher standards of animal welfare.

Animals have not been used to test cosmetic products or ingredients in the UK since 1998. The Seventh Amendment of the EU Cosmetics Directive banned animal testing of finished cosmetic products and cosmetic ingredients in the EU from March 2009.

However, the practice is continued elsewhere in the world, and the sale of animal-tested products in the UK will not be fully phased out until 2013. Animal testing for household products, foodstuffs, food additives and a variety of other consumer products is still permitted in the UK and elsewhere – in 2007, 766 procedures were undertaken relating to food additives and 8,380 relating to other foodstuffs in Great Britain⁴.

Materiality and strategy

In the 2007 Co-operative Food Ethical Policy consultation (page 9), members endorsed a number of animal welfare commitments for inclusion in the policy:

- Continue to extend the range of products that meet higher animal welfare standards;
- Ensure all fresh products comply, as a minimum, with relevant UK farm assurance standards;
- Continue to take the lead on the opposition to the use of animals for the testing of own-brand toiletries, cosmetics or household cleaning products (or ingredients therein); and
- Continue to exclude fur from all products.

Animal welfare is also an integral part of the customer-mandated ethical policies of The Co-operative Bank and The Co-operative Insurance; both identify intensive farming, animal testing for toiletries and household products, blood sports, and the fur trade as issues of concern⁵. As a result of the bank's latest Ethical Policy consultation (page 39), a new position was adopted to exclude finance to organisations involved in the exploitation of great apes, whether in experimentation or general commercial use.

Assurance of food production

The Co-operative Food sells in the region of 900 own-brand fresh, and 65 own-brand frozen⁶, meat and poultry lines. In the main, like other major UK retailers, basic animal welfare is assured via farm assurance standards, which are sometimes signified by a Red Tractor Mark or Quality Standard Mark⁷ on product packaging. In addition, for an increasing number of products, the business supports higher animal welfare standards via schemes such as RSPCA Freedom Food accreditation, free-range and organic production (detailed on the following pages).

Furthermore, The Co-operative Food designates additional standards across all operations in relation to live animal transport and slaughter. UK legislation permits livestock to be transported for up to 12 hours at a time; however, The Co-operative Food stipulates a maximum of six hours from suppliers. This is thought to be the lowest maximum transportation time of any major national food retailer. A requirement is also made that all livestock reared for own-brand products are pre-stunned prior to slaughter, in accordance with the Humane Slaughter Association species codes of practice⁸.

Achievements

1990 Announces that no own-brand toiletry products, or ingredients, will contain items tested on animals after 1985.

1992 Launch of bank's Ethical Policy. Includes commitment not to invest in, or provide financial services to, any organisation involved in exploitative intensive farming methods, fur farming or the trade in animal fur.

1994 First retailer to adopt the RSPCA Freedom Food scheme, which seeks to improve welfare standards for animals at all stages of the food chain.

1995 First retailer to label eggs 'intensively produced' (leads to change in the law, allowing eggs to be labelled 'from caged hens').

1998 First retailer to be awarded right to use the new international cruelty-free 'rabbit and stars' symbol on toiletry packaging.

2004 First grocery retailer to be accredited to the BUAV Humane Household Products Standard.

2005 Awarded 'Best buy for smaller stores' status by Ethical Consumer magazine; received best rating of all supermarkets for animal testing policy. Highly Commended by the RSPCA for commitment to improving animal welfare, with clear policy on animal transportation times singled out for praise and commended by CIWF as the most improved supermarket 2005/06.

2007 Named 'Retailer of the Year' by the British Free Range Egg Producers Association. Co-operative Bank awarded European 'Proggy' Award, by People for the Ethical Treatment of Animals Europe, for the Ethical Policy's 'commitment to the ethical treatment of animals'⁹.

2008 Received CIWF 'Good Egg' Award for phase-out of branded cage shell eggs and for commitment to go free-range on all own-brand products containing egg by 2010¹⁰. Received RSPCA 'Lifetime Achievement' Award for longstanding commitment to animal welfare¹¹.

Base-level farm assurance standards



The Red Tractor Mark¹² was introduced in 2000 and seeks, amongst other things, to assure consumers that basic animal welfare standards have been met in food production. The retail value of food carrying the Red Tractor Mark reached £8 billion in 2008¹³, with some 84,000 UK farmers now accredited.

In the UK, 10 farm assurance standards are covered by the Red Tractor Mark in connection with the production of beef, lamb, pork, chicken and milk products¹⁴. The standards are designed to provide assurance that products have been produced, processed and packed to certain minimum requirements (not least, legislative compliance)¹⁵. Independent third-party auditors are used to check compliance with the requirements of the various industry-led standards in the UK and EU. A study commissioned by the UK Sustainable Development Commission concluded that on-site inspection 'seems to be both robust and effective and embeds legislative compliance'¹⁶.

The Co-operative Food stipulates compliance with UK farm assurance standards, or EU national equivalents, for all own-brand fresh and frozen meat and poultry products. Although the accreditation schemes do not extend outside the UK, suppliers are required (via technical product specifications) to ensure, through independent third-party audits, that non-UK producers apply equivalent standards. In 2008, compliance was assured for all own-brand UK-sourced fresh shell eggs, milk, turkey, duck, beef, lamb, chicken, pork, pig meat for sausage and farmed salmon.

Whilst compliance with farm assurance standards is similarly stipulated by The Co-operative Food for other meat and poultry products (eg, cooked meats), and products that contain meat or poultry ingredients (eg, ready meals), evidence of application is much more difficult to secure.

In addition to the audit and compliance regime underpinning the Red Tractor Mark, The Co-operative Food's Technical Team undertakes/co-ordinates additional meat and poultry inspections – some 155 in 2008 (2007: 116). Although these focus primarily on product quality, safety and legality, 23 farm inspections were undertaken specifically to cover animal welfare matters.

During 2008, The Co-operative Food's technical team undertook two in-house paper-based traceability investigations (one into two bacon products – Danish and UK; and the other into a luncheon meat product) to ensure satisfactory systems were in place throughout the manufacturing process. Documentation tracing the products back to originating farms was assessed, and evidenced satisfactory welfare standards were in place.

The Co-operative Elmwood Standard

Elmwood is The Co-operative's own higher welfare standard, currently in place for broiler chickens (page 28). It has been developed to exceed base-level farm assurance standards (eg, with regard to stocking density, environmental enrichment and diet). In many respects the standards are comparable to Freedom Food standards¹⁷, and exceed them with respect to provision of natural light¹⁸. In 2008, 66 lines containing Elmwood chicken ingredients were sold, with sales totalling an estimated £38m. During 2009, The Co-operative Food is to increase the number of chicken products accredited to the Elmwood standard and introduce Elmwood-accredited own-brand fresh and frozen turkey products. As of April 2009, 145 farms had been adopted to meet Elmwood chicken production standards.

RSPCA Freedom Foods



The Freedom Food scheme was introduced by the RSPCA in 1994 to improve animal welfare, and signifies higher animal welfare standards than the Red Tractor Mark or Quality Standard Mark. Five 'freedoms'¹⁹ are sought across the food chain, from birth to slaughter, and the Freedom Food certification mark can be used

only on products that have been produced via an approved supply chain. In 2008, The Co-operative Food believes that it offered the largest selection of Freedom Food-labelled products and, from 2006, preference has been given, where feasible, to Freedom Food ingredients in the formulation of premium-range products²⁰. In 2008, 109 lines containing Freedom Food ingredients were sold (2007: 90), with sales totalling an estimated £51m, up 83%²¹ on the previous year. Egg sales accounted for 55% of all Freedom Food sales by value in 2008.

Free-range

EU egg and poultry meat marketing standards stipulate minimum requirements for products to be labelled as free-range. These contain animal welfare provisions, which include: birds' daytime access to open-air runs; fixed indoor stocking densities; and, for birds produced for meat, minimum slaughter ages.

Organic (Soil Association/Organic Farmers and Growers)

Organically produced meat and dairy produce comes from animals reared without the routine use of drugs, antibiotics and wormers²² permitted in intensive livestock farming and with access to range outdoors on land free from chemicals and non-organic fertilisers. Organic products account for a small proportion of annual meat and dairy product sales.

Traditional breeds

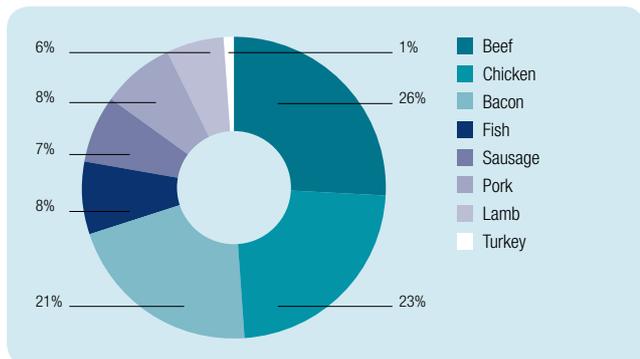
The Co-operative Food stipulates that preference is also given, where feasible, to ingredients produced from animals reared in traditional breed systems in the formulation of premium-range products. Traditional breeds are indigenous to a certain area and are well adapted to the local conditions and climate. They possess traits such as disease resistance, high fertility and good maternal qualities; are slower-growing animals producing fewer numbers of young; and are less susceptible to health problems that can affect modern breeds. The Co-operative Food sold products sourced from Scottish Aberdeen Angus breed cattle and Bronze breed turkeys in 2008 and introduced Hampshire breed pig products in early 2009.



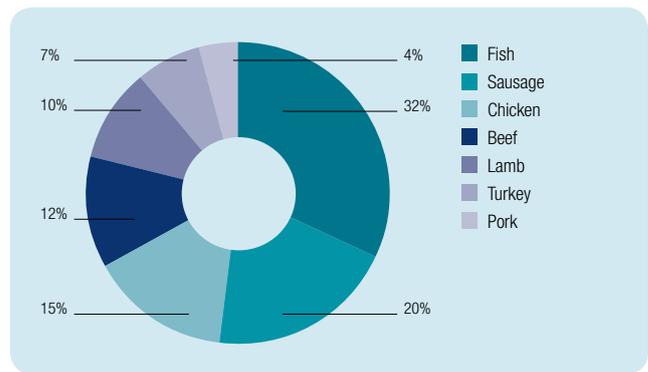
Traditional Hampshire breed pigs, reared to Freedom Food standards.

Food production

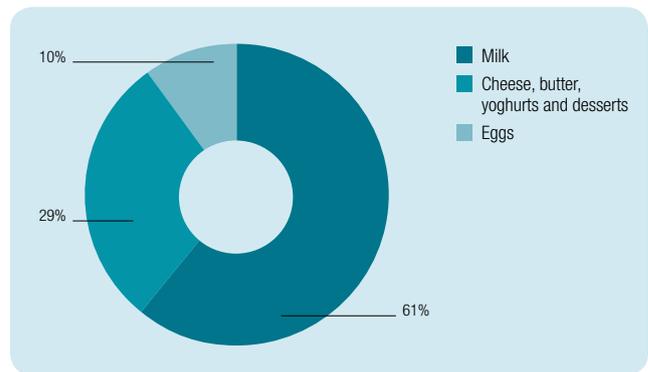
Total own-brand fresh meat, poultry and fish sales by value²³, 2008



Total own-brand frozen meat, poultry and fish sales by value, 2008



Total own-brand dairy sales by value, 2008

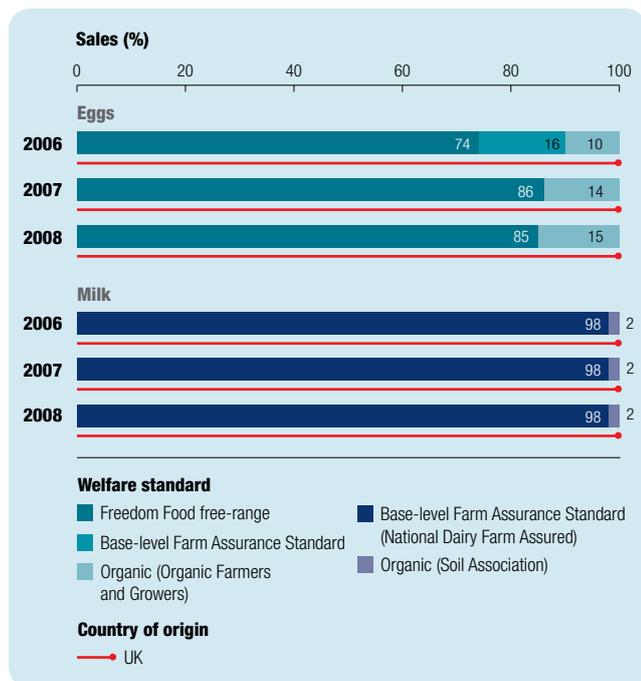


Milk and egg production

From February 2008, The Co-operative Food prohibited the sale of all caged eggs²⁴, and, on this basis, sales of free-range shell eggs (Freedom Food and Organic accredited) accounted for 100% of branded and own-branded sales during 2008 (2007: 77%). All own-brand free-range eggs were Freedom Food accredited, which stipulates lower outdoor stocking densities (a maximum of 1,000 birds per hectare) than conventional free-range outdoor standards (a maximum of 2,500 birds per hectare)²⁵. Organic standards offer enhanced animal welfare provision, including the prohibition of mutilations, such as beak trimming. The introduction of free-range eggs as ingredients in all own-brand prepared product lines is due to be completed by the end of 2009.

All non-organic, own-brand fresh milk sold in 2008 was assured under the National Dairy Farm Assured Scheme, which represents some 80% of UK dairy farmers. The remainder of milk sold was certified as organic by the Soil Association. Organic milk production specifies that cattle must spend the majority of their lives outside and be fed on a grass-based diet.

Dairy sales (own-brand, fresh)



Own-brand shell egg and fresh milk sales as proportion of total shell egg and fresh milk sales²⁶

% of sales	2006	2007	2008
Shell eggs	88%	71%	94%
Fresh milk	88%	90%	89%

Poultry production

From March 2008, all standard, fresh whole chicken²⁷ and all standard, plain, fresh chicken portions²⁸ have been produced to The Co-operative's higher-welfare Elmwood standards. In October 2008, The Co-operative Food introduced Elmwood-accredited frozen chicken products. These standards exceed conventional farm assurance standards and stipulate lower stocking densities and environmental enrichment²⁹. Although reared indoors, Elmwood standards stipulate, unlike conventional standards, that birds are provided with natural light and a vegetarian, high-cereal diet.

In 2008, all premium-range fresh chicken (whole and pieces) was accredited to the Freedom Food free-range standard, sourced from slower-growing birds³⁰ with daytime access to range outdoors for at least half their lifetime.

All fresh duck is produced to Freedom Food standards. Whilst the Freedom Food standards permit indoor rearing systems, they stipulate that ducks be given access to open water sources that provide the opportunity to engage in natural behaviours, such as preening and the reconditioning of feathers.

During Christmas 2008, all own-brand fresh whole turkeys and fresh turkey crowns were free-range: sourced from slower-growing birds³¹, with daytime access to range outdoors. Free-range turkey standards stipulate stocking densities of approximately half those for conventional turkey production³².

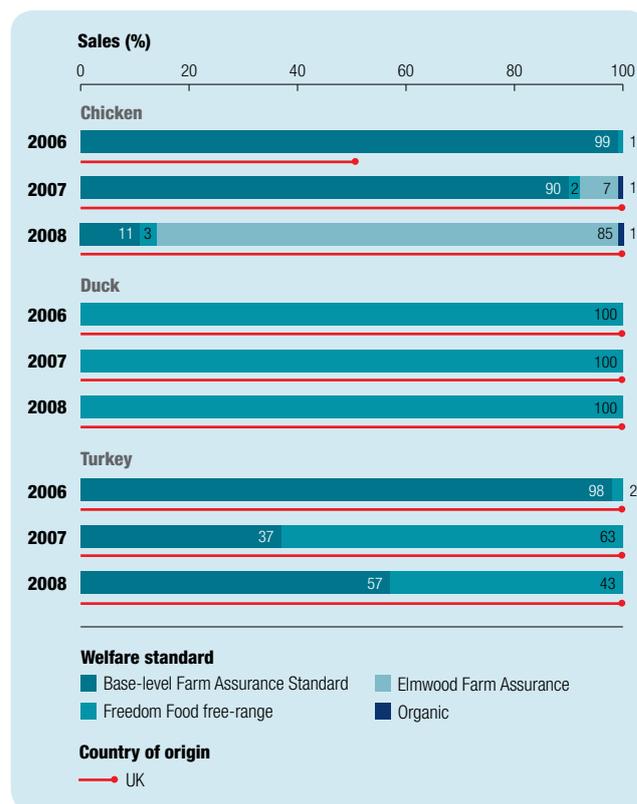
All the premium-range, own-brand Christmas turkey products were sourced from free-range traditional Bronze breed turkeys reared on The Co-operative's own Berners Hall Farm where birds had access to open pasture to forage, and coppiced woodland provided natural cover in which the birds could feed and perch.

In 2009, all Easter and Christmas fresh turkey production is to be transferred to the Co-operative Elmwood turkey standards with the aim of transferring all standard turkey production to Elmwood turkey standards by the end of 2010. Premium-range turkey products will continue to be sourced from free-range traditional Bronze breed turkeys, reared on the Co-operative's own farms.



Free-range turkeys on one of The Co-operative Food's supplier farms.

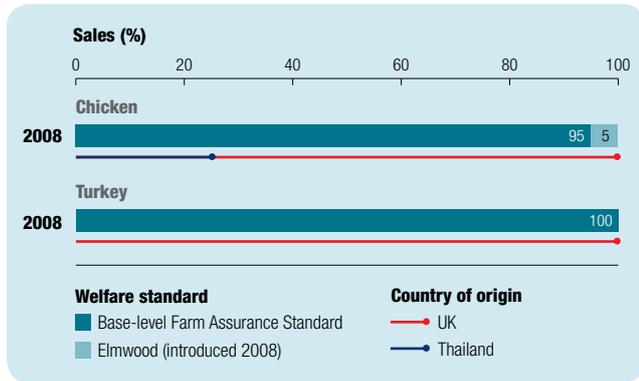
Poultry sales (own-brand, fresh)



Own-brand fresh poultry sales as proportion of total poultry sales³³

% of sales	2006	2007	2008
Chicken	86%	95%	96%
Duck	97%	99%	99%
Turkey	72%	85%	97%

Poultry sales (own-brand, frozen)



Own-brand frozen poultry sales as proportion of total frozen poultry sales³⁴

% of sales	2007	2008
Chicken	9%	18%
Turkey	66%	61%

Pig meat production



From February 2009, all pig meat for own-brand fresh pork, sausage and bacon products has been produced from pigs reared in the UK³⁵. In 2008, the only pig meat sourced outside the UK was for fresh own-brand bacon, which is required to comply with UK Contract Standards. These comply with UK legislation (eg, prohibition of sow stalls), but with regard to certain practices, they do not meet all Joint Pig Assurance Standards (eg, castration).

The majority of Freedom Food-accredited products were sourced from pigs either outdoor reared³⁶ or outdoor bred³⁷ without the use of farrowing crates. Freedom Food standards exceed conventional farm assurance standards and stipulate a higher minimum weaning age and higher minimum housing requirements³⁸. Unlike conventional standards, routine mutilations, such as teeth clipping and tail docking, are prohibited unless approved by a vet. From January 2009, ingredients for all fresh premium-range products were sourced from Freedom Food outdoor-reared traditional Hampshire breed pigs.

Beef production

From 2007, all own-brand fresh beef has been sourced from the UK. All own-brand fresh beef is reared outdoors on grass pasture, with shelter provided for the animals during winter and inclement weather. Ingredients for all fresh Truly Irresistible (premium-range) products were sourced from traditional Scottish Aberdeen Angus breed cattle.

Lamb production



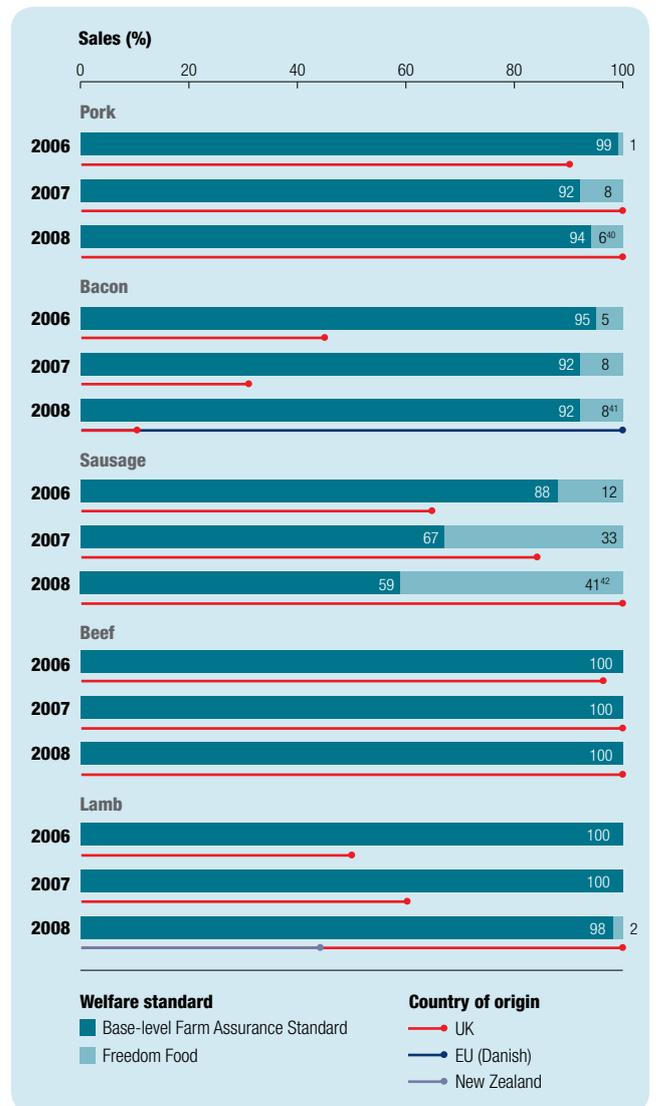
Own-brand fresh lamb is sourced on a seasonal basis from the UK and New Zealand, to Assured British Meat and New Zealand farm assurance scheme standards. All fresh lamb is reared

outdoors on grass pasture, with the animals given shelter during the winter and inclement weather. From September 2008, ingredients for all fresh premium-range products were sourced from Freedom Food lamb, reared in hefted flocks³⁹. Freedom Food lamb standards prohibit castration if the animals are intended for slaughter below the age of sexual maturity.



Cambrian Welsh Mountain breed lamb, reared to Freedom Food standards.

Meat sales (own-brand, fresh)



Own-brand fresh meat sales as proportion of total meat sales⁴³

% of sales	2006	2007	2008
Pork	70%	72%	94%
Bacon	68%	90%	98%
Sausage	53%	57%	60%
Beef	97%	99%	99%
Lamb	99%	98%	96%

Own-brand frozen meat sales as proportion of total frozen meat sales⁴⁴

% of sales	2007	2008
Pork	2%	31%
Sausage	68%	72%
Beef	24%	22%
Lamb	98%	69%

Meat sales (own-brand, frozen)**Fish production**

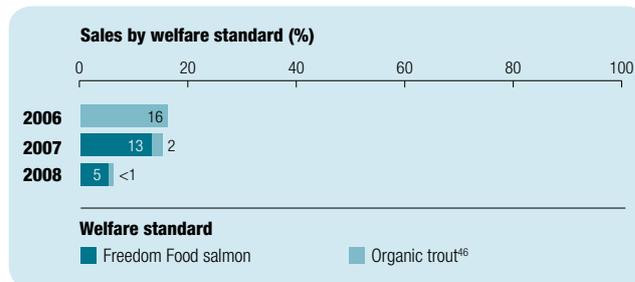
During 2007, The Co-operative Food introduced Freedom Food-accredited farmed salmon products. Freedom Food standards extend to cover management, stockmanship, husbandry, environment, feeding, health, transport and slaughter.

The Co-operative Food Fish Sourcing Policy – Farmed Fish, introduced in January 2008 (page 86), stipulates all farmed fish must be stunned using an approved method prior to slaughter. A supplier of two farmed fresh fish species, sea bass and sea bream, was unable to comply with this requirement and was subsequently delisted.

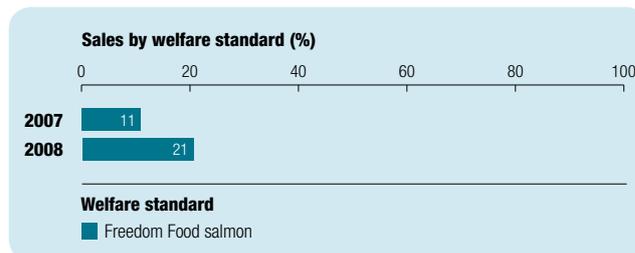
Additionally, a potential supplier of Canadian cold-water prawns was excluded on the basis that the business could not provide adequate assurance that the fish were not sourced from fishermen involved in the Canadian seal hunt.

Own-brand fresh fish sales as proportion of total fresh fish sales⁴⁵

% of sales	2006	2007	2008
	3%	25%	69%

Fish sales (own-brand, fresh)**Own-brand frozen fish sales as proportion of total frozen fish sales⁴⁷**

% of sales	2007	2008
	10%	12%

Fish sales (own-brand, frozen)**Animal testing****Toiletries and household products**

In 1998, the British Union for the Abolition of Vivisection (BUAV)⁴⁸ launched the Humane Cosmetics Standard (HCS), with a view to providing consumers with an independent assurance mark that identifies cosmetics and toiletries that have not been tested on animals.

100% of own-brand toiletries carry the Standard's 'rabbit and stars' logo, although the Group does not sell own-brand colour cosmetics, such as lipstick and mascara. As part of its accreditation, a fixed cut-off date of 1985 was agreed. This means that no own-brand toiletry products, or their ingredients, have been tested on animals since 1985.

The Group subsequently worked with BUAV on the development of the Humane Household Products Standard (HHPS), with the intention of providing similar assurance to consumers purchasing household products. The HHPS was published in 2003, and The Co-operative Food agreed a fixed cut-off date of 1997 for ingredients where the primary use was in household products – this takes into account testing that falls outside the control of the Group and its product and ingredient suppliers (ie, testing for industrial, legislative and safety purposes – much of which took place in the 1990s). As of 2003, all the Group's own-brand household products are accredited to the HHPS and carry the 'rabbit and stars' logo.

The Group is independently audited by BUAV every three years to ensure its continued conformance with both standards. Audits were carried out in early 2008, with audits scheduled next for 2011. Audits focus on company policy, purchasing and supply chain management, and the monitoring and control of ingredients/products. The latter emphasises the need for a documented and traceable system in place to ensure that products and their ingredients are not tested on animals. To this end, the Group requires that its toiletries and household products suppliers,

of which there are currently four and nine respectively, receive annual declarations from their suppliers, stating whether raw ingredients supplied for end-use in Co-operative own-brand products have been tested on animals. Similar declarations are also required of suppliers with regard to the testing of final products.

The 2008 BUAV audit identified that the animal test status of two raw materials had changed, and in one instance the animal test status of one ingredient was absent. All the products affected were reformulated with compliant ingredients.

Toiletries⁴⁹ – sales of Humane Cosmetic Standard products £m⁵⁰



Household⁵³ – sales of Humane Cosmetic Standard products £m⁵⁴



CFS and Ethical Finance

In its response to issues of animal welfare, CFS seeks to be the leading retail bank and institutional investor in the global financial services industry. The customer-led Ethical Policies of The Co-operative Bank and Co-operative Insurance contain a number of animal welfare provisions. Amongst others, these address animal testing, the fur trade and intensive farming methods. The two former positions are consistent with the wider Co-operative Group approach to these issues; however, the position relating to intensive farming extends further.

Bank screening of finance

During 2008, 42 finance opportunities (2007: 45) were referred to the Ethical Policy Unit in connection with animal welfare issues, of which five were declined (2007: nine) at a cost of £821,000 in terms of estimated income foregone in 2008.

Bank finance for business supporting higher animal welfare

The bank's Ethical Policy also includes a commitment to support businesses or organisations that promote higher welfare standards. In 2008, this included:

- Banking services provided to a business engaged in the manufacture of cosmetics that implemented fixed cut-off dates for the animal testing of products and ingredients.
- Banking facilities for three free-range farms, one organic farm, four sheep farms and one dairy farm.

Animal welfare-related business declines 2008

	Estimated income foregone 2008
Food Producer (two instances) Banking facilities for a business engaged in poultry production and £12m lending to one of the UK's largest egg producers. Businesses were engaged in the intensive indoor rearing of approximately two million turkeys per year and the use of caged egg production systems respectively.	£800,000
Cosmetics manufacturer (two instances) £500,000 lending and provision of banking facilities. Both businesses were engaged in the manufacture of cosmetics and did not have an animal testing policy stipulating a fixed cut-off date for testing of ingredients on animals and that covered ingredient suppliers.	£20,000
Riding centre Banking facilities for a riding centre that permitted a hunt to use its land. Fox hunting is illegal in the UK and has been banned since February 2005. The hunt had failed to take responsible steps (ie, lay trails) in line with current legislation to ensure foxes would not be hunted and killed.	£1,000

The Co-operative Insurance UK Voting: intensive farming

A resolution was filed at the Tesco AGM on 27 June 2008 calling for a commitment to ensure that chickens purchased by the company are produced in accordance with the Farm Animal Welfare Council's 'Five Freedoms'. Whilst The Co-operative Insurance was in agreement with the spirit of the resolution, an abstention was registered, due to concerns that, of themselves, the 'Five Freedoms' were not sufficiently detailed a set of standards to be the basis for an audit regime.

Charity credit cards

The bank offered three charity credit cards in support of animal welfare concerns: The Vegetarian Society, The League Against Cruel Sports and The British Union for the Abolition of Vivisection. Together, nearly £5,900 was raised through the use of the cards in 2008 (2007: £7,300).

Influence and action

Throughout 2008, membership teams campaigned in partnership with the BUAV to raise the profile of the BUAV 'rabbit and stars' logo and encourage members and employees to buy non-animal-tested cosmetic and household products.

The 'Cruelty-Free Campaign' was promoted at festivals and other large-scale membership events. Resource materials included leaflets, posters and T-shirts, and 'Show me the Bunny' tattoos.

A Cruelty-Free photo gallery was set up to encourage members and customers to pledge their support⁵⁷.

The campaign was further promoted via member and staff communications, in-store radio and till-screen messages, and will continue through 2009.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Local sourcing of protein and dairy products (page 107).
- Marine stewardship and sustainable sourcing of fish (page 86).
- Own-brand product sales and ranges (page 33).
- Plan Bee: campaign to highlight the decline of the honeybee (page 90).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).
- The Co-operative Food Ethical Policy (page 9).

Accompanying notes

- 1 www.ciwf.org.uk
- 2 Defra (2008) Pig Statistics. <http://statistics.defra.gov.uk/esg/>
- 3 www.rspca.org.uk
- 4 Home Office (2007) Statistics of Scientific Procedures on Living Animals, Great Britain 2006. Procedures relating to food additives have fallen 81% since 2006 and the numbers have returned to levels comparable with the number of procedures undertaken in 2005 (862). Procedures relating to other foodstuffs have risen 46%. www.homeoffice.gov.uk/rds/pdfs07/spanimals06.pdf
- 5 Results from the 2008 bank Ethical Policy review indicated that the majority of bank customers (96%) did not want their money used to finance the exploitation of the great apes, and similar levels of support preclude the bank's investment in animal testing of cosmetic or household products or ingredients, intensive farming, the fur trade and blood sports. Over 90% of customers have indicated their wish to see the bank supporting free-range farming and businesses involved in the development of alternatives to animal experimentation. The Co-operative Insurance customers have, similarly, signalled their concern about a range of animal welfare issues, and their wish to see The Co-operative Insurance use its power as an institutional investor to promote animal welfare. In the area of animal welfare, the development of alternatives to animal testing received the highest level of endorsement – from 89% of customers, and, even the policy position that attracted the lowest level of support – for the end of blood sports – commanded the backing of two-thirds of The Co-operative Insurance customers.
- 6 For The Co-operative Food purposes, fresh and frozen meat and poultry is defined as meat and poultry that has been maintained in a chilled environment in its raw condition, which will require full cooking. Products classified as fresh and frozen meat and poultry include beef, lamb and pork joints, steaks, chops, mince, burgers, sausages, bacon and gammon; whole chickens, turkeys and ducks and chicken, turkey and duck steaks, fillets and portions.
- 7 Quality Standard Marks are specifically applied to beef, lamb and pork products.
- 8 www.hsa.org.uk
- 9 www.peta.org.uk
- 10 www.ciwf.org.uk
- 11 www.rspcagoodbusinessawards.com
- 12 www.redtractor.org.uk
- 13 Information provided by Assured Food Production.
- 14 Meat and dairy assurance schemes covered by the Red Tractor Mark include: Assured British Meat, Assured Chicken Production, Farm Assured Welsh Livestock,

Northern Ireland Farm Quality Assurance Scheme, Quality Meat Scotland, Genesis Quality Assurance, Joint Pig Assurance Scheme, Soil Association Farm Assured, Quality British Turkey and National Dairy Farm Assured Scheme. Not all assured produce bears a logo, and two further standards cover cereals, and fruit and vegetables.

- 15 The standards are base-level and do not challenge practices such as the intensive rearing of chickens or the use of narrow farrowing crates for breeding pigs.
- 16 Levett-Therivel (2005), Sustainability Implications of the Little Red Tractor Scheme. www.sustainweb.org/pdf/06_04_05b.pdf
- 17 For example, Elmwood broiler chicken standards and Freedom Food broiler chicken standards stipulate the same stocking density (maximum 30kg/m²) and the same levels of environmental enrichment that exceed conventional systems. However, Elmwood broiler chicken standards permit a lower minimum slaughter age and unrestricted growth rate.
- 18 Elmwood broiler chicken standards stipulate birds must be provided with natural light. The use of artificial light is permitted by Freedom Food broiler chicken standards until 2010.
- 19 Freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to behave normally; and freedom from fear and distress. www.rspca.org.uk
- 20 The criteria have been applied to The Co-operative Food 'Truly Irresistible' range: www.co-operative.coop/food/food/truly-irresistible/
- 21 2007: £18.4m
- 22 A 2007 report from the Veterinary Medicines Directorate showed that antibiotic use for all farm animals had fallen in the UK.
- 23 Data drawn from The Co-operative Food sales between January 2008 and December 2008 inclusive (including former United Co-operative sales). Chart does not include duck sales, which accounted for less than 1% of total own-brand fresh meat, poultry and fish sales.
- 24 Co-operative own-brand egg production was transferred to free-range in October 2006.
- 25 EU egg and poultry meat marketing standards stipulate minimum requirements for products to be labelled as free-range. These contain animal welfare provisions, which include: birds' daytime access to open-air runs; fixed indoor stocking densities; and, for birds produced for meat, minimum slaughter ages.
- 26 Sales data drawn from The Co-operative Food Finance, Buying and Marketing Analysis, February 2008. Welfare data drawn from The Co-operative Food

Technical Team March–April 2008. Origin data drawn from The Co-operative Dairy Category Team March–April 2008.

- 27 With effect from September 2007.
- 28 With effect from March 2008.
- 29 Elmwood standards stipulate a maximum stocking density of 30kg/m². Conventional systems permit a maximum stocking density of 38kg/m². Elmwood standards stipulate access to bales, perches and pecking objects. Conventional systems are not required to provide any environmental enrichment.
- 30 Freedom Food standards stipulate a minimum slaughter age of 56 days compared with an average slaughter age of 38 days in conventional systems.
- 31 Free-range standards stipulate a minimum slaughter age of 72 days compared with an average slaughter age of 35–38 days in conventional systems.
- 32 Free-range standards stipulate a maximum stocking density of 25kg/m². Conventional systems permit a maximum stocking density of 59kg/m².
- 33 Sales and Welfare data: see footnote 26; origin data drawn from The Co-operative Protein Category Team, March–April 2008.
- 34 Sales and Welfare data: see footnote 26; origin data drawn from The Co-operative Frozen Category Team, March–April 2008.
- 35 In effect for fresh pork and premium products from 2006, sausages from October 2007 and bacon from February 2009. UK legislation and UK farm assurance standards currently exceed EU legislation; for example, sow stalls and tethers have been illegal in the UK since 1999.
- 36 Piglets are born and reared outdoors until around 40kg (approx three months of age), without the use of farrowing crates.
- 37 Piglets are born and weaned outdoors. Freedom Food standards stipulate pigs are weaned at a minimum of 28 days; conventional UK standards permit weaning at 21 days.
- 38 Freedom Food standards stipulate pigs are housed on solid floors with straw litter and materials that encourage natural behaviours such as rooting, pawing, mouthing and chewing. Conventional standards permit pigs to be housed on barren, slatted floors with only basic environmental enrichment.
- 39 Sheep are born and reared on open hills within a certain area through the year. There are no boundaries or fences to keep different farm flocks apart.
- 40 98% of The Co-operative Food Freedom Food pork is outdoor-bred; 2% is outdoor-reared.
- 41 74% of The Co-operative Food Freedom Food bacon is outdoor-reared; 25% is outdoor-bred; 1% is indoor-bred.
- 42 59% of The Co-operative Food Freedom Food sausage is outdoor-reared; 41% is outdoor-bred.
- 43 See footnote 33.
- 44 See footnote 34.
- 45 Sales and Welfare data: see footnote 26.
- 46 Soil Association standards stipulate stocking densities approximately half of those for conventional fish farms.
- 47 Ibid.
- 48 www.buav.org
- 49 Toiletries are classified as cosmetics under the EU Cosmetic Directive 76/768. This defines a cosmetic product as any substance or preparation intended for placing in contact with the various external parts of the human body with a view exclusively or principally to cleaning them, perfuming them or protecting them in order to keep them in good condition, change their appearance or correct body odours.
- 50 Sales data drawn from The Co-operative Food Finance, Buying and Marketing Analysis Team March–April 2008.
- 51 Includes sales generated by current and discontinued toiletry lines during 2007.
- 52 Includes £1m sales generated by former United Co-operative stores.
- 53 Humane Household Product Standards define household products as: disinfectant, bleach, dishwasher products, floor and furniture polish, cleanser and cleaner, toilet products, washing-up liquid, air freshener, washing powder, laundry tablets, liquid detergent and fabric conditioner.
- 54 See footnote 50.
- 55 Includes sales generated by current and discontinued household product lines during 2007.
- 56 Includes £2.7m sales generated by former United Co-operative stores.
- 57 www.gocrueltyfree.org/

Indicators

Additives prohibited

Nutritional content: salt

Nutritional content: fats and sugar

Nutritional labelling

Promotions, marketing and information

Targets 2008

- ✓ Remove aspartame and sodium benzoate from formulations of all own-brand soft drinks by December 2008 (page 34).
- ✓ Recipes for all products in the Co-operative Everyday (economy) range to have nutritional levels no worse than those of standard and premium equivalents by the end of 2008 (page 34).
- ⊞ Ensure FSA salt targets are met in all relevant own-brand product categories by the end of 2009 (pages 34–35).
- ✓ Apply traffic-light nutrient signposting scheme that meets FSA criteria to all products in FSA priority areas that are rebranded/reformulated during 2008 (page 35).
- ✓ Deliver farm visits for a further 1,000 children across the UK during 2008 (page 37).
- ✓ Deliver 65 'Healthy Living' events during 2008 (page 37).

- ✓ target achieved
- ⊞ on track
- ✗ target not achieved
- ⊞ close to target
- ⬅ behind schedule

Targets 2009

- Apply traffic-light nutrient signposting scheme that meets FSA criteria to 200 products that are outside the FSA priority list during 2009.
- Ensure existing 2010 FSA salt targets are met in all relevant Co-operative own-brand product categories by the end of 2009.
- Support at least one government diet and health initiative in-store every week throughout 2009.
- Increase participation in jogscotland to 5,000 in 2009.
- Launch a targeted 'Health Club' mailing programme to raise awareness of healthy eating amongst member-customers in 2009.

Background

Today's consumers are presented with a choice of foods and products on a scale unimaginable a century ago. While the majority welcome this improvement in choice, many consumers are concerned about food production methods and their impact on health. Improving the health of the nation is one of the great challenges for 21st century Britain, and it is recognised that diet plays an important part in promoting good health¹.

Materiality and strategy

The Co-operative's commitment to this issue can be traced back to the Rochdale Pioneers, who sought to sell good-quality produce at a time when items such as milk, flour and bread were regularly adulterated with the likes of alum and ground limestone. Food integrity is still a priority for consumers, although the issues of concern are, today, somewhat different.

In the 2007 Co-operative Food Ethical Policy consultation (page 9), members endorsed a number of food quality and diet and health commitments for inclusion in the policy², including: building health considerations into product development; increasing the proportion of healthy offerings available to customers; and including clear, honest and progressive labelling on products. Alongside these priorities, the Group continues to identify opportunities to promote aspects of a healthy lifestyle, through influencing and engaging members, customers and the wider community.

A Diet and Health Action Plan was signed off in 2007 by a panel drawn from members of the Executive. This formalised a number of targets covering: pricing and promotions; nutritional make-up of products; and nutritional information and other advice to help people achieve a healthier lifestyle. During 2008, the Group's community activity was guided by its Community and Campaigns Strategy (page 57), which stipulated 'food ethics' as one of five priorities for the business.

During 2008, own-brand products accounted for 44% of The Co-operative Food's sales (2007: 42%). All product reformulation and revisions to labelling carried out during 2008 were in relation to own-brand products only. In 2008, own-brand products had three main ranges which were as follows: Everyday (economy range), The Co-operative (standard range), and Truly Irresistible (premium range). There are four cross-range sub-brands: Healthy Living, The Co-operative Farms, Fairtrade and Organic³.

Achievements

1985 Commits to introduce full nutrition labelling for all products. Lobbies the Government to introduce a standard, consumer-friendly approach for the food industry.

1986 In the absence of a UK-wide scheme, becomes first retailer to develop nutrition labelling using the terms HIGH, MEDIUM and LOW.

1995 Introduces Suitable for Vegetarians and Vegans labels on appropriate products; challenges suppliers to reduce amount of fat and salt in own-brand products to help achieve Nutrition Task Force targets. Becomes the first retailer to label calories and fat content per serving on the front of product packaging and grams of salt on the reverse.

1997 In 'Lie of the Label' campaign, identifies labelling 'tricks of the trade' used to make products appear bigger and better than they really are. Launches a Labelling Code of Practice and calls for industry to adhere to it.

1999 Only retailer to label the ingredients in wine, despite the fact that the move is technically illegal.

2000 Publishes 'Blackmail' report on parental concerns about the advertising of salty, fatty and sugary foods to children.

2005 Removes artificial colours from all own-brand products. Includes information on the amount of caffeine per serving in tea, coffee and chocolate.

2006 Commits to adopt a 'traffic-light labelling' scheme that meets the FSA's criteria.

2007 Removes hydrogenated vegetable oils from all own-brand products.

2008 Launches the first traffic-light labelling for foods sold loose.

Basic assurance

All Co-operative own-brand fruit, vegetables and salad produced in the UK meet the terms of the Assured Produce Scheme (APS)⁴, which promotes basic standards of horticultural practice regarding the use of pesticides and fertilisers. It is one of the schemes covered by the Assured British Farm Standard and, like other products falling under the standard, is identified by the 'Red Tractor' symbol. The scheme is benchmarked against GlobalGAP⁵, the worldwide standard for basic production standards in horticulture. Standards in relation to meat and poultry are detailed on pages 26–27.

Additives

Many customers are concerned that artificial food additives could be harmful and/or unnecessary⁶. The Co-operative Food has operated an Additives Policy since 1985, and seeks to use additives as little as possible⁷, whilst recognising benefits in areas such as food safety.

In 2005, in response to consumer research conducted on behalf of The Co-operative Food⁸, 22 colours of concern were removed from all own-brand products. Monosodium glutamate was also removed from own-brand products at this time. In 2007, a Food

Standards Agency (FSA)-commissioned study was published⁹ that suggested consumption of certain mixes of artificial food colours with the preservative sodium benzoate could have a negative effect on children's behaviour. These included all the colours already removed from Co-operative own-brand products. Prior to the publication of the FSA study, work had started to remove sodium benzoate from own-brand soft drinks and, as of the end of December 2008, no own-brand product formulations have contained sodium benzoate or aspartame¹⁰. In addition, benzoate preservatives (E210–E219) have been prohibited from all own-brand products.

Following The Co-operative Food's review of the use of additives, significant restrictions have been placed on the use of two further colours: sulphite ammonia caramel (E150d), and copper complexes of chlorophyllins (E141)¹¹. Furthermore, following increased consumer concerns, the sweetener, aspartame, has been added to the list of those that are prohibited in own-brand products. In addition, the use of artificial flavourings will also be prohibited.

As products are reformulated during 2009 and subsequent years, prohibited additives will be removed from formulations. Colours allowed with permission will only be sanctioned for use where no other natural colour fulfils the requirements.

Nutritional content

The Government's food and health action plan¹² seeks to improve the nutritional balance of the average person's diet in the UK. The Co-operative Food has progressed a number of initiatives that support this healthy eating agenda, particularly in relation to salt reduction. Alongside the reformulation of products, with a view to making them more healthy, the business seeks to provide customers with comprehensive, reliable advice on a healthy diet and lifestyle and equip them with the knowledge to make informed choices (pages 35–36).

The Co-operative Food committed to ensure that recipes for all products in the Co-operative Everyday range¹³ have nutritional levels no worse than those of standard and premium equivalents by the end of 2008¹⁴. As of December 2008, this commitment had been achieved¹⁵.

Salt

In 2003, the FSA published its salt model¹⁶. In response to this, and following on from work done since 1995, The Co-operative Food has sought to reduce the amount of salt in its own-brand products; salt being the major source of sodium in the UK diet. The FSA's final targets for sodium levels in foods were published in 2006 and the Group has committed to meeting these across all own-brand product categories, as designated, by the end of 2009. The FSA targets are provided as absolute maximum values for some categories and average maxima for other categories.

At the end of 2008, targets for sodium had been met in 66 of the 76 FSA-defined categories relevant to the Group¹⁷ and 99% of relevant own-brand products met FSA sodium targets. During 2009, all new Co-operative brand products being developed or reformulated will be required to meet the FSA sodium targets. In addition, monitoring work will continue to take place to ensure that products that previously met the targets continue to do so.

Examples of progress against FSA sodium targets in priority areas

Product/Category	FSA target (mg sodium/100g)	Performance at December 2007 (mg sodium/100g)	FSA target met/ not met 2007	Performance at December 2008 (mg sodium/100g)	FSA target met/ not met 2008
Canned and chilled soups	250 (average)	227 (average)	Met	209 (average)	Met
Cook-in and pasta sauces	430 (average)	353 (average)	Met	286 (average)	Met
Potato crisps*	600 (average)	593 (average)	Met	569 (average)	Met
Salt and vinegar snacks	1,200 (average)	1,316 (average)	Not met	1,194 (average)	Met
Pre-packed bread and rolls (including sliced bread)	430 (average)	404 (average)	Met	386 (average)	Met
Tomato ketchup	1,000 (maximum)	700 (maximum)	Met	700 (maximum)	Met
Pizza (without high salt toppings)	400 (maximum)	500 (maximum) 395 (average)	Not met	360 (maximum) 316 (average)	Met
Sandwiches (high salt fillings)	500 (average)	417 (average)	Met	409 (average)	Met
Baked beans	300 (maximum)	372 (average)	Not met	300 (maximum) 253 (average)	Met
Breakfast cereals	300 (average)	254 (average)	Met	139 (average)	Met
Sausages	550 (maximum)	600 (maximum) 510 (average)	Not met	532 (maximum) 474 (average)	Met
Sunflower spread	600 (average)	546 (average)	Met	568 (average)	Met
Ready meals (Chinese/Thai/Indian)	300 (average)	189 (average)	Met	197 (average)	Met
Ready meals (Italian/traditional/other)	250 (average)	245 (average)	Met	209 (average)	Met

* Excludes salt and vinegar varieties, which are in a separate category for salt and vinegar flavoured snacks.

Saturated fat and sugar

The Co-operative Food has committed to review and revise its approach to the reduction of saturated fat and sugar in its own-brand products, taking into account the recommendations made in the FSA's Saturated Fat and Energy Intake Programme¹⁸. The New Product Development process requires that the composition of new products yields no increases in the proportion of unhealthier fats, such as saturated fat, whilst seeking to reduce the fat content overall. Reducing saturated fat in products is particularly challenging and may involve not only the use of alternative ingredients and recipes but new technology and methods of production.

During 2008, work to reduce the saturated fat content of products progressed. The business is awaiting FSA guidance before setting reduction targets, so it is not possible to present a meaningful summary of progress on saturated fat reduction across The Co-operative Food's ranges. However, examples of progress to date include:

- Chilled Indian range: using low-fat ingredients and baking rather than frying has resulted in the majority of the products in the range now being low in saturated fat¹⁹;
- Chilled sausages: changes in product formulation including the use of leaner meat and less pork fat, has led to a 9% reduction in saturated fat;
- Relunched cheesecakes: changes to the proportions of base, cream and soft cheese have resulted in a 12% reduction in saturated fat;
- Ready meals and meal centres: reformulation has resulted in 33% of these ranges now having low levels of saturated fat²⁰;
- Relunched iced doughnuts: now have 27% less saturated fat than before reformulation;

- Relunched carbonara pasta sauce: a change in the type of cream and the combination of cheeses used has resulted in a 29% reduction in saturated fat; and
- Sausage rolls: use of leaner meat has resulted in an 8% reduction in saturated fat.

In line with FSA targets on saturated fat and energy reduction priorities, The Co-operative Food is focusing on reducing sugar in savoury products that have high sugar levels, and is looking to develop a policy for sugar reduction going forward. In 2006, a maximum sugar level of 5% was set for all savoury products in the 'Healthy Living' range²¹. Various products in other ranges have also undergone reformulation to reduce sugar levels²².

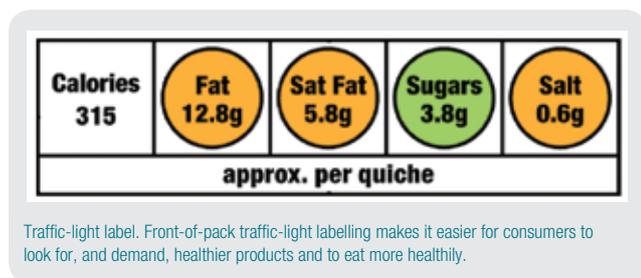
Labelling

Research suggests that 43% of consumers consider product packaging to be a very important source of information on businesses' products and services²³. The Co-operative Food seeks to be open and honest in its approach to labelling, and provide information in a way that allows customers to make informed purchasing decisions about food products²⁴.

The Group has introduced a series of packaging innovations designed to help customers understand a product's nutritional make-up (page 34). Since 1985, the Group has provided full nutritional labelling on all own-brand food products and, in 2006, The Co-operative Food began to implement the FSA's recommendations on nutrient signposting²⁵. This 'traffic-light' approach built on the existing labelling policy to enable customers to quickly discern whether the food has high, medium or low amounts of fat, saturated fat, salt and sugars, and to enable them to compare products at a glance. Throughout 2008, traffic-light labelling that meets the FSA criteria have been rolled out across all products on the FSA's priority list.

In July 2008, The Co-operative Food committed to roll out traffic-light labelling across all own-brand products, except those of negligible nutritional value (eg, tea and coffee), some 'assorted' products (eg, seasonal tins of biscuits) and fruit and vegetables (which carry a 5-a-day message), as they are launched or rebranded.

In September 2008, The Co-operative Food launched its new Food-to-Go range of in-store prepared sandwiches and other lunchtime products. Traffic-light labelling is included on all these products. In a retail first, this extends to those that are sold loose, without packaging, where traffic-light labelling has been incorporated onto shelf-edge labels.



The Co-operative Food launched 'green dot' labelling in January 2009. These labels incorporate nutritional messages within a green dot graphic²⁶, and are used alongside traffic-light labelling to enable customers to easily identify products that provide healthier options. The green dot nutritional messages are: 5-a-day, low saturated fat, low fat, low sugar, low salt, high fibre, source of fibre, high in calcium, source of calcium, wholegrain, and rich in omega 3. Green dots are applied to own-brand products, regardless of the product range within which they fall, that do not carry any 'red' traffic lights, and that fulfil the relevant green dot message nutritional criteria.

The Co-operative Food includes the Guideline Daily Amounts (GDAs) for an average adult for all nutrients listed, plus energy in nutrition panels. Values used for GDAs are those developed by the Institute of Grocery Distribution²⁷, which also issued, in 2006, Best Practice Guidance on the Presentation of GDAs. These values are based upon, and are consistent with, the latest published scientific data on dietary requirements.

Alcohol advice

Consumption of alcohol in excess has been linked to a variety of physical and psychological health issues, and, to that end, The Co-operative Food seeks to provide clear labelling that carries sensible drinking advice. Since 1996, own-brand alcoholic drinks have carried information about the number of units of alcohol in a drink, and, in the case of spirits and wine, the number of glasses per bottle.

In May 2007, the UK Government announced a voluntary agreement with the alcohol industry to provide a standard format for sensible drinking messages on the labels of alcohol products. The label includes unit information by glass or bottle or both, along with recommended daily units headed by 'know your limits' or 'enjoy responsibly', and also features revised Department of Health advice to avoid alcohol if pregnant or trying to conceive. The major retailers have agreed to follow the standard format, and The Co-operative Food is rolling this out in conjunction with its rebranding exercise. By the end of 2007, spirit drinks, such as brandy, rum, vodka, gin and whisky, had been relabelled with the new advice, and during 2008 wine labels were updated with the new information as products were rebranded.

Promotions, marketing and information

Research²⁸ suggests that 20% of consumers consider in-store promotional material to be a very important source of information on companies' products and services. Like other retailers, The Co-operative Food highlights healthy eating options in-store, using devices such as shelf-edge labelling, till screens and radio, whilst its website carries information on diet and health²⁹. Additionally, the Group's Customer Relations team (pages 121–122) acts as a first point of contact for all customer queries relating to products and their ingredients³⁰.

The Group has a policy that prohibits the marketing or advertising to children of products that are high in fat, sugar or salt. The policy extends to free samples at in-store demonstrations and promotions, the use of popular children's characters on the packaging of own-brand products, and products that are high in fat, sugar or salt, aimed specifically at children, being displayed at checkouts. Healthy living, weight management and smoking cessation advice is also provided by The Co-operative Pharmacy.

The Co-operative Food is committed to increasing the number of healthier products that are promoted in its stores, with a particular focus on fresh products. During 2008, a national TV campaign was run to highlight the benefits of eating different coloured fruit and vegetables. This was supported in-store by the price promotion of a minimum of five different fruits and vegetables to the customer, and communication of the 'Mix your colours' campaign message through in-store promotional media. The campaign resulted in an increase in The Co-operative Food's produce sales of 9% during 2008, whilst growth in produce sales across the market as a whole, over the same period, was just 6%. During 2009, price promotions will be rolled out for five different fresh produce lines every month.

Throughout 2009, healthier products will be promoted through a range of point-of-sale material to raise awareness of green dot messages (page 37). This will be accompanied by promotions on green dot products. During January 2009, as part of the promotion launch, double membership points were given on all green dot product purchases, and certain products with green dot labels were offered at half price.

In December 2008, the Group signed up to support the Department of Health's Change4Life movement³¹, through which businesses participate to encourage people to make changes to their diet and activity levels. Change4Life aims to highlight to parents the links between poor diet, sedentary lifestyles and preventable illnesses, such as diabetes and certain cancers. The Co-operative Food and The Co-operative Pharmacy will participate in the programme throughout 2009, promoting health messages in stores, on The Co-operative Group website and in staff communications. In addition, The Co-operative Food has committed to support at least one governmental diet and health initiative in every store, every week throughout 2009. These will include the FSA Saturated Fat campaign and the Department of Health's 5-a-day campaign.

Employee engagement

During 2008, each issue of the Trading Group's employee magazine, us (page 115), featured articles on diet and health. This will be continued in 2009. In addition, in January 2009, all employees were provided with a 'Feel Great' leaflet, which included 50 tips for a more active, healthy lifestyle. It also encouraged employees to pledge to do at least 30 minutes of exercise a day, and those who signed up receive monthly motivational emails. Further programmes to encourage employees to exercise are planned for 2009, including a walking initiative, which will also raise funds for The Co-operative Group's Charity of the Year, RNID (page 61).

Community involvement

Food education: From Farm to Fork

The Co-operative's From Farm to Fork programme³² is designed to enable children from primary schools to visit one of the Group's working farms; providing them with a learning experience that promotes a much better understanding of where their food comes from.

The programme, which started in 2005, was extended to a further four Co-operative Farms³³ during 2008, bringing the total number of sites running the programme to seven.

In 2008, 475 classes of children visited Co-operative Farms as part of the programme, with over 10,000 children being taught to cook with fresh, healthy ingredients. Impact evaluation of the programme has shown that 94% of teachers thought the visit stimulated, inspired and improved motivation in the children³⁴.

In 2008, a From Farm to Fork recipe book was introduced to reinforce messages from farm visits and provide recipes that can be tried at home; increasing the reach of the programme to the children's parents.

Year of Food and Farming

The Year of Food and Farming ran from September 2007 to July 2008 as a national scheme to connect young consumers to food production. It aimed to help bring about improved awareness of food production, a greater understanding of farming and, ultimately, encourage lifelong healthier lifestyles through farm visits, growing experiences and cooking food.

The Co-operative Group made a donation of £100,000 to the Year of Food and Farming, and provided an additional £150,000 of in-kind support. The objective was to increase the number and quality of school visits to farms by: enthusing teachers about the benefits of visiting farms; putting teachers in contact with local farmers; providing appropriate supporting information for teachers; enthusing farmers about the benefits of schools visiting their farms; and providing skills and knowledge to farmers in providing educational opportunities on their farms. As a result of the Group's support, 13 courses were run across the country, training farmers in running farm visits and more than 150 farms committed to offering visits.

Healthy Living

During 2008, 59 'Healthy Living' events were held across the UK to promote healthy eating to customers, members and staff. The events provided nutritional advice and included a cookery demonstration, followed, at some events, by a 'hands-on' workshop. The events featured Healthy Living information packs and Healthy Living vouchers, which could be exchanged for fresh fruit and vegetables, and a 'smoothiecycle' (a bike, which, when cycled, generates energy that is transferred to a smoothie maker). Events were attended by over 15,000 members, customers and members of the public, including 3,000 children. In addition, five events were run for employees, to help them to talk to members and customers more effectively, about healthy living issues.

In 2009, The Co-operative Food will also launch a communication programme to raise awareness of healthy eating and to increase healthy food consumption amongst member-customers. A test phase of the programme will run until September 2009, which will target groups considered to be much more likely than others to buy unhealthy options and much less likely to buy 'green dot' products. Communications will include the distribution of a quarterly magazine to over 85,000 members, along with monthly emails.



Cookery demonstration at a Healthy Living event to promote healthy eating to customers, members and staff.

Promoting exercise

In 2008, The Co-operative Group was the lead sponsor of jogscotland for a third year³⁵. Jogscotland is a Scottish national jogging network that was established in 2002. Through co-ordinated programmes of walking, jogging and running, delivered at a local level, it aims to widen participation and contribute to improvements in physical activity levels and health.

There are currently 18,000 adult members of jogscotland and over 50,000 children have participated in junior jogscotland sessions since the programme launch.



Promoting exercise through jogscotland. The Co-operative Group was a lead sponsor of the initiative in 2008.

The Co-operative Group is also committed to supporting 'Walking Buses', a healthier way for children to travel to school (page 74).

Community Health Fund

The Co-operative Pharmacy's Community Health Fund helps to support local health projects in line with its brand, 'healthcare at the heart of the community'. During 2008, three Community Health Funds were launched in Northern Ireland, Carlisle and Warrington/Merseyside. Community groups were given the opportunity to apply for their share of £20,000 for local health projects. Local panels, comprising employees from Pharmacy branches and elected members, meet to assess each application and make awards based on a set of criteria.

Since the fund's launch, in 2005, more than 130 projects have been supported with grants totalling over £140,000.

Member involvement

The Wales & Borders Membership team marked 100 years of farming at the Co-operative's Tillington Fruit Farm in Herefordshire by hosting a family education day at the farm. The event included 'Grown by us' cookery demonstrations, apple pressing, guided walks of the orchards and a hog roast. The South East Membership team organised a farm visit at the Co-operative's Essex Farm, near Ongar. Members took part in pizza-making, a farm walk and a potato planting workshop.

Influence and action

Healthy Food Code of Good Practice

In October 2008, The Co-operative Food was asked to present to a Department of Health ministerial meeting about the Healthy Food Code of Good Practice³⁶, part of the Government's Healthy Weight, Healthy Lives strategy. The presentation provided information on work undertaken by the Group in seven priority areas. It included details of The Co-operative Food's: labelling policies; marketing policy, which aims to reduce the exposure of children to the promotion of less healthy options; and work to increase the consumption of healthy food, such as increasing in-store space for fresh foods and producing Healthy Living products that are no more expensive, and value products that are no worse nutritionally, than a standard equivalent.

Alcohol advice

In October 2008, The Co-operative Group supported Scottish Alcohol Awareness Week, an awareness-raising initiative to encourage customers to make sensible changes to the way they consume alcohol. In-store activities included the distribution to customers of thousands of free drink calculators and unit measures. A number of Members of the Scottish Parliament also visited stores to observe The Co-operative Food's initiatives to encourage sensible drinking.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Support for organics (pages 27 and 89).
- Higher animal welfare standards (page 26).
- Responsible fish sourcing (page 86).
- The Co-operative Food Chemicals Strategy (pages 92–93).
- The Co-operative Food Pesticides Policy (pages 94–95).
- Employee health, safety and well-being (page 115).
- Healthier travel to school: walking buses (page 74).
- The Co-operative Food Ethical Policy (pages 9, 25 and 63).

Accompanying notes

- 1 www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/food/food_matters1.pdf
- 2 www.co-operative.coop/food/ethics/
- 3 Healthy Living, The Co-operative Farms and Fairtrade can sit in any range, Organic can sit in The Co-operative or Truly Irresistible ranges. In 2009, the 'Everyday' range was renamed 'Simply Value'.
- 4 The Assured Produce Scheme (APS) is designed to give consumers confidence in the safety and integrity of fruit, vegetables and salad produce. Growers must follow production advice contained in the crop-specific protocols that form the basis of the scheme, which is independently assessed. The Group is represented on the APS Technical Committee. www.assuredproduce.co.uk
- 5 www.globalgap.org
- 6 Research undertaken by NOP on behalf of The Co-operative Food in 2005 revealed that 69% of parents harboured concerns regarding additives, and a third linked their children's diet to hyperactivity, naughtiness, anger and lack of concentration.
- 7 www.co-operative.coop/food
- 8 Ibid.
- 9 The Southampton Study, commissioned by the FSA, was carried out to further investigate the findings of a 2002 study into the effect of food colours on the behaviour of children. The findings were assessed by both the UK Committee on Toxicity and the European Food Safety Authority. The study considered the following colours: Sunset yellow (E110), Tartrazine (E102), Carmoisine (E122), Ponceau 4R (E124), Quinoline yellow (E104) and Allura red (E129). www.food.gov.uk/news/newsarchive/2007/sep/foodcolours
- 10 A delay in the creation of artwork for the soft drinks range meant that from December 2008 to February 2009, labels on products in stores stated that they contained sodium benzoate, whilst they had, in fact, been reformulated to remove this ingredient. Dispensation from Manchester Home Authority was granted to enable this.
- 11 These colours are only allowed where specific permission is sought.
- 12 Department of Health (2005), Choosing a Better Diet: a food and health action plan. The plan focuses on the following set of objectives: increasing the average consumption of a variety of fruit and vegetables to at least five portions per day; increasing the average intake of dietary fibre to 18 grams per day; reducing the average intake of salt to six grams per day by 2010; reducing the average intake of saturated fat to 11% of food energy; and reducing the average intake of added sugar to 11% of food energy.
- 13 The Everyday range accounted for 0.6% of own-brand product sales in 2008.
- 14 Of the 70 products that make up the Everyday range (from 2009, known as 'Simply Value'), 59 have comparable equivalents in the standard ranges.
- 15 Commitment was achieved within the tolerances accepted for nutritional analytical variation; or where the sugar content of an economy-range product (eg, own-brand value cheese and tomato pizza) is slightly higher than the standard equivalent owing to an increased proportion of fruit/veg, and consequently naturally occurring sugars.
- 16 www.food.gov.uk/healthiereating/salt/saltmodel#h_1
- 17 FSA defines 85 categories in total, but The Co-operative Food offers own-brand products in only 76 of these.
- 18 The FSA carried out a consultation in March 2007 and published results in February 2008. The aim of the consultation was to arrive at a consensus towards improving consumer awareness and understanding of healthy eating, with particular focus on the impact of saturated fat on health; encouraging promotion and uptake of healthier options; encouraging accessibility of smaller food portion sizes; and encouraging voluntary reformulation of mainstream products to reduce saturated fat and energy. A review of The Co-operative Food's progress in relation to the consultation document has taken place. www.food.gov.uk/multimedia/pdfs/satfatprog.pdf.
- 19 14 products out of 18 in the Chilled Indian range carry low saturated fat green dot messages.
- 20 45 out of 133 product ranges.
- 21 The Healthy Living range accounted for 5.6% of own-brand product sales in 2008.
- 22 During 2008, these included canned spaghetti and spaghetti rings in tomato sauce (10% reduction in sugar), and Chinese cook-in sauces (36% reduction in sugar).
- 23 AccountAbility/National Consumer Council (July 2006), What Assures Consumers? Product packaging emerged first in a list of potential sources that consumers consult for such information.
- 24 www.co-operative.coop/food/ethics/diet--health/
- 25 www.food.gov.uk/foodlabelling/signposting/
- 26 'Green dot' messages are based on approved nutrition claims under the Nutrition and Health Claims Regulation (EC) 1924/2006 plus Omega 3, Wholegrain and 5-a-day claims.
- 27 www.igd.com
- 28 AccountAbility/National Consumer Council (July 2006), What Assures Consumers?
- 29 www.co-operative.coop/food/ethics/diet--health/
- 30 The team can be contacted via Freepost letter, Freephone (0800 0686 727), Minicom (0800 0686 717) or email (customer.relations@co-operative.coop).
- 31 www.nhs.uk/change4life
- 32 www.fromfarmtofork.co.uk
- 33 www.co-operative.coop/farms/
- 34 Based on telephone interviews with a random selection of 67 teachers who participated in visits, between September and December 2008.
- 35 Jogscotland was established by scottishathletics and is supported by the Scottish Executive, Sport Scotland and NHS Health Scotland as part of Scotland's Healthy Living Campaign, www.jogscotland.org.uk.
- 36 www.food.gov.uk/news/newsarchive/2008/jul/healthyfoodcode

Indicators

Socially responsible finance: Bank

Socially responsible investment: Insurance

Targets 2008

- ✔ Undertake a bank Ethical Policy consultation with bank customers, and launch a revised Policy (page 39).
- ✔ Devise and implement a Co-operative Investments shareholder engagement programme on unconventional fossil fuel extraction and production (page 42).
- ⬅ Consider a distinctive social and ethical consumer proposition for the general insurance business (page 45).

✔ target achieved
 ⊖ on track
 ✘ target not achieved
✔ close to target
 ⬅ behind schedule

Targets 2009

Devise and implement a Co-operative Investments shareholder engagement programme on the effects of neonicotinoid pesticides on bee population decline.

The Co-operative Investments to launch two new ethically screened investment funds.

Consider the development of an arrangement whereby a deduction is made, at CFS' cost, from international payments fees, in order to support funding of the Group's international development activities.

Consider a distinctive social and ethical consumer proposition for the general insurance business.

Materiality and strategy

The core business activity of The Co-operative Financial Services' businesses is the provision of financial services – banking, insurance and investments – to corporate, business and personal customers. In 2008, CFS had an operating profit of £148.7m and total assets at year-end of £38.8bn. Loans and advances to bank customers were £10.3bn and deposits £11.9bn¹. CFS' investments totalled £21.2bn², including The Co-operative Insurance listed equities of £4.1bn³. In relation to the provision of ethical finance, CFS seeks to be the leading retail bank and institutional investor in the global financial services industry.

The Co-operative Bank launched its Ethical Policy⁴ in 1992, with the most recent review being completed in 2009. The Ethical Policy is formulated on the basis of an extensive programme of customer consultation. The Policy stipulates who the bank will and will not finance, as directed by customers. It covers all the bank's

corporate, business and wholesale market assets (eg, retail and syndicated loans, and corporate leasing) and liabilities (eg, retail deposits and savings, and treasury dealings), and the investment of all retained balances. The bank's Ethical Policy is currently unique in UK retail banking, in so far as it contains explicit clauses that are mandated by customers and that restrict the provision of financial services to certain activities and sectors. In 2005, a project was completed that aimed to substantially reconcile the historically different approaches of The Co-operative Insurance and The Co-operative Bank to socially responsible investment. Reconciliation focused on establishing a clear customer mandate for The Co-operative Insurance's approach to matters of ethics and sustainability. In total, some 44,000 customers responded to The Co-operative Insurance Ethical Engagement Policy poll, 98% of whom were in favour of such an approach. The Co-operative Insurance Ethical Engagement Policy⁵ was launched in June 2005, and now guides The Co-operative Insurance's approach to engagement with investees. In 2002, The Co-operative Insurance was the first UK investor to disclose its entire UK voting record via its website⁶, and this was extended to overseas companies in 2005.

Assurance

The Co-operative Bank's Ethical Policy implementation and The Co-operative Insurance's responsible shareholding activity are, like the rest of this Report, subject to rigorous third-party verification (pages 10–11 and 130–131). Whilst many financial services organisations now produce social and environmental reports, few, if any, subject their core business activity – the provision of finance – to independent scrutiny or assurance. The Co-operative Group's sustainability auditors, Two Tomorrows, have provided a high level of assurance (pages 10–11 and 130–131) over The Co-operative Bank's Ethical Policy implementation and associated data. In order to do so, they have directly investigated, at a 10% sample level, the veracity of policy implementation, reviewing case files and assuring themselves of the integrity of the process and outcome.

The Co-operative Bank – Ethical Policy review, 2009

In 2008, the bank initiated its fifth Ethical Policy customer consultation⁷. A series of customer focus groups and a range of internal and external forums tested a number of potential Policy developments and the subsequent development of a questionnaire, on matters of international development, human rights, animal welfare and ecological impact⁸. Questionnaires were delivered to customers primarily as inserts alongside postal statements. Over 80,000 customers participated in the consultation (2001: 60,000), of which 99% endorsed the development of the Policy as proposed (2001: 97%). The resulting revised Ethical Policy, containing nine new or extended clauses, as detailed throughout the Report, was approved by the CFS Executive and ratified by the CFS Board in December 2008. The Policy was launched in February 2009, and communicated to customers, principally via statement inserts, in March and April 2009.



The Co-operative Bank – screening of finance

The bank provides facilities to some 70,000 corporate, business and wholesale market banking customers⁹. Ethical Policy compliance is secured, in the main, via self-completion questionnaires, which are incorporated within application forms and authenticated by account opening staff. Ongoing compliance is affirmed remotely via a central screening exercise undertaken on a bi-annual basis.

For large relationship customers¹⁰, ethical compliance is confirmed via direct investigation by business development managers and reviewed on an annual basis. Business development managers are issued with Ethical Policy guidelines that set out the criteria to be considered in the provision of facilities and make explicit where involvement is prohibited. High-risk sector guidelines detail corporate activities that are considered to present an elevated Ethical Policy risk (eg, the manufacture of chemicals) and where referral to the Ethical Policy Unit is mandatory.

Referrals are made to the Ethical Policy Unit by account opening staff, business development managers and credit risk managers seeking to ensure that prospective business opportunities are Policy compliant. In most cases, independent analysis is commissioned from EIRIS¹¹, the leading independent ethical investment research organisation. During 2008, the bank's Ethical Policy Unit reviewed 356 (2007: 348) potentially problematic financial opportunities. Of these, 36 (10%) were found to be in conflict, and the business opportunity declined (2007: 32, or 9%). In 2008, the annualised gross income foregone by the bank as a result of ethical screening was an estimated £16m (2007: £14m)¹².

On the basis of customer confidentiality, the bank is generally unwilling to name businesses found to be in conflict with its Policy. However, all referrals to the bank's Ethical Policy Unit are subject to independent third-party scrutiny. The Co-operative Group's sustainability auditors, Two Tomorrows, also liaise with CFS' Internal Audit function to pursue a broader level of assurance on the quality of the referral process in operation across the business. In each previous year, Internal Audit has evidenced that appropriate and robust systems and controls are established to ensure Ethical Policy compliance across the bank. As such, an audit was not a requirement for 2008.

In 2007, an Ethical Policy training programme was made available to all staff via the intranet. In addition, the programme was adopted within bank staff induction programmes and by customer-facing departments, as part of annual training reviews. During 2008, the

programme was completed by 1,299 members of staff (2007: 926). In early 2009, the programme was updated to incorporate developments arising from the 2009 Ethical Policy review.

Performance benchmark

Research undertaken by the Ethical Consumer Research Association in 2009¹³ reviewed 28 providers of cash and current accounts in the UK and awarded 'Best Buy' status to The Co-operative Bank and smile, 'for their ground-breaking ethical policies'.

Performance benchmark

In 2009, an ethical finance website¹⁴ was developed by EIRIS, to provide consumers with ratings of financial institutions' green and ethical profiles. The Co-operative Bank (including smile) was the highest-rated financial institution, and The Co-operative Insurance was the highest-rated insurance provider¹⁵.

Bank – all business declines by issue 2008

	Estimated income foregone 2008
Ecological impact 125 finance opportunities were referred to the Ethical Policy Unit in connection with ecological impact, of which 17 were declined. Issues of concern included: support for fossil fuel extraction and production; and unsustainable waste management. For further details, see pages 73, 83, 89 and 96.	£2,083,000
International development and human rights 137 finance opportunities were referred to the Ethical Policy Unit in connection with international development and human rights, of which eight were declined. Issues of concern included: transfer of armaments to oppressive regimes and systematic failure to comply with basic labour standards. For further details, see page 20.	£846,000
Animal welfare 42 finance opportunities were referred to the Ethical Policy Unit in connection with animal welfare, of which five were declined. Issues of concern included: animal testing for cosmetic products; use of intensive farming methods; and involvement in blood sports. For further details, see page 31.	£821,000
Financial inclusion Seven finance opportunities were referred to the Ethical Policy Unit in connection with financial inclusion, of which five were declined. For further details, see page 48.	£687,000
Diversity Seven finance opportunities were referred to the Ethical Policy Unit in connection with diversity, of which one was declined. For further details, see page 55.	£7,000
Other On occasion, the bank will review businesses in areas not explicitly covered by its Ethical Policy, but where there are pressing ethical/sustainability concerns. In 2008, 38 finance opportunities were referred to the Ethical Policy Unit in connection with potential ethical/sustainability issues, none of which were declined.	£0
Total	£4,444,000

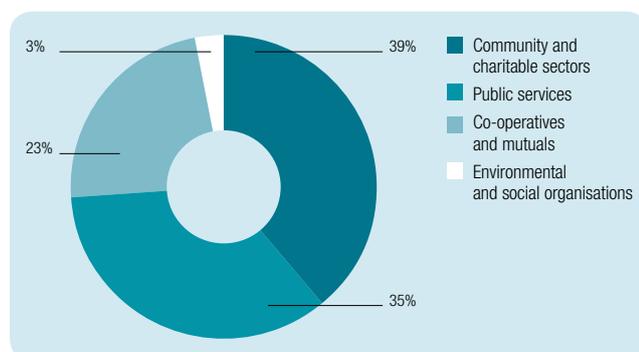
The Co-operative Bank – corporate and business banking customer profile

Annual analysis is undertaken of the bank's corporate and business banking assets (eg, loans and overdrafts) and liabilities (eg, deposits). This is designed to assess the extent to which the bank's products and services support organisations that, in the bank's view, make a particularly positive contribution to society. Analysis shows that 54% (2007: 59%) of liabilities and 23% (2007: 28%) of assets are derived from business activities that have a distinct co-operative, ethical or social purpose. 'Positive' liabilities increased by 21% (£260m) in 2008, with growth primarily in the 'co-operative' and 'charitable' sectors. 'Positive' assets have also increased (by 6%, or £44m), with growth primarily attributable to the 'environmental' and 'public services' sectors.

Average bank liabilities (eg, deposits)

	2007	2008
Total (£m)	2,103	2,749
Positive contribution to society (£m)	1,232 (59%)	1,492 (54%)

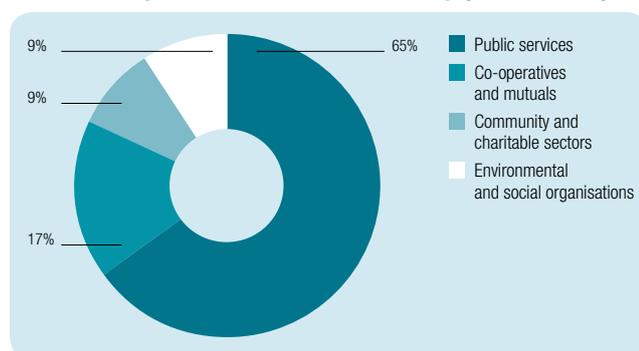
Bank liabilities: positive contribution to society (Total: £1,492m)



Average bank assets (eg, loans and overdrafts)

	2007	2008
Total (£m)	2,706	3,450
Positive contribution to society (£m)	751 (28%)	795 (23%)

Bank assets: positive contribution to society (Total: £795m)



Performance benchmark

UK general public's social, environmental and ethical ranking of financial services providers¹⁶.

	2004	2005	2006	2007	2008
The Co-operative Bank	1 (11%)	1 (12%)	1 (12%)	1 (11%)	1 (8%)
HSBC	=2 (2%)	2 (3%)	3 (2%)	2 (4%)	2 (6%)
The Co-operative Insurance	=2 (2%)	3 (2%)	2 (6%)	3 (3%)	=3 (2%)

Source: TNS Omnibus (March 2008): Survey of UK general public's unprompted awareness of corporate responsibility. Representative sample, all adults aged 16+.

The Co-operative Insurance – investment strategy

The Co-operative Insurance recognises that a company's corporate governance and the way it manages its social, ethical and environmental (SEE) risks are important indicators of the long-term value of the company. For this reason, every stock recommendation produced by investment analysts contains, along with analysis of financial performance and prospects, an overview of the quality of corporate governance and SEE risk management evident at the company. These recommendations aim to inform the stock selection decisions of The Co-operative Insurance fund managers.

From 2006 to 2007, a process was incorporated into portfolio management procedures that sought to identify companies within the FTSE 350 with the most serious corporate governance and SEE management risks. A committee of fund managers and members of the Responsible Investments Team reviewed the companies and considered whether any stocks were unsuitable for investment on the grounds of poor governance or SEE risk management. Where such stocks were identified, and where additional engagement was considered unlikely to prove successful, an orderly divestment from the stock was instructed across all portfolios.

During 2008, The Co-operative Insurance reduced the number of equity holdings in its UK portfolio by divesting the majority of its passive holdings, in order to take a more focused, active investment approach¹⁷. This reduced the portfolio by 89%, from 511 holdings at the end of 2007 to 54 holdings at the end of 2008. On the basis of the reduced portfolio size, a formal process for identifying unsuitable stocks was not considered necessary in 2008. Shareholdings continue to be assessed for SEE risks on an annual basis and prior to any initial investment.

Performance benchmark

The Co-operative Investments won 'Best Ethical Investment Provider' at the Investment Life & Pensions Moneyfacts Awards 2007¹⁸. The award recognised the integration of environmental, social and governance considerations throughout the investment process.

The Co-operative Insurance – ethical and sustainability engagement, 2008

Concern	Companies	Push for change
International development and human rights (armaments) Between 2000 and 2007, £1.3bn of armaments and military equipment was transferred from the UK to countries considered by The Co-operative Insurance to be 'oppressive regimes'.	Defence – BAE Systems	Company urged to reform its approach to doing business with countries with poor human rights records, and to submit itself to rigorous, independent third-party verification (pages 20–21).
Ethical finance Since 2004, HSBC has introduced a series of sector lending guidelines that govern its approach to environmental and social risks, and specify areas where involvement is prohibited. To date, sector guidelines have been published on forestry, freshwater infrastructure, chemicals, energy, mining and metals.	Banking – HSBC	Engagement commenced in 2007, supporting moves to fully implement 'Forest Land and Forest Products Sector Guidelines' (pages 43–44).
Climate change (unconventional oils) Increasing investment by oil companies in unconventional fossil fuels, such as Canadian oil sands and US oil shales, risks dangerously increasing atmospheric CO ₂ levels and causing local ecological disaster.	Oil & gas – BP and Shell	Companies urged to report on environmental and social risks associated with unconventional oil operations, including carbon emissions, community health and long-term toxic waste management, and publicly disclose strategies for mitigating these risks (pages 72–73).
Climate change (coal-fired power generation) Brown coal (lignite), commonly used in power generation, contains more moisture and less energy than conventional coal. International Power operates two brown coal power stations in Victoria, Australia. A typical Victorian brown coal power station is 37% more carbon-intensive than a power station using conventional coal ¹⁹ .	Utilities – International Power	Company urged to adopt meaningful and challenging targets for reducing the carbon intensity of its operations (page 73).
Public policy (irresponsible lobbying) Corporate lobbying represents corporate interests and is usually undertaken in an attempt to influence public policy. Irresponsible lobbying practices can include campaigns of disinformation via 'front groups', which can mislead public opinion or policy makers.	Media and PR – WPP	Engagement commenced in 2007, urging company to recognise client representation as its most material SEE issue and to embed employee training on corporate responsibility (page 126).

The Co-operative Insurance – approach to engagement

During 2008, The Co-operative Insurance's engagement activity again focused on corporate governance and SEE issues. Corporate governance activism is primarily driven via voting at the general meetings of investee companies (as summarised in the tables on UK voting and overseas voting on pages 43 and 44 respectively). Engagement on specific areas of corporate governance concern (for example, short-termism in remuneration policy) is undertaken on a case-by-case basis, following on from voting outcomes. For reporting purposes, SEE 'engagement' is restricted to instances where The Co-operative Insurance has pressed a point of difference with a company or where it has lent weight to a significant positive initiative. Engagement is not taken to cover endorsements of corporate behaviour that are essentially the sector norm, or close to it. Research, letters of enquiry and seminar attendance are not reported upon as engagement.

The Co-operative Insurance – UK voting

At year-end 2008, 70% of The Co-operative Insurance's equity holdings by value were listed on the UK stock exchange (2007: 77%). A UK Corporate Governance and Voting Policy sets out positions with respect to voting outcomes²⁰. The Co-operative Insurance will vote against a resolution where it 'is inconsistent with its guidelines, does not accord with best practice, and is not in shareholders' long-term interests'. However, in the first instance, and where the issue is not considered fundamental, an abstention will tend to be registered, and a vote against a company only registered when it has not responded to previous engagements. Abstentions will also be registered where performance falls short of best practice, but is not considered to be significantly material. Where there are plans not to support a company's Board, the affected company is informed in writing in advance of concerns. In 2008, 285 notifications were issued detailing an intention

to vote against, or to abstain on, a management resolution, or to support or abstain on a shareholder resolution (2007: 361). In 19 instances (2007: 50), a response from the company was forthcoming and, in five cases (2007: 12), this resulted in a change to the proposed vote.

In 2008, The Co-operative Insurance voted on 5,299 UK resolutions tabled by management (2007: 8,834), and was represented at three annual general meetings (2007: 10). Opposition to management voting (whereby votes were cast against a resolution or an abstention was cast) accounted for 570 of the votes cast, or 11% (2007: 1,053, or 12%), and confirmed The Co-operative Insurance's status as one of the most active and assertive institutional investors in the UK. The major areas of opposition continue to be Board independence (195 votes), executive remuneration (184 votes) and annual reporting (76 votes). Between them, these accounted for 80% (455 votes) of opposition voting.

Annual reporting

Since April 2004, The Co-operative Insurance has voted against accepting the report and accounts of UK-listed companies that fail completely in respect of SEE risk disclosure²¹, and which operate in sectors deemed to be medium or high SEE risk. Where there was limited disclosure (or no disclosure in low-risk sectors) abstentions were registered. As of April 2006, an approach was adopted which identified the poorest-performing companies²² within medium- and high-risk SEE categories and factored current SEE risk disclosure, previous voting history and engagement on SEE issues into voting decisions.

In 2008, The Co-operative Insurance voted on the acceptance of UK company report and accounts on 392 occasions (2007: 712) and, in 76 instances, voted against, or abstained on, the acceptance of report and accounts (2007: 130). Of these 76 votes, 26 related to instances where a vote against was registered, of

The Co-operative Insurance – UK voting

Category	Resolutions tabled by management			Voted against resolution and management			Abstained on resolution and against management		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Report and accounts	619	712	392	58	52	26	41	78	50
Board independence: director election	2,330	2,622	1,568	120	192	53	169	231	142
Remuneration report: executive	571	657	371	113	149	74	110	131	110
Shares: executive incentives	229	219	137	63	83	26	12	23	42
Political donations	173	141	95	7	9	1	0	0	2
Other governance	3,769	4,483	2,736	28	64	12	39	41	32
Total	7,691	8,834	5,299	389	549	192	371	504	378

The Co-operative Insurance – votes in ‘opposition’ to acceptance of report and accounts on basis of poor social, ethical and environmental risk reporting

	2004	2005	2006	2007	2008
Votes against	20	74	40	31	12
Abstentions	161	95	38	62	45

which 12²³ related to SEE matters (2007: 31); and 50 related to instances where a vote to abstain was appropriate, of which 45 related to SEE matters (2007: 62). Voting rationale continues to be publicly disclosed on the website on a quarterly basis²⁴.

Of the 31 companies voted against in 2007, improvements in SEE reporting progressed at six, and The Co-operative Insurance was able to support the resolution on their respective report and accounts in 2008. However, in nine instances²⁵, persistent SEE concerns meant that votes continued to be registered against these companies’ report and accounts in 2008. In three instances²⁶, this represented the fourth consecutive year that such a vote had been registered, and in a further two instances²⁷, the third consecutive year. Of the 62 companies where abstentions were registered in 2007, 21 companies improved their disclosure sufficiently for The Co-operative Insurance to subsequently support the resolution to receive their report and accounts, whereas three did not make any improvements, and a vote against was registered in 2008.

Executive remuneration

In 2008, the remuneration resolution was voted against in 74 cases (2007: 149) and, in 110 cases, an abstention was posted (2007: 131). In no instance was the re-election of members of the Remuneration Committee opposed.

Board independence

In line with the Combined Code on Corporate Governance, The Co-operative Insurance considers that, generally, at least half the Board, excluding the Chair, should comprise independent non-executive directors (NEDs) – except for smaller companies, where it is thought there should be at least two independent NEDs, with the Chair being independent upon appointment. Votes against were registered in 53 cases (2007: 192) and votes to abstain registered in 142 cases (2007: 231). In the majority of instances, oppositional voting was driven by a lack of NED independence and unsatisfactory board meeting attendance. In 2007, research undertaken by Deloitte & Touche LLP determined that 89% of FTSE 100 and 71% of FTSE 250 companies had a Board which was at least one half independent, excluding the Chair²⁸.

The Co-operative Insurance – overseas voting

At year-end 2008, 30% of equity holdings were listed outside the UK; principally in the United States, continental Europe and Japan (2007: 23%). During 2008, The Co-operative Insurance voted against, or abstained on, 542 overseas resolutions tabled by management (2007: 463). Voting continues to be publicly disclosed on its website on a quarterly basis²⁹.

The Co-operative Insurance – independent shareholder resolutions

In the UK, it is uncommon for shareholders to table independent resolutions, owing to the large number of shares required and a general aversion amongst large UK institutional investors to such practices. The Co-operative Insurance was faced with 14 such resolutions in 2008, and voted against four. Abstentions were registered on eight of the remaining 10 resolutions, one of which was connected with a sustainability issue: Tesco plc (page 31).

In contrast, the United States has a more advanced culture of shareholder activism; independent groups frequently secure the required number of shares to enable a resolution to be tabled, although these are framed as advisory resolutions, where the outcome or request is not binding on the company. When considering such resolutions, as of April 2005, the ‘burden of proof’ is considered to rest with companies and not independent shareholders.

In 2008, The Co-operative Insurance was presented with 119 overseas independent resolutions (2007: 361). Of these, 61 were opposed (2007: 72) and 58 supported (2007: 289). In 21 cases (2007: 80), resolutions had ethical or sustainability components, of which 13 (62%) were supported (2007: 75, or 94%). Of these, seven concerned human rights issues (page 21), five concerned climate change issues (page 73), and one concerned a biodiversity issue (page 89). Of the remaining eight resolutions where an abstention or a vote against was registered, five concerned diversity issues (page 55), two concerned climate change issues (page 73) and one concerned an international development issue (page 21).

The Co-operative Insurance engagement

HSBC introduced ‘Forest Land and Forest Products Sector Guidelines’ in May 2004, wherein it stated that it would not provide financial support for commercial logging operations in primary tropical moist forest and high conservation value forest.

The Co-operative Insurance – overseas voting

Category	Total		Resolutions tabled by management				Resolutions tabled by independent shareholders					
	2007	2008	Against resolution and management		Abstained on resolution		For independent resolution and against management		Abstained on independent resolution		Against independent resolution and for management	
			2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Board composition and election of directors	180	470	92	200	5	259	67	8	0	1	16	2
Remuneration	211	194	102	122	1	40	87	8	0	4	21	20
Other governance	332	407	262	122	1	232	39	27	1	7	29	19
Political contributions	21	2	0	0	0	0	21	2	0	0	0	0
Ethics and sustainability	80	21	0	0	0	0	75	13	0	3	5	5
Total	824	1,094	456	444	7	531	289	58	1	15	71	46

The Co-operative Insurance – ethics and sustainability overseas voting by category

Ethical Engagement Policy category	Number of resolutions		For independent resolution and against management		Against independent resolution and for management	
	2007	2008	2007	2008	2007	2008
Environmental sustainability	25	8	24	6	1	2
Human rights and armaments	21	7	21	7	0	0
Diversity	12	5	10	0	2	5
Animal welfare	9	0	9	0	0	0
Trade and labour rights	6	1	5	0	1	1
Consumer protection	5	0	4	0	1	0
Genetic modification	2	0	2	0	0	0
Total	80	21	75	13	5	8

In 2007, The Co-operative Insurance advised HSBC that its long-standing relationship with Samling Global Limited, a Malaysian timber company, presented a potential conflict with its Guidelines. Samling logged primary tropical moist forest in Guyana, Papua New Guinea and Malaysia and had its Forest Stewardship Council Certification rescinded in Guyana³⁰. In 2008, HSBC indicated its intention to remove facilities from companies of concern.

Performance benchmark

Research undertaken by the Ethical Consumer Research Association (ECRA) concluded The Co-operative Insurance merited a 'Best Buy' in both its Insurance³¹ and Investment³² sector buyers' guides. These reports cite the demonstration of best-in-class engagement and transparency policies. Furthermore, ECRA noted that The Co-operative Insurance "is highly unusual in subjecting its engagement policy to rigorous independent scrutiny"³³.

CFS – Sustainable Procurement and Supplier Policy

Since February 2004, CFS has implemented a set of sound sourcing practices to address matters of ethics, the environment and corporate reputation, via its Sustainable Procurement and Supplier Policy (SPSP). To maintain the integrity of the SPSP, it also directs supplier relations relating to joint Co-operative Group and CFS procurement of goods not for resale.

In 2008, The Co-operative Bank commissioned third-party ethical audits of two IT businesses subcontracted to upgrade the bank's IT infrastructure at six separate locations in India. The audits assessed suppliers against the SPSP, the Ethical Trading Initiative (ETI) Base Code and the Trading Group Sound Sourcing Code of Conduct (page 17). At all locations, the business could evidence satisfactory levels of compliance with sound sourcing criteria.

In three separate instances businesses were excluded from CFS supply arrangements:

- An international security services business was excluded from a cash provision and processing contract due to violations of the fundamental ILO convention on freedom of association, and violations of national labour laws in four countries;
- A division of a conglomerate engaged in tobacco manufacture was excluded from a CFS tender process for the supply of IT services; and
- A contract with an incumbent IT services provider was terminated following its acquisition by a major UK defence business engaged in the supply of military aircraft to Middle Eastern, Southeast Asian and African states classified as 'oppressive regimes'.

Products and services

think card

Since 2007, the bank has offered the think credit card. The card supports ethical consumerism, whereby purchases from specified ethical partners³⁴ attract preferential rates of interest. In 2008, 17 ethical partners were identified as organisations that provide ethical or sustainable products or services, or are considered to be 'ethical leaders'³⁵ in their sector. Upon activation of the card, the bank, in partnership with the RSPB³⁶, arranges for a third of an acre of Indonesian rainforest to be purchased and protected in the customer's name. For every £100 spent on the card, a further 25p is donated to rainforest protection. For rainforest protection figures see page 73.

Sustainable Leaders Trust

Sustainable Leaders Trust (SLT) employs, in the main, a 'best-in-class' approach to ethical investment, whereby it places an increased emphasis on holding shares in businesses that are considered corporate responsibility leaders in a particular sector. In addition, SLT withholds investments from certain proscribed activities: armaments, animal testing for cosmetics, nuclear power, tobacco and companies that operate in countries where human rights are systematically violated.

Performance benchmark

Over a three-year period ending December 2008, the Sustainable Leaders Trust delivered a total return of -5.1%, against -13.8% for the UK FTSE All-Share index³⁷ and was ranked in the top quartile in the UK all-companies sector.

Performance benchmark

In 2009, the Sustainable Leaders Trust achieved an 'A' rating from Old Broad Street Ratings (OBSR)³⁸. The rating recognises the fund's strong research-based investment process and long-term investment approach with a focus on SEE and governance issues³⁹.

Carbon offset – products

Since 2000, carbon offsetting has been a standard feature of all The Co-operative Bank's mortgages. From 2008, The Co-operative Insurance extended carbon offsetting to virtually all new car insurance policies (page 71).

Home and motor insurance

A project to consider a distinctive social and ethical proposition for the home and motor insurance business was initiated in 2007 and continued through 2008.

Influence and action

Good Companies Guide

The Co-operative Insurance Investment Strategy contains, along with a consideration of financial performance and prospects, an overview of the quality of corporate governance and SEE risk management. This overview incorporates an annual review of the governance and SEE performance of FTSE 350 companies (page 41). This research formed the basis of The Observer/The Co-operative Asset Management Good Companies Guide⁴⁰, published for the second year in November 2008. The Guide ranked the FTSE 350 and identified the 20 best and worst companies in the index⁴¹ based on quality of governance and SEE risk management in the context of the sector within which they operate. Alongside this, the Guide provided sector-specific analysis on the chemicals and mining sectors; commentary on unconventional oil and short-termism in executive remuneration; and an analysis of those companies that had substantially risen or fallen in the rankings. Based on the 2008 report, 18 companies⁴² requested information on their ranking, most frequently to identify areas for improvement.

Read more in this Report

Subjects covered elsewhere in the Report include:

- The Co-operative Bank business foregone – throughout the Report as detailed on pages 21, 31, 48, 55, 73, 83, 89 and 96.
- The Co-operative Insurance engagements – throughout the Report as detailed on pages 21, 72–73 and 126.
- Microfinance (page 20).
- Carbon offset products: mortgages and insurance (page 71).
- Charity credit cards (pages 22, 31, 47, 55–56, 89).

Accompanying notes

- 1 As at 10 January 2009.
- 2 Including investment property.
- 3 Ibid.
- 4 www.goodwithmoney.co.uk/ethical-banking
- 5 Ibid.
- 6 www.goodwithmoney.co.uk/ethical-insurance-and-investments
- 7 The previous consultations were conducted in 1992, 1995, 1998 and 2001.
- 8 Market research agency onehundredpercentcotton (www.onehundredpercentcotton.com) facilitated a series of eight customer focus groups at four locations (Manchester, Birmingham, Bristol and London) to understand customers' responses to the existing and proposed Policy statements. Customers invited to participate in focus groups were those identified as 'Conscience Consumers', defined as those customers who 'make positive ethical decisions to purchase / not purchase products and services' and those who 'can be swayed by an ethical approach, as long as other aspects of the proposition are felt to be equal'.
- 9 Corporate Business Information Unit, The Co-operative Bank.
- 10 Corporate banking customers with a turnover in excess of £1m.
- 11 Experts In Responsible Investment Solutions. www.eiris.org
- 12 Relates to those potential financial opportunities foregone following referral to the Ethical Policy Unit. Figure comprises the first year of income foregone as a result of business turned away in 2008 (£4,444,000) and declines originating in the years 2000–2007 (£11,556,000), on the basis that financial services provision will have retention beyond 12 months.
- 13 Ethical Consumer (May/June 2009), Issue 118.
- 14 www.youethicalmoney.org
- 15 The site rates financial institutions according to six areas: Ethical Lending/Insurance, Responsible Lending, Financial Exclusion, Environment, Carbon Neutrality and Equal Opportunities. The bank and insurance business rated as 'good' (the highest rating) in all categories except Responsible Lending, for which the bank rated 'average' and the insurance business 'n/a'.
- 16 One of the two measures supporting CFS' KPI of market-leading social responsibility.
- 17 The reduction of holdings did not include FTSE4Good tracker holdings and did not extend to debt securities.
- 18 www.moneyfactsgroup.co.uk/awards/2007/lip/winners.asp
- 19 Why Brown Coal Should Stay in the Ground, Institute for Sustainable Futures, University of Technology, Sydney, May 2002.
- 20 www.cispressooffice.com/cfscombi/pdf/Asset_Management_Voting_Guide.pdf
- 21 Based on Association of British Insurers (ABI) guidelines on socially responsible investment – www.abi.org.uk/Display/File/85/SRI_Guidelines.doc
- 22 As determined by Experts In Responsible Investment Solutions (EIRIS), who identify bottom decile performers, based on SEE risk reporting and environmental reporting, and produce a universe of companies to which the voting policy is now applied.
- 23 Alzyme plc, Brit Insurance Holdings plc, Carnival plc, Clarkson plc, Daejan Holdings plc, Enodis plc, London Stock Exchange Group Plc, Mapeley Limited, Protherics plc, Soco International Plc, Umeco plc and Warner Estate Holdings plc.
- 24 www.goodwithmoney.co.uk/servlet/Satellite/1200903577492.CFSweb/Page/GoodWithMoney
- 25 Alzyme Plc, Brit Insurance Holdings Plc, Carnival Plc, Clarkson Plc, Daejan Holdings plc, Mapeley Limited, Protherics Plc, Umeco Plc and Warner Estate Holdings Plc.
- 26 Carnival Plc, Umeco Plc and Warner Estate Holdings Plc.
- 27 Clarkson Plc and Mapeley Limited.
- 28 Board Structure Report 2007, Deloitte & Touche LLP.
- 29 www.goodwithmoney.co.uk/servlet/Satellite/1200903577492.CFSweb/Page/GoodWithMoney
- 30 www.globalwitness.org/media_library_detail.php/520/en/hsbc_worlds_local_bank_raises_money_for_global_for
- 31 Ethical Consumer (Nov/Dec 2007), Issue 109.
- 32 Ethical Consumer (Mar/Apr 2008), Issue 111.
- 33 Ibid.
- 34 Traidcraft, IKEA, Lush, theTrainLine.com, Raleigh, Adili.com, EthicalSuperstore.com, Nigel's Eco-store, Energy Saving World, Ecofirst, Ecotricity, Arriva, Ethical Consumer Magazine, The Ecologist, Co-op Electricals, The Co-operative Food and The Co-operative Insurance.
- 35 Leadership positions are identified via independent third parties, such as Ethical Consumer Research Association (ECRA).
- 36 www.rspb.org.uk/supporting/campaigns/sumatra/
- 37 Produced using Hindsight 5 by CFS Management Services.
- 38 www.obsr.co.uk
- 39 OBSR rates approximately 250 funds out of a universe of around 2,500 funds in the market. There are three tiers of rankings, 'A', 'AA' and 'AAA'. OBSR stated: "any fund which receives an OBSR Fund Rating is exceptional of its type".
- 40 The second Good Companies Guide was published in The Observer on Sunday, 16 November 2008.
- 41 The Good Companies Guide analysed 311 companies out of the FTSE 350. The Guide excludes Investment Trusts and a number of companies new to the index that have not yet completed a full reporting cycle.
- 42 Heritage Oil, IG Group, SAB Miller, WPP, National Grid, Close Brothers, Premier Oil, Arriva, Jardine Lloyd Thompson, Tomkins, Gem Diamonds, Ashmore, Great Portland Estates, Xstrata, BSKyB, Tullet Prebon, Hikma and British Energy.

social responsibility social inclusion

Indicators

- Access to outlets and channels
- Basic bank account provision
- Support for credit unions
- Banking support for small businesses in deprived areas
- Tackling crime and re-offending

Targets 2008

-  Evaluate the pilot project providing Co-operative Bank basic bank accounts to pre-release prisoners and research its impact on the lives of prisoners and their families (page 47).
-  Facilitate the participation of 300 disadvantaged young people in The Co-operative StreetGames Young Volunteers programme (page 48).
-  Further develop a project with The National Autistic Society during 2008, to include an information campaign on Asperger syndrome targeted at Criminal Justice System professionals (page 49).

-  target achieved
  on track
  target not achieved
-  close to target
  behind schedule

Targets 2009

- Develop and implement an annual award scheme for The Co-operative StreetGames Young Volunteers by the end of 2009.
- Roll the credit union current account out to at least five credit unions in 2009.

Background

Social exclusion is something that can happen to anyone, but some people are significantly more at risk than others. Research has found that people with certain backgrounds and experiences are disproportionately likely to suffer social exclusion. The key risk factors include: low income, family conflict, school problems, being an ex-prisoner, being from an ethnic minority, living in a deprived neighbourhood in urban and rural areas, mental health problems, age and disability¹. Social inclusion is about promoting greater equality between the most disadvantaged groups and the rest of society, to ensure that every person and community can play a full role in society. Financial inclusion is considered a key component of social inclusion, and, since 1998, has occupied a firm foothold on the UK Government's political agenda.

Materiality and strategy

The Group can promote social inclusion in many ways, but particularly as an employer, as a provider of goods and services and via its community investment programme. Co-operatives are, by their very nature, potentially more inclusive than other forms of business organisation. The Co-operative Group, and other co-operatives, explicitly recognise equality, equity and solidarity in their values². The Group's Community and Campaigns Strategy (page 57), which guided community activity from 2006 to the end of 2008, was agreed via the Values & Principles (V&P) Committee (page 8) and stipulated 'social inclusion' and 'tackling crime' as two of five priorities. The latter is of particular relevance to co-operative retail businesses, given they suffered over 30,000 incidents of crime in 2007/08³. From 2009, community activity will be guided by the new Co-operative Group Community Plan (page 57).

In the 2007 Co-operative Food Ethical Policy consultation (page 9), 92% of members endorsed the Group's commitment to continue to offer the most geographically diverse spread of stores of any UK retailer. Co-operative Financial Services' commitment to financial inclusion has been endorsed by customers as part of the most recent Ethical Policy reviews: in 2009 (page 39), 97% of Co-operative Bank customers expressed their wish to see the bank supporting credit unions, whilst, in 2005, 87% of insurance customers indicated their wish to see The Co-operative Insurance using its power as an institutional investor to promote greater access to financial services.

Access to outlets and channels

Food

The Co-operative Food aims to retain and invest in viable community shops and to develop new stores that will be viewed by the communities they serve as an asset; offering high-quality shopping and facilities in locations accessible by all. The Group is obliged to consult member-controlled area committees (page 100) on intended store closures, store disposals and new developments, and a detailed process involving the area committees and regional boards is invoked if a store is considered to be underperforming or loss-making. An analysis of the location of The Co-operative Food outlets reveals that 18% (2007: 18%) and 19% (2007: 19%) are located in deprived areas⁴ and rural areas⁵ respectively. The Co-operative Food stores located in deprived areas represent, on average, 13% of the food retail space provided in those areas⁶. Additionally, approximately 252 (2007: 280) Post Offices are located in The Co-operative Food stores throughout the country; further contributing to the range of services customers can access through stores. Of the stores containing Post Offices, 18% (2007: 18%) are located in deprived areas and 21% (2007: 20%) in rural areas.

Pharmacy

The Co-operative Pharmacy plays a role in ensuring people have good access to medicines and healthcare advice. An analysis of the location of The Co-operative Pharmacy branches reveals that 26% (2007: 28%) are located in deprived areas and 12% (2007: 12%) in rural areas.

All branches offer a prescriptions collection service with approximately 70% also offering a home delivery service, which provides vital access to medicines for people who may be unable to easily access their local pharmacy. The nature of the home delivery service can differ from branch to branch. Additionally, private consultation rooms are available in 84% of pharmacies, providing customers with the opportunity to discuss healthcare matters in private with a pharmacist.

In 2008, The Co-operative Pharmacy supported an initiative in Cardiff to provide sun cream to homeless people throughout the summer, via a local charity⁷. A total of 200 bottles of sun cream were donated in the Cardiff/South Wales area.

Financial Services

CFS offers access to financial products and services through a variety of channels, including: 2,184 cash machines (ATMs), 90 branches, the internet, telephone, Post Offices and a network of Financial Advisers. This approach enables customers to access many services from home. At a time when many other financial services providers have moved away from offering a 'home service' option via Financial Advisers, this channel continues to enable CFS businesses to provide products to individuals who may struggle to overcome some of the physical barriers that contribute to financial exclusion.

Some basic banking needs can be met through The Co-operative Bank's ATM network. In December 2006, following lobbying by the bank⁸, the LINK Network Members Council agreed the introduction of a new financial inclusion premium, which incentivises ATM operators to deploy free-to-use cash machines in financially excluded target communities. The bank currently has 41 ATMs located in such communities. Over the last 11 years, the bank has worked together with The Co-operative Food to progress a programme of cash machine installation in Food stores. The net number of ATMs installed as part of the project was 2,025 at the end of 2008⁹. By the end of 2007, charges had been removed from all Co-operative Bank ATMs – either by way of conversion to free machines, or physical removal of the ATM from the site.

CFS and ethical finance

Basic bank account provision

The Co-operative Bank offers a basic bank account, Cashminder. Features of the account include: an option to pay bills by direct debit (which often yields bill reductions); the ability to have pensions and benefits paid directly into the account; and access to money via a cash card. Research commissioned by the British Bankers' Association in 2006 showed that over three-quarters of adults who had recently opened a basic bank account felt more confident in dealing with money as a result¹⁰. A 39% increase, to 135,000 (2007: 97,000), in the number of Cashminder accounts provided by the bank was seen in 2008.

Performance benchmark

As at December 2008, there were over 7.6 million operational accounts in the UK with basic functionality¹¹. At 1.8% market share, the bank's presence is broadly commensurate with its share of the current account market.

Bank accounts for prisoners

Throughout 2008, work continued on a pioneering project that seeks to enable prisoners to open a basic bank account whilst still in prison. Following a pilot project at Forest Bank Prison, Salford, starting in 2007, The Co-operative Bank now accepts applications from 29 prisons, representing nearly 20% of the UK prison system. The total number of accounts opened since the scheme began reached 1,400 in August 2008.

The provision of a bank account can be a vehicle to facilitate employment and housing for offenders leaving prison; factors which are considered key to the reduction of re-offending. Prior to release, prisoners are offered the opportunity to open an account, which will be ready for use on release. In December 2008, Liverpool John Moores University published its report, *Banking on a Fresh Start*, commissioned by the bank, which researched the impact and effectiveness of the pilot scheme at Forest Bank Prison. The study found that, of the 193 prisoners released since opening accounts, 72 had since returned to prison, representing an average re-offending return to prison rate of 37%, compared with a national average of 67%.

Charity credit cards

The bank offers a range of charity credit cards¹² for charities/non-governmental organisations, three of which support organisations working to combat social exclusion: Barnardo's¹³, The Children's Society¹⁴ and Shelter¹⁵. In 2008, affinity card payments to the three organisations totalled £13,000 (2007: £13,800).

Insurance donations to Shelter

In October 2008, The Co-operative Insurance launched a pilot initiative, offering a £10 donation to the charity Shelter, for each new home insurance policy opened. The initiative targeted CFS customers identified as 'ethical consumers'. The first six months of the campaign saw 648 customers purchase home insurance, and an associated £6,480 donation was made to Shelter. From June 2009, the initiative will be extended beyond existing CFS customers.

Affordable housing

In early 2008, the UK Government confirmed The Co-operative Bank and Places for People as winners of their competition to provide innovative new shared equity schemes; with the new product, Ownhome¹⁶, launched on 1 April 2008. The scheme is designed to assist key workers, social tenants and first-time buyers with household incomes of less than £60,000 per annum to purchase their own home, and provides funding for up to 100% of the value of a property. The product offers equity loans of between 20% and 40% (part funded by the Government, part funded by Places for People), to be used alongside a Co-operative Bank mortgage. Customers do not have to make interest payments on the Ownhome loan for the first five years; thereafter, a fixed interest rate of 1.75% will be charged for five years, increasing to a fixed rate of 3.75% for the remainder of the loan period.

At the end of January 2009, the bank had processed 2,353 Ownhome applications, and completed 611 mortgages, with an average value of £106,000 and an average loan-to-value ratio of 62%.

Support for credit unions

The bank is the largest provider of banking to the credit union sector, providing facilities to over 60% of the British movement. Credit unions are financial co-operatives that offer savings and low-cost loans to members, many of whom are unable or unwilling to use

more traditional services. The bank provided significant 'behind-the-scenes' IT development, administration and training to facilitate the launch of a Credit Union Current Account. During 2008, the account became operational at a further six credit unions, bringing the total number of credit unions offering the account to 17. An average of 150 individual accounts were being opened every week during 2008. The account will be rolled out to at least five further credit unions in 2009. The account enables credit union members to: withdraw cash from their credit union account at any ATM machine in the LINK network; use direct debits and standing orders to pay regular household bills; and use a Visa debit card at Visa locations worldwide. As a development, the Credit Union Current Account is considered to represent a 'step change' in the ability of credit unions to promote financial inclusion.

Additionally, in 2008, the bank continued to support the Association of British Credit Unions¹⁷ main annual conference and its newsletter, Credit Union News, through a total contribution of £24,500.

Bank screening of finance

The bank's Ethical Policy includes a commitment to promote access to financial services. During 2008, seven finance opportunities were referred to the Ethical Policy Unit in connection with issues of financial inclusion, of which five were declined at an estimated cost of £687,000 in terms of gross income foregone.

Financial inclusion-related business declines 2008

	Estimated income foregone 2008
Home-collected credit providers (two instances) a £15m contribution to a syndicated loan facility and £19m lending. Businesses engaged in 'irresponsible lending' characterised by loans targeting low-income groups and interest rates viewed as extortionate. Research indicated the businesses could charge rates of up to 450%.	£462,000
Personal loans provider £10m contribution to a syndicated loan facility for a business that charged interest rates of over 100% and failed to disclose maximum possible interest rates charged.	£170,000
Buy-back store £2m lending facility for business offering buy-back services for household goods, as well as personal loans and cheque encashment facilities. Concern that charges attached to the services provided were exploitative. Stores typically used by low-income households with an urgent requirement for cash.	£54,000
Cheque encashment banking facilities for businesses engaged in cheque encashment. Concerns over the exploitative charges attached to these services.	£1,000

Wholesale Loan Fund

In 2007, the bank provided £3m to the Wholesale Loan Fund, launched by Greater London Enterprise. The fund, which totals £3.4m, provides capital to locally based Community Development Financial Institutions, who, in turn, lend to less advantaged entrepreneurs. By the end of 2008, £1.2m of loans had been made through the fund, allowing over 100 people to start a new business or grow an existing enterprise.

The fund is set to rise to £10m over three years, and it is anticipated that 1,200 loans will be made in its first five years. Lack of capital is cited by over half of would-be entrepreneurs as the principal barrier to starting up, with young, disabled and

ethnic minority people most likely to be unable to access borrowing from conventional sources¹⁸.

Business banking

Banking support for small businesses¹⁹ in deprived areas²⁰

	2005	2006	2007	2008	Performance benchmark industry average 2008 ²¹
Business current accounts	9.7%	9.1%	8.0%	6.6%	4.5%
Overdrafts	8.8%	9.1%	6.5%	6.5%	4.2%
Loans	7.6%	9.0%	7.0%	6.4%	3.4%
Loan and overdraft balances	9.0%	16.2%	5.6%	8.9%	3.9%

Community involvement – social inclusion

The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers programme is a joint initiative between The Co-operative Group and StreetGames²². The programme began in 2007 with the aim of developing a volunteering programme to support StreetGames projects across the country.

StreetGames is a national charity dedicated to developing sporting opportunities for young people living in disadvantaged areas. The programme helps young volunteers aged 16–25 develop sports coaching and community leadership skills, and provides them with the resources and experience they need to plan and deliver sports activities for other young people living in their community.

In 2008, 356 young people participated in The Co-operative StreetGames Young Volunteers programme, donating 7,049 volunteering hours to facilitate sports activities for other young people and gaining valuable skills and confidence through their activities.

In 2008, The Co-operative Group agreed to provide further funds to extend The Co-operative StreetGames Young Volunteers programme until March 2011 at a cost of £434,000²³.

A successful bid for match-funding from V²⁴, the youth volunteering charity, raised a further £432,073 towards the project costs. By 2012, it is estimated that nearly 3,000 young people will have developed their sporting and community leadership skills through the programme.

Professional financial inclusion qualification for community workers

In 2008, a Certificate of Professional Development – Promoting Financial Inclusion in Low Income Communities, developed with funding from the Group – was launched at Liverpool John Moores University²⁵. The course aims to deepen participants' theoretical and practical understanding of poverty, over-indebtedness and financial exclusion, and encourages the consideration of strategic, inter-agency partnership approaches to tackling financial exclusion.

Community involvement – tackling crime

Financial education in prisons

In 2008, the Group invested £10,000 in its continued work with Credit Action to provide financial education to prisoners. Half of the UK's prisoners have poor literacy and numeracy skills²⁶ and effective budgeting can be an important factor in enabling ex-offenders to secure and maintain accommodation, employment

and good family relationships – factors key to preventing re-offending. A revised course has been developed and tested in six North East prisons and in Forest Bank Prison in Salford.

Prisoners' art exhibition

The fourth North West Co-operative Prisoners' Art Exhibition took place in November 2008. In addition, a competition took place in Scotland for the first time in August 2008. These annual events are open to prisoners at all North West and Scottish prisons, giving them the opportunity to showcase their work at public exhibitions in Manchester and Edinburgh. The prisoners are required to work to a brief and deadline – useful skills for their future – and some participants have gone on to further education, including art college, when they have left prison. Sponsorship monies raised from the event are directed back to rehabilitation projects – including art projects – within the prisons. The North West competition raised £20,000 to fund such projects.

Crime prevention education for teenagers

In 2006, the Group launched a national pilot programme, in partnership with The National Autistic Society, to help young people with Asperger syndrome (AS) learn about the risks of crime. The 'Keeping Safe' programme is designed to address the problems that young people with AS can encounter with crime and the criminal justice system. Due to their condition, young people in this group are much more likely than their peers to come into contact with the criminal justice system, as a victim of, or a suspect to, crime. With the Group's continued support in 2008 (£116,200 in total), the programme has been improved and in the 2007/08 school year, was delivered to 98 children with AS in 11 schools (2006/07: 65 children in nine schools). A DVD and information pack explaining more about AS and the impact of the Keeping Safe programme was developed to support the launch of an information campaign for criminal justice system professionals that took place in March 2008.

Influence and action

Credit unions

In 2008, the bank sponsored a research report by Liverpool John Moores University on the strategic challenges likely to face credit unions in the next 10 years. The report was launched at the Northern Financial Inclusion Conference in December 2008, which was supported and sponsored by the bank and organised by ABCUL and Liverpool John Moores University. The report concluded that there is significant potential for the sector to grow further, provided credit unions collaborate to achieve economies of scale and greater innovation. The bank sponsored and supported the research and the conference, at a cost of £55,000.

Bank accounts for prisoners

In December 2008, The Co-operative Financial Services participated in a roundtable organised by UNLOCK²⁷ in the House of Lords. The roundtable showcased The Co-operative Bank's work on prisoner bank accounts. Through the British Bankers' Association, The Co-operative Bank is continuing to work with industry representatives, UNLOCK and the National Offender Management Service to share best practice and to develop new ways for banks to provide more prisoners with access to banking.

Post Office closures

The Co-operative Retail Trading Group (CRTG) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices. By 23 March 2009, 41 of those Post Offices were confirmed for closure as part of the Post Office's Network Change Programme. In addition,

The Co-operative Financial Services offers transactional banking through the Post Office, and the Post Office network is recognised as a valuable channel for its customers.

In a written submission to the Select Committee on Business, Enterprise and Regulatory Reform (BERR) regarding the Network Change Programme, CRTG outlined its support for the need for network change, whilst raising a number of concerns about the consultation process and the structure of the compensation model for affected Post Offices. Though broadly supportive of the 'big picture' changes required by the programme, CRTG also backed the efforts of a number of local communities to keep open their Post Office; through, for example, allowing in-store petitions.

CRTG is keen for co-operative retail societies to develop a strategic partnership with Post Office Limited and will continue to seek to influence future developments of the Post Office network. In early 2009, the Group, on behalf of CRTG and The Co-operative Financial Services, made a submission to the BERR Select Committee inquiry into the future shape of the Post Office network. This highlighted aspects of the current operational and contractual relationship with Post Office Limited that form a barrier to the development of a strategic partnership, and welcomed discussions about an expansion in the delivery of government and local authority services through the Post Office network.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Diversity, including: gender, age, ethnicity, sexual orientation and disability (pages 50–56).
- The Co-operative Group Community Plan (page 57).
- Work experience programme for socially excluded groups (page 53).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).

Accompanying notes

- | | | | |
|----|---|----|---|
| 1 | Cabinet Office (2001) Preventing social exclusion: report by the Social Exclusion Unit, p11. | 11 | British Bankers' Association (December 2008), 'Basic bank accounts and financial inclusion – 3rd quarter of 2008'. |
| 2 | www.ica.coop/coop/principles.html | 12 | www.co-operativebank.co.uk/affinitycards |
| 3 | www.co-operative.coop/Corporate/PDFs/Retail_Crime_Survey_2008.pdf | 13 | www.barnardos.org.uk |
| 4 | Where deprived areas correspond with the most deprived 20% of areas identified in the Indices of Deprivation 2007, www.communities.gov.uk/indices | 14 | www.childrengroup.org.uk |
| 5 | Analysis excludes stores in Northern Ireland. | 15 | www.shelter.org.uk |
| 6 | This analysis is based upon available information about the location of all food stores within a one-mile radius of Co-operative Food stores. A new methodology was adopted in 2008. Previous analysis was limited to stores considered direct competitors. | 16 | www.ownhome.co.uk |
| 7 | The Sunwise initiative, Tresillian House hostel. | 17 | www.abcul.org |
| 8 | The Co-operative Group Sustainability Report 2006, page 59, www.co-operative.coop/sustainabilityreport | 18 | www.gle.co.uk/news/press.php?id=26 |
| 9 | There were 35 new ATMs installed in The Co-operative Food stores during 2008, while 118 were removed, primarily due to vandalism. | 19 | Refers to businesses with an annual debit turnover of up to £1m. |
| 10 | British Bankers' Association (March 2006), 'Basic bank accounts give customers confidence in handling their finances'. | 20 | Where deprived areas correspond to the UK Government's 1998 Index of Local Deprivation, and account for approximately 5% of all postcode sectors by number. |
| | | 21 | British Bankers' Association (June 2008), Lending to Small Businesses in Deprived Areas. www.bba.org.uk |
| | | 22 | www.streetgames.org |
| | | 23 | This is in addition to the initial funding of £202,400 from The Co-operative Group for the two-year project that runs until September 2009. |
| | | 24 | www.vinspired.com |
| | | 25 | www.ljmu.ac.uk/courses/cpd/92162.htm |
| | | 26 | www.literacytrust.org.uk/socialinclusion/adults/indexpris.html |
| | | 27 | www.unlock.org.uk |

social responsibility diversity

Indicators

Gender

Ethnicity

Disability

Age

Accessibility of products and services

Targets 2008

-  Design and deliver diversity awareness training to all CFS employees during 2008 (page 51).
-  Develop and introduce a new employee recruitment strategy at CFS that has been 'diversity-proofed'¹ (page 51).
-  Gather data on barriers to progression facing female middle managers in the Trading Group and develop plans to address priority issues in 2008/09 (page 51).
-  Launch an employee policy across the Trading Group to provide support for people experiencing domestic violence (page 52).
-  Develop a new work experience programme in The Co-operative Food for socially excluded groups (page 53).

 target achieved
  on track
  target not achieved
 close to target
  behind schedule

Targets 2009

- Complete diversity data capture programme in The Co-operative Food stores in four regions by the end of 2009².
- Commence the roll-out of diversity data capture programme to one further business by the end of 2009.
- Formalise disability objectives for the Trading Group and CFS by the end of 2009.
- Achieve the RNIB 'See it Right' web accessibility standard for The Co-operative Group's main website, www.co-operative.coop, by the end of 2009.

Background

The population of the UK is becoming increasingly diverse, making consideration of diversity issues an imperative for any forward-looking business.

There are over 10 million disabled people in Britain who, together, have an estimated annual spending power of £80bn³; by 2010, it is predicted that there will be significantly more women entering

the job market than men⁴; and, by 2020, the proportion of the labour force over the age of 50 is predicted to rise to 31%, compared with 25% in 2005⁵.

Materiality and strategy

The Co-operative Group's commitment to diversity is long-standing, as enshrined in the co-operative value of 'equality' and the co-operative principle of 'voluntary and open membership' (inside front cover).

The Group believes that encouraging and supporting diversity ultimately leads to increased creativity and innovation, benefiting employees, customers and other key stakeholders.

Since 2006, the Trading Group and CFS have worked to an agreed set of Group-wide Diversity Principles to shape the businesses' approach to diversity. These principles embody the Group's commitment to address diversity in relation to employees, customers, membership and community involvement. The principles have informed the development of a Trading Group Diversity Policy and the Trading Group also has a publicly available Diversity Strategy in place⁶.

A CFS Diversity Policy and Strategy were developed and presented to the CFS Executive Committee and Board during 2008. These will be publicly launched, with supporting internal communications in summer 2009.

A Diversity Steering Group (DSG) meets quarterly to provide oversight of diversity issues within the Trading Group. The DSG includes representatives from the Executive team, the Co-operative Group Board, the Group Values & Principles (V&P) Committee (page 8) and corporate and operational areas of the Trading Group and CFS. A membership Diversity Working Group also oversees the implementation of diversity initiatives amongst the Group's membership and their participation in the Group's governance (page 102).

Accounting

Diversity information relating to employees is recorded separately for the Trading Group and CFS employees and is, therefore, reported separately in this Report. CFS has a complete understanding of the gender, age and disability profile of employees and a reasonably complete understanding of the ethnicity profile (>77%)⁷. The Trading Group has an accurate picture of the gender and age profile of its workforce; however, employee information in relation to ethnicity and disability is incomplete, with information being held for 48% (2007: 40%)⁸ and 43% (2007:49%)⁹ of employees respectively. To better manage employee data, during 2008 the Trading Group developed a new single human resources system¹⁰, which includes fields for six diversity strands: gender, age, disability, ethnicity, and for the first time, sexual orientation and religion and belief. A programme to capture missing diversity data in the new system began in August 2008 in The Co-operative Food stores in the Central & Eastern Region, and will be rolled out during 2009 to Food stores in Scotland and Northern Ireland, South West, Wales & Borders and South East regions. A new human

resources system went live in December 2008 at CFS, which, over time, will allow colleagues to update their personal records to ensure they are accurate and complete.

Diversity communication, training and recruitment

Diversity information for employees is provided in dedicated areas on the Trading Group and CFS intranet sites. In addition, the Trading Group appointed four diversity champions in early 2008 to provide accessible contacts for employees with regard to disability, ethnicity, gender and sexual orientation issues, and to help raise awareness of diversity issues in general. Customers and other stakeholders can access diversity information via the main Co-operative Group website¹¹.

Diversity awareness training for all CFS employees was initiated following the launch of the CFS Diversity Policy and Strategy in 2009. A CFS Employee Recruitment Strategy was developed in 2008 and is to be introduced in the summer of 2009. The Strategy aims to aid the attraction and recruitment of quality candidates to customer-facing roles. The Strategy includes an appreciation of the benefits of recruiting as diverse a selection of individuals as possible. In order to attract a diverse range of individuals, CFS utilises a range of different media¹², attends a wide range of job fairs¹³ and creates targeted marketing materials (for example to attract return-to-work mothers). The CFS processes for selection and offers of employment have also been developed to be more inclusive, and the impact of these efforts will be measured throughout 2009.

Respect works

The Trading Group operates a 'Respect works' policy to encourage appropriate behaviour in the workplace. A Respect works diversity modular training programme was designed to complement this policy by helping promote a culture of respect across the businesses and encouraging employees to understand and value difference. It uses a variety of methods, including drama-based audience participation and video-based training, and was initially delivered to the Trading Group Executive and senior management employees in 2007. In 2008, four sessions on championing respect in the workplace were rolled out to around 40 new employees at Executive and senior management level. Various modules of the training programme were also run in other businesses and corporate areas of the Group, including The Co-operative Funeralcare and Food Retail Logistics.

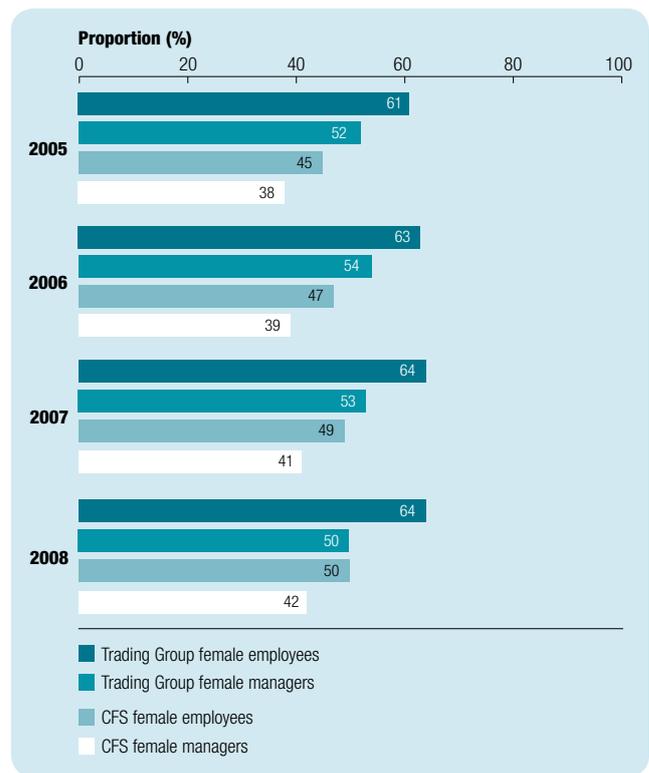
A CFS 'Respect for All' policy was developed in 2008, based on the Trading Group's 'Respect works' policy. The Respect for All policy deals with expected conduct in the workplace and relates to all colleagues and contractors of CFS in all work-related situations. The CFS Respect for All policy was launched in May 2009 to coincide with the launch of the CFS Diversity Policy and Strategy.

Workforce composition

Workforce – Gender

Women account for 64% (2007: 64%) of Trading Group employees and 50% (2007: 53%) of managers¹⁴. The proportion of female employees varies significantly across the different businesses: ranging from over 88% in specialist retail businesses¹⁵, to 13% in the property division. At CFS, the percentage of female employees and managers increased for the fourth consecutive year, to stand at 50% (2007: 49%) and 42% (2007: 41%) respectively.

Proportion of female employees and female managers¹⁶



Performance benchmark

Women account for 46% of the UK's general workforce¹⁷, whilst 64% of Trading Group, and 50% of CFS employees are women. The Trading Group scored 94% (gold rating) in the Opportunity Now gender equality benchmark for 2006¹⁸, exceeding the retail sector average of 80%.

In 2008, gender was a priority focus for the Trading Group diversity team. A gender network of senior female employees was established in early 2008, and this network was instrumental in driving through a number of changes in the business; for example, the production of the new Trading Group flexible working guide. It also helped shape the new Co-operative Group policy on domestic violence, and contributed to research into women in middle management (see below for further details of these developments). The senior women's network offers long-term support to help in maximising potential, mentoring and coaching other women employees, and to assist with raising the visibility of senior women within the business. During 2009, gender network panels will be established to enable senior women to encourage and advise women at middle-management level on how best to progress professionally.

An internal analysis of middle-managerial role bands within the Trading Group in 2008 revealed that the proportion of males and females is roughly equal in lower-managerial role bands (role bands four and five), but in the middle-managerial role band three, females are under-represented. Four focus groups were held in May 2008, involving 11 women in role band four and 16 in role band three from all Trading Group business areas, to better understand barriers to progression facing female lower to middle managers in the Trading Group. Flexible working was identified as a key priority area and work is already underway on this issue (page 116).

Since July 2006, the Trading Group has been a signatory to the 'Exemplar Employer Initiative'¹⁹. This initiative seeks to showcase employers that are successfully facilitating the return of women to the labour market. It follows the findings of the Women and Work Commission, which recommended that more effort be extended to address the gender pay and opportunities gap in the UK. The Trading Group reviews progress every quarter to ascertain how data is being processed, as well as undertaking an annual full equal pay review.

CFS and the joint trades unions, Unite and NACO, undertook an equal pay audit in 2008. The audit did not identify any fundamental issues regarding equal pay; however, an action was agreed to reinforce current equal pay policies and procedures. The next CFS Equal Pay Audit will take place in mid-2009, following completion of the 2009 annual pay review.

In 2007, in recognition of the business' commitment to providing a safe and positive environment for expectant colleagues and new mothers, CFS achieved accreditation from Tommy's, the baby charity²⁰. Accreditation means that CFS employees can access an information helpline and written guidelines on any pregnancy-related queries. A 'Tommy's Room' facility was launched in 2007 in the CFS head office, providing a dedicated space available at all times for expectant employees and new mothers. CFS maintained the Tommy's accreditation in 2008, and a total of 215 information packs, which advise about the facilities available, were requested by employees during the year.

One in four women and one in six men will experience some form of domestic violence or abuse in their lifetime²¹. In 2008, The Co-operative Group became a member of the Corporate Alliance against Domestic Violence, which is a group of companies and organisations working individually and collectively to prevent domestic violence²². A Trading Group policy on domestic violence was also launched in 2008 in order to support employees experiencing domestic violence and training was provided for HR representatives from all businesses in the Trading Group.

The Co-operative is a member of the Corporate Alliance Against Domestic Violence and is committed to supporting those affected.

Useful support numbers:
Freephone 24 hour Employee Assistance Programme
www.jcasxtra.com

Freephone 24 hour National Domestic Violence Helpline - run in partnership between Women's Aid and Refuge.

More information is available on The Intranet Diversity pages.

The poster is made from recycled glass using vegetable inks.



Poster campaign supporting the launch of the Trading Group policy on domestic violence in 2008.

Workforce – Ethnicity

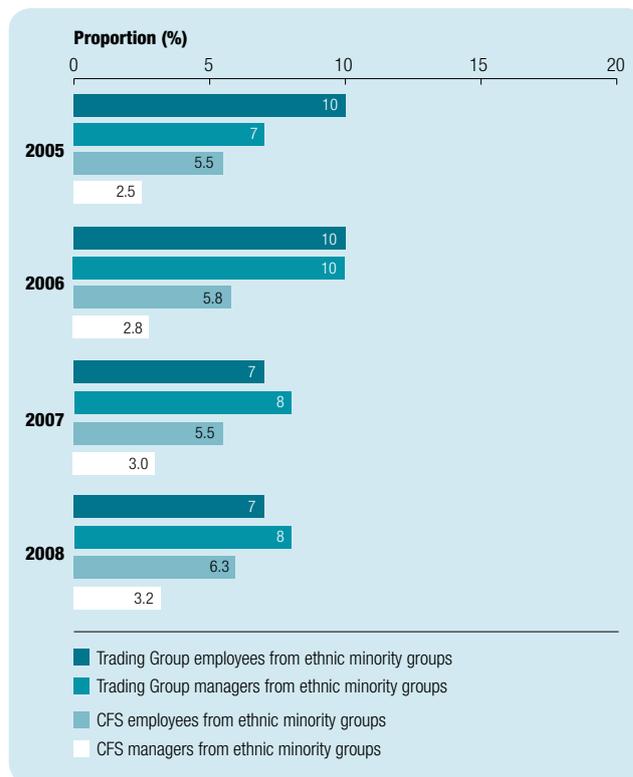
According to management information systems in 2008 (48% complete, 2007: 40% complete), 7%²³ (2007: 7%) of the Trading Group's employees are from ethnic minority groups²⁴. In 2008, the proportion of CFS employees from ethnic minority groups was 6.3% (2007: 5.5%). The completeness of the Trading Group's ethnicity data is being addressed (page 50). Whilst data completeness has improved slightly during 2008, it remains a challenge for the business.

Performance benchmark

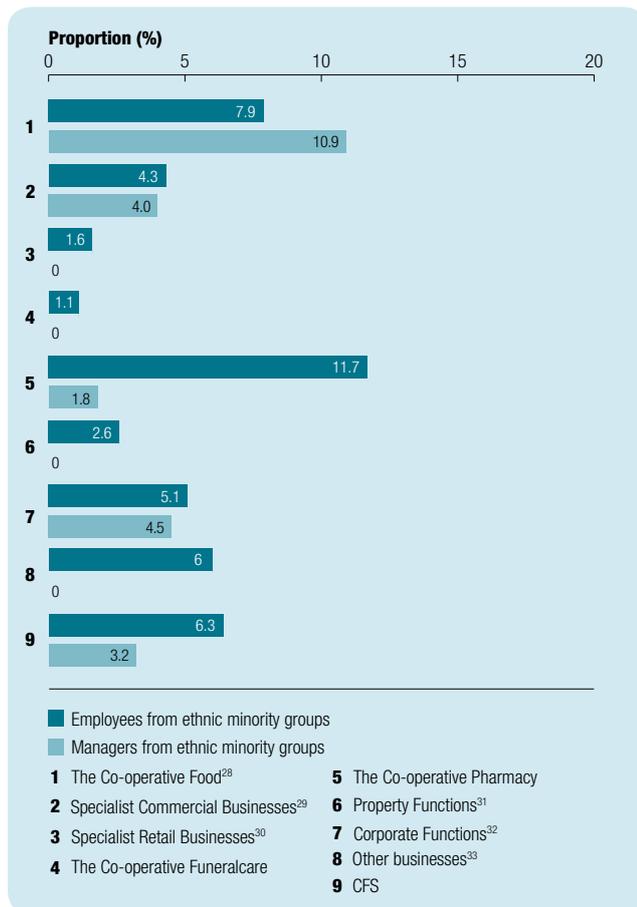
8.7%²⁵ of people employed in the UK are from ethnic minorities.

To better understand some of the challenges faced by ethnic minority colleagues and jobseekers, and to improve engagement with the Group's diverse customer and employee base, a Trading Group race plan project was run and completed during 2007²⁶. An ethnicity champion was appointed at the Trading Group in early 2008. The champion held meetings with other ethnic minority colleagues to generate ideas on increasing the mobility of ethnic minorities through the business. Ideas put forward, which included establishing a mentoring programme, will be considered by the business during 2009.

Proportion of employees and managers from ethnic minority groups²⁷



Proportion of employees and managers from ethnic minority groups by Co-operative Group business, 2008



Performance benchmark

In 2007, the Trading Group's performance was submitted to Race for Opportunity (RfO) for assessment and benchmarking³⁴. Its score increased from 72% (silver rating) to 84% (gold rating), exceeding the average score by 14%, as reported in The Co-operative Group Sustainability Report 2007/08³⁵.

Workforce – Disability

Within the Trading Group, 0.7% (2007: 0.6% ³⁶) of employees have declared a disability³⁷. CFS records show 2.2% of employees declared a disability in 2008 (2007: 2.5%).

Proportion of employees declaring a disability³⁸



Employees with a disability are encouraged to discuss their requirements for reasonable adjustments in the workplace with the Operational Risk (Health and Safety) team at the Trading Group and HR Advicepoint at CFS. Guidance to help support managers of colleagues with disabilities is also available. The Trading Group and CFS are both members of the Employers' Forum on Disability³⁹, which provides a research resource and advises on recruiting and retaining disabled employees and on serving disabled customers. In early 2009, both the Trading Group and CFS completed the Disability Standard, developed by the Employers' Forum on Disability, which is a management tool for employers to accurately evaluate and measure performance on disability. Completion of the standard results in a comprehensive diagnostic report on disability within the businesses which is expected towards the end of 2009, and will contain detailed actions to improve future performance. The Trading Group and CFS are also holders of the 'Positive about Disabled People' symbol that signals agreement to five commitments connected with the recruitment, employment, retention and career development of disabled people⁴⁰.

Disability will be a priority focus for the Trading Group in 2009. In pursuit of this, representatives from across the Trading Group met in December 2008 to determine disability objectives for the Group. The representatives identified the following key focus areas: engaging people with disabilities, support for employees and managers, leaving with dignity and Charity of the Year. The diagnostic report from the Disability Standard will also inform the disability objectives.

In November 2008, CFS launched a series of 'Disability Confidence' pages on its intranet, where employees can access information on the Disability Discrimination Act, information on reasonable adjustments to the workplace for employees with a disability, along with further guidance to assist employees to become 'Disability Confident'. Furthermore, in December 2008, new information was published on the CFS intranet, to assist employees to better serve customers with particular needs. Information includes the alternative ways in which CFS can communicate with these customers⁴¹, advice on how best to deal with queries on services that are not offered and advice on disability discrimination. A training presentation has been developed to complement the intranet pages and will be delivered to employees in customer-facing areas of CFS in early 2009.

Around 90% of the 1.5 million people in the UK with a learning disability are out of work. However, according to Mencap, over 65% of people with a learning disability want to work⁴². For a number of years, selected Co-operative Food stores⁴³ have been providing work placements for Mencap clients through the Mencap Pathway programme⁴⁴. Building on this previous work, a pilot programme began in June 2008 in the Nottingham area, where Mencap clients took part in work placements, with a trial period of six to eight weeks⁴⁵. The Co-operative Group committed to recruit into employment all participants who completed their work trial successfully and who wished to take up a position. This commitment was made regardless of whether a vacancy existed at the store – a guarantee offered by no other Mencap partner. As of February 2009, 12 Mencap trainees had participated in work trials; all trainees were offered paid employment by The Co-operative Group and 10 have taken this up⁴⁶. The pilot is now being rolled out to all other regions with a target of recruiting 90 clients during 2009.

Workforce – sexual orientation

Both the Trading Group and CFS are members of the Stonewall Diversity Champions programme – a good practice forum, which presents an opportunity for employers to engage with one another on sexual orientation issues. A sexual orientation employee network of around 12 employees was set up at the Trading Group in 2008. The network meets on a quarterly basis to discuss sexual orientation issues as they relate to employees, products and community support. The network also undertook, at the start of 2009, to examine the Stonewall Workplace Equality Index report and highlight areas for improvement, as well as to develop plans to support increased delivery of Lesbian, Gay and Bisexual (LGB) communication activities.

Performance benchmark

The Trading Group was ranked 112th in Stonewall's⁴⁷ Workplace Equality Index 2009 (2008: 29th)⁴⁸. A number of changes were made to the survey compared with the previous year and so, despite some progress by the business on LGB issues during 2008, the Trading Group ranked outside the top 100 for the first time⁴⁹. In 2008, Stonewall also launched its first staff feedback questionnaire, which around 50 LGB Trading Group employees completed. Of the eight indicators⁵⁰, the Trading Group scored above the Index average on seven.

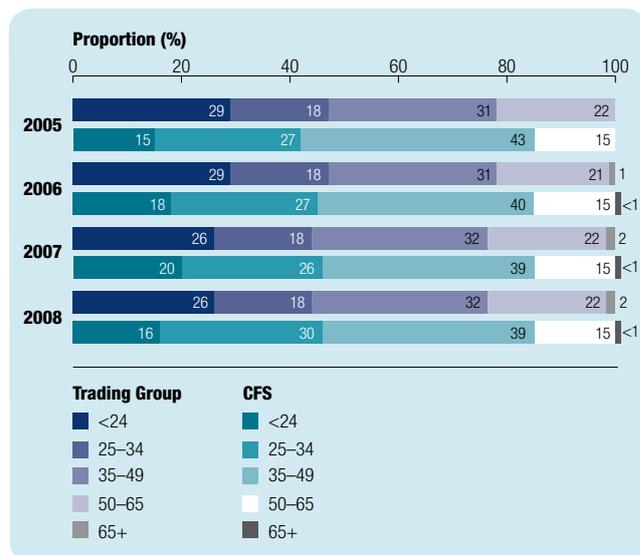
A new question on sexual orientation was included in the Trading Group's 2008 employee attitude survey, with a view to better understanding and engaging with the number of LGB employees in the Trading Group. Results found that 94% of Trading Group employees were willing to declare their sexual orientation. In addition, in 2008, a new LGB website⁵¹ for employees was created and advertised in the Trading Group employee magazine, us. The website includes information about rights in the workplace, a forum for LGB staff to share experiences, and information about LGB events.

The Co-operative Group Membership team supported several LGB events including sponsorship of the Queer Up North Festival in May 2008 and the Pride Games in September 2008; both in Manchester. The Co-operative Group is also a member of the Northern Employers and Organisations Network (NEON), through which organisations can exchange ideas and best practice in LGB advocacy.

Workforce – age

Employment Equality (Age) Regulations came into effect in October 2006, making age discrimination in the workplace illegal. The Age Regulations make any normal retirement age in employment contracts of less than 65 unlawful⁵². In October 2006, both the Trading Group and CFS removed contractual retirement ages completely. The Group was commended as an employer that has adopted good employment practice in relation to age diversity as part of the 'Age Positive' campaign led by the Department for Work and Pensions, and a case study on The Co-operative Group is featured on the Age Positive campaign website⁵³.

Proportion of employees in each age band⁵⁴



The Trading Group and CFS are both members of the Employers' Forum on Age⁵⁵ (EFA), which supports employers on age and employment issues, and a representative from the Trading Group sits on the Forum's Executive Steering Committee. In 2008, The Co-operative Group also became a member of engage – a membership organisation set up in 2007 to help businesses develop their access to the older consumer, seen to be one of the fastest-growing sections of the marketplace⁵⁶.

Performance benchmark

In the UK, 27% of people in employment are over 50 years of age⁵⁷. 24% of Trading Group and just over 15% of CFS employees are over 50 years of age.

Products and services

Pharmacy: medicines check

In September 2008, Muslim patients fasting during Ramadan were offered help to manage their medicines by around 40 Co-operative Pharmacy branches in areas with a high proportion of Muslim customers. The Co-operative Pharmacy used targeted marketing in several languages to advertise their free 'medicines check' service to Muslim patients. Pharmacists in the chosen branches were specially trained on issues regarding Ramadan fasting, to enable them to provide advice on modern pharmaceutical developments, such as delayed-release pills, which make it possible for Muslims to fast during Ramadan while continuing to take their medication⁵⁸. Branches taking part in the initiative gave advice to more than 400 Muslim patients, including around 200 who were provided with specially tailored reviews of their medicine use. The Co-operative Pharmacy is planning to further develop its Ramadan service and is looking to roll it out to more branches in 2009.



The Co-operative Pharmacy medicines check. The service, offered to Muslim patients fasting during Ramadan, was launched in 2008.

Websites

People with disabilities can experience difficulty using websites as a result of the way in which web pages are developed and information is presented, or as a consequence of browser specifications. The World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG)⁵⁹ are the globally accepted standard for website accessibility, taking into account the specific problems encountered by people with physical, visual, hearing and cognitive or neurological disabilities. Websites are rated as 'A', 'AA' or 'AAA' in relation to their level of accessibility (where 'A' is considered the minimum level of compliance and 'AAA' the optimum).

The Co-operative Group considers that its main website – www.co-operative.coop – meets level 'AA' standard. Steps are being taken to improve the accessibility of the main website with a view to meeting the RNIB 'See it Right' standard in 2009; this features most of W3C's AA guidelines and some AAA guidelines. The 'See it Right' standard also ensures that the website is in keeping with the obligations under the Disability Discrimination Act (DDA). The site will be audited every year by the RNIB for accreditation and the next audit will take place in summer 2009. An accessibility page providing guidance for site users is available on the Group's website⁶⁰. A new intranet for Trading Group employees was also developed and launched in April 2008, using the same standards for accessibility as the main website. 'Intranet style and accessibility guidelines' were created and all staff responsible for uploading intranet content were trained in website accessibility during 2008.

CFS introduced an online accessibility policy in October 2007, based on the WCAG guidelines, which helped guide the development of its websites during 2007 and 2008. The sites are considered to comply with the W3C 'AA' standard⁶¹. An accessibility review of the CFS website in 2008, by the Shaw Trust,⁶² confirmed the site had achieved Shaw Trust accreditation for standards compliance. The smile website was also reviewed by the Shaw Trust in 2008 and is undergoing improvements based on the feedback received.

Disability Discrimination Act (DDA) compliance

Part III of the UK's Disability Discrimination Act (DDA) was enacted in October 2004. This makes it unlawful for businesses and organisations providing services to treat people with disabilities less favourably for a reason related to their disability. A Compliance Review Group was established in late 2006 to help ensure that The Co-operative Group continues to deliver services to customers with disabilities as effectively as possible. This group meets quarterly, and includes representatives from each of The Co-operative Group's operational business areas. The Co-operative Group has a Group-wide policy on DDA compliance and all businesses are

required to work towards achieving the highest standards within this. For example, The Co-operative Food has built the top level of DDA compliance policy into its rebrand guidelines for store refits. CFS continues to monitor the DDA compliance of its premises.

Corporate literature and labelling

Since 1999, the Trading Group has provided information, on request, in Braille, in large print and on audio cassette. During 2008, over 12,400 such requests for information were fulfilled by the Trading Group and CFS (2007: 8,500). The increase on the previous year can largely be accounted for by the increased volume of bank statements requested in alternative formats. The Group includes an 'Access for all' statement in its customer-facing and internal literature, which provides details of how to request information in an alternative format. In 2001, the Group became the first retailer to introduce Braille labelling on medicines and to include Braille labels on selected own-brand alcoholic drinks, and this initiative was extended to include chilled and frozen ready meals in 2002. It is now policy to add Braille on all products, where technically and commercially possible. During 2008, Braille packaging appeared on approximately 1,000 (2007: 800) own-brand product lines – from disinfectant to kitchen foil, and from pet food to fish.

CFS and ethical finance

Bank screening of finance

The bank's Ethical Policy includes a commitment to support the principles of the Universal Declaration of Human Rights. In addition, following the bank's 2008/09 Ethical Policy consultation (page 39), a new position was adopted to exclude finance to organisations that advance discrimination and incitement to hatred. In 2008, seven finance opportunities were referred to the Ethical Policy Unit in connection with discrimination. In one instance, a business connected to what is commonly called 'the sex industry' was declined on the basis of protection of public space, with an estimated cost of £7,000 in terms of gross income foregone. This is an area where the bank does not have a defined Ethical Policy position. However, the bank would normally decline such business, unless there is overwhelming evidence that women and minors are protected.

Diversity-related business declines 2008

	Estimated income foregone 2008
Adult entertainment £300,000 lending to business holding lapdancing licence, declined on the basis of significant community opposition to the siting of the premises next to a cathedral.	£7,000

The Co-operative Insurance overseas shareholder resolutions – diversity

In 2008, The Co-operative Insurance was presented with five overseas shareholder resolutions relating to diversity, all of which called for gender parity on the company board⁶³. Although the Co-operative Insurance supports diversity on the board, it does not consider the use of quotas to be the right measure to achieve this. As such, all resolutions were opposed.

Charity credit cards

The Co-operative Bank offers two credit cards in support of charities with a diversity focus; namely, Help the Aged⁶⁴ and the Terrence Higgins Trust⁶⁵. The bank makes a donation to each organisation when an account is opened, and further donations are made in proportion to the amount spent using the card.

Together, these raised a total of £9,350 for the charities in 2008. The amount raised for Help the Aged would be sufficient to install around 240 Bogus Caller alarms, which are connected to a 24-hour telephone response service.

Community involvement

Charity of the Year

The Co-operative Group is supporting The Royal National Institute for Deaf people (RNID) as its Charity of the Year for 2009. As part of the partnership, RNID aims to check the hearing of one million people, including Group employees, members and customers, by promoting their telephone and online hearing-check services at stores and branches across the UK⁶⁶ (page 61).

Read more in this Report

Subjects covered elsewhere in the Report include:

- Flexible working (page 116).
- Employee Assistance Programme (page 115).
- Membership and elected member diversity (page 102).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).

Accompanying notes

- This target has not been restated for 2009. Whilst it is due for completion across CFS in summer 2009, the merger with Britannia will impact delivery subsequent to this.
- This will address the currently incomplete records for ethnicity and disability, and gather data for the first time on sexual orientation and religion and belief. The target relates only to former Co-operative Food stores, and excludes former Somerfield stores.
- www.dwp.gov.uk/mediacentre/pressreleases/2006/feb/drc-015-090206.asp
- www.theworkfoundation.com
- www.statistics.gov.uk/downloads/theme_labour/projections_LMTJan06.pdf
- The Trading Group Diversity Strategy has been in place since 2004. www.co-operative.coop/corporate/diversity/diversitystrategy
- Completeness of ethnicity records for 2007 stood at 80%.
- Since May 2004, the Trading Group's application and diversity monitoring forms have requested ethnicity information from applicants. This process continues to progressively improve the completeness of data.
- In the 2007/08 Sustainability Report, the figure for disability records as a proportion of headcount was stated as 57%. However, this figure was for former Co-operative Group employees only and did not take former United employees into account. The combined figure, for both former Co-operative Group and former United employees, in 2007, is restated at 49%.
- The building of the new human resources system was completed in January 2009, following which work has focused on data input.
- www.co-operative.coop/corporate/diversity
- For example, Equality Britain Advertorial (Diversity Directory), Jobfresh, The Disability Services publications, radio, local and national press and online adverts.
- Including Jobcentre Plus, The Lesbian, Gay, Bisexual and Transgender
- Recruitment Fair and The Black and Ethnic Minority Community Recruitment Fair.
- 2007 and 2008 data are not directly comparable, due to the merger of United Co-operatives with The Co-operative Group in 2007.
- Specialist retail businesses include The Co-operative Travel, The Co-operative Legal Services and End-of-Life Planning.
- Trading Group: reported as % of female managers/all managers and where manager is taken to be any employee with 'manager' in their job title. CFS: reported as % of female managers/all managers and where manager is taken to be any employee paid £20,400 or more (excluding Co-operative Insurance Financial Advisers, who receive the majority of remuneration on the basis of commission).
- Office for National Statistics Economic and Labour Market Review – January 2009 Edition – www.statistics.gov.uk/elmr/01_09/downloads/Table2_01.xls
- Opportunity Now is a business-led campaign that works with employers to realise the potential of women in the workplace. The Opportunity Now benchmark is a voluntary, self-assessment survey that benchmarks management, measurement and reporting in connection with gender equality in the workplace. A further submission was made in 2008 and results will be presented in the Group's 2009/10 Sustainability Report.
- www.opportunitynow.org.uk/best-practice/examples_employees/
- www.tommys.org
- www.ccada.org/stats.aspx
- Members receive quarterly e-newsletters with updates on legislation and best practice, and have access to training sessions and a wide range of resources tailored to business. www.corporateallianceuk.com/home.asp
- 7% of the 82% of employees who responded to the Trading Group's 'Talkback' employee attitude survey identified themselves as being from an ethnic minority group.
- The majority of Trading Group records (85%) relate to Co-operative Food

- employees, where records are held for 53% (2007: 43%) of employees. There are limited records for other Trading Group businesses (ranging from 81% (2007: 70%) complete for 'other businesses' to 5% (2007: 3%) complete for the Property division).
- House of Commons Committee of Public Accounts, Increasing Employment Rates for Ethnic Minorities, 34th Report of Session 2007/08.
- The Co-operative Group Sustainability Report 2007/08, www.co-operative.coop/sustainabilityreport
- The Trading Group and CFS figures for the proportion of employees and managers from ethnic minority groups are expressed as a percentage of records held on ethnicity for employees and managers. All employees for whom records are held, but who have chosen not to disclose their ethnicity, are recorded as not being from an ethnic minority group. Trading Group: where 'manager' is taken to be any employee with 'manager' in their job title. CFS: where 'manager' is taken to be any employee paid £20,400 or more (excluding Co-operative Insurance Financial Advisers, who receive the majority of remuneration on the basis of commission).
- Comprises Food Retail Stores, Head Office and Logistics (2004–6 data excludes Head Office).
- Comprises Sunwin Motors, Sunwin Services, The Co-operative Clothing and The Co-operative Electrical.
- 2004–6 figure comprises The Co-operative Travel only; 2007–08 includes The Co-operative Travel, The Co-operative Legal Services and End-of-Life Planning.
- 2006 figure comprises The Co-operative Farms and Property; 2007–08 comprises Former Group services (including Aegis), Operational Compliance, Loss Prevention, Procurement & Farms.
- Comprises all head office functions – HR, Marketing, Information Systems, Finance, Executive, Secretariat.
- 2004 figures include Department and Home Stores, The Co-operative Farms, Priory Motor Group and Property; 2005 comprises Department and Home Stores, The Co-operative Farms, Priory Motor Group, Property, The Co-operative Clothing and Hotels; 2006 comprises Department and Home Stores, Priory Motor Group, Property, The Co-operative Clothing and Hotels; 2007 comprises Hotels, Cash In Transit, Catering (Former United); 2008 comprises Hotels, Cash In Transit.
- RfO co-ordinates a voluntary, self-assessment survey that examines how organisations are diversifying their workforce, customer base and suppliers, in respect of ethnic minority representation. 2007 is the most recent benchmark assessment.
- The Co-operative Group Sustainability Report 2007/08, www.co-operative.coop/sustainabilityreport
- In the Co-operative Group Sustainability Report 2007/08, employee disability is reported in terms of employees who have declared a disability as a proportion of the total headcount. However, given the incompleteness of disability records, data is now presented as a proportion of data held. The figure for 2007 has therefore been restated on this basis. The figures for 2005 and 2006 are not available.
- The figures for the proportion of employees declaring a disability are expressed as a proportion of records held for disability at Trading Group and CFS.
- Based on the 43% of employees for which such information is held.
- www.efd.org.uk
- www.direct.gov.uk/en/DisabledPeople/EmploymentSupport/LookingForWork/DG_4000314
- Including Braille, large print, audio, textphone (Minicom), sign language interpreters and induction loops.
- www.mencap.org.uk/page.asp?id=1533
- Including stores in Nottingham, Staffordshire, Worcestershire, West Yorkshire, Suffolk, Essex, Bristol, Portsmouth and Hampshire.
- Mencap Pathway aims to give people with a learning disability equal opportunities to get and keep rewarding jobs that match their individual needs and preferences.
- Mencap and Central & Eastern Food Retail Operations worked together to deliver and monitor the programme, before deciding whether it could be successfully rolled out more widely.
- The other two clients declined, due to educational commitments.
- Established in 1989, Stonewall campaigns for equality for lesbians, gay men and bisexuals. www.stonewall.org.uk.
- The Index ranks the best employers in Britain for gay people, with the top 100 being published. This benchmarking exercise is in its fourth year; the number of participating employers having increased from 136 in 2005 to 317 in 2009. www.stonewall.org.uk/workplace/1477.asp
- For example, the Trading Group scored highly for diversity training and LGB role models, but fell down on community engagement and career development.
- Indicators are: LGB-friendly workplace culture, commitment to equality, easy to be out at work, confident reporting anti-bullying, straight colleagues well informed, recommend employer to other LGB people, supportive line managers, supportive senior management.
- www.co-operativemembership.coop/en/lgbt/employees
- Unless it can be objectively justified.
- www.dwp.gov.uk/agepositive
- The figures for the proportion of employees in each age band are expressed as a proportion of the relevant total workforce at Trading Group and CFS.
- www.efa.org.uk
- www.engagenetwork.co.uk
- Office for National Statistics Economic and Labour Market Review, January 2009 Edition. www.statistics.gov.uk/elmr/01_09/downloads/Table2_02.xls
- Potential implications of changing the times medication is taken can include the interaction of drugs not meant to be taken together, or a change in the effectiveness of drugs designed to be taken before, during or after regular meals.
- www.w3.org
- www.co-operative.coop/help/accessibility
- For instance, the sites have been built using a cascading style sheet format, making it easier for screenreaders to access; table labels and tags have been introduced; and skip navigation has been coded in, aiding navigation for users with poor motor skills.
- The Shaw Trust is a national charity providing training and work opportunities for people with disabilities, www.shaw-trust.org.uk
- The five companies were Bank of Nova Scotia, Bombardier Inc., Canadian Imperial Bank of Commerce, Power Corp Canada and Royal Bank of Canada.
- An international charity fighting to free older people from poverty, isolation and neglect, www.helptheaged.org.uk
- A UK-based charity that leads public and political support for HIV and sexual health issues, and campaigns to eradicate stigma and discrimination, www.tht.org.uk
- www.rnid.org.uk, 0844 800 3838

social responsibility **community investment**

Indicators

Financial contributions: percentage pre-tax profit

Employee time: days contributed

Leverage

Targets 2008

- ✔ Undertake in-depth consultation with members, customers and colleagues on the Group's approach to community activity, with a view to determining future policy (page 57).
- ⊞ Extend the remit of The Co-operative Foundation, to enable it to make grants across the UK (page 59).
- ⊞ Develop a three-year strategy for The Co-operative Foundation to support projects that focus on social inclusion (page 59)¹.
- ✔ Provide financial support, through the Co-operative Membership Community Fund, to a minimum of 1,500 community groups across the UK, totalling at least £750,000 (page 60).
- ✔ Engage members and customers in the selection of the 2009 Co-operative Group Charity of the Year (page 61).

✔ target achieved ⊞ on track ✘ target not achieved
 ⚠ close to target ⬅ behind schedule

Targets 2009

- Review current Co-operative Group activity supporting young people, and develop an 'inspiring young people' strategy.
- Raise £2m for The Co-operative Charity of the Year, RNID.
- Complete development of a new three-year grant-making strategy for The Co-operative Foundation by the end of 2009.
- Provide financial support, through the Community Fund, to a minimum of 1,000 community groups across the UK, totalling at least £850,000 during 2009.
- Trial a new methodology to assess community investment impacts across a minimum of three major community programmes.

Materiality and strategy

The Group's approach to business is guided by the co-operative values & principles. The seventh co-operative principle² is 'concern for community'.

In 2006, a Group-wide Community and Campaigns Strategy was launched, with five themes: climate change, social inclusion, tackling crime, food ethics and modern co-operation.

The co-operative principle, education, underpinned activities in all five areas. Throughout 2008, these themes guided the Group's community investment.

Community Plan consultation

In January 2008, members³ were consulted⁴ on the development of a new Community Strategy. The review was motivated by a desire to achieve more focus and balance in the Group's community priorities.

A questionnaire was distributed, which asked for opinions on nine potential areas for community investment, and a total of 53,000 were returned⁵. All nine statements set out in the questionnaires were supported by at least 94% of respondents, and the Values & Principles (V&P) Committee (page 8) agreed in December 2008 that the following themes be adopted as the Co-operative Community Plan:

- **Tackling global poverty:** The Group will help people in the developing world to trade their way out of poverty and to lead healthier lives, particularly through improved supplies of water and sanitation;
- **Combating climate change:** The Group will fight climate change and support energy efficiency and renewable energy; and
- **Inspiring young people:** The Group will nurture and support children and young people to make a positive contribution in their communities.

Co-operative solutions will be supported as each of these three issues is tackled. In addition, increased emphasis will be given to campaigning activities.



Inspiring Young People is one of three themes adopted as The Co-operative Community Plan. The Co-operative StreetGames Young Volunteers programme is one of the Group's projects in support of this theme.

Community contributions

Information on specific community projects that supported the Community and Campaigns Strategy during 2008 is provided throughout this Report, as detailed in the table below.

Community projects supported in 2008 (detailed elsewhere in this Report)

		pages
Modern co-operation	• The Co-operative Fund	104
	• The Co-operative Loan Fund	104
	• C-change	104
Food ethics	• From Farm to Fork	37
	• Year of Food and Farming	37
	• Healthy Living events	37
	• jogscotland	37
Social inclusion	• Basic bank accounts for prisoners	47
	• The Co-operative StreetGames Young Volunteers	48
	• Professional financial inclusion qualification	48
Tackling crime	• Financial education in prisons	48–49
	• Prisoners' Art Exhibition	49
	• Crime prevention education for children with Asperger syndrome	49
Climate change	• Green Energy for Schools	73
	• Walking Buses	74

Information on community projects, which support the Group's new Community Plan, is provided on the following pages: tackling global poverty (page 22), combating climate change (pages 73–74) and inspiring young people (pages 37, 38, 48 and 74).

Management

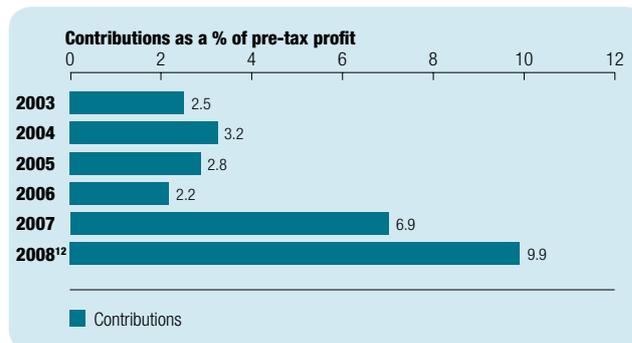
A Group-wide Community and Campaigns team was created in 2006, bringing together staff from the Trading Group, CFS and the former United Co-operatives; the team now comprises 16 full-time equivalent staff. The Community and Campaigns team manages The Co-operative Group's major community investment programmes, listed in the table above⁶, and its ethical campaigning activity. It also provides management services for three independent charities: The Co-operative Membership Community Fund⁷ (page 60), The Co-operative Fund⁸ (page 104), and The Co-operative Foundation⁹ (page 59).

The Group measures and reports on its community contributions using the London Benchmarking Group¹⁰ (LBG) model, which provides a set of measures to capture inputs such as cash, time and in-kind donations, as well as the management costs associated with running a community programme. The model also captures the outputs and longer-term impacts of community involvement activity on society and business, as described below. The LBG undertakes a detailed assessment of the Group's stated community contributions and verifies that they have been prepared in accordance with LBG guidelines.

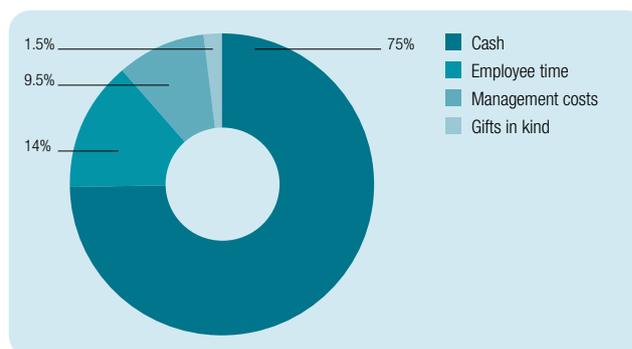
Total community contributions¹¹



Total community contributions as a % of pre-tax profit



Breakdown of 2008 community contributions: Total £11.5m



Inputs

In 2008, the Group's contributions to the community, as recognised by the LBG, totalled £11.5m (2007: £10.4m), or 9.9% (2007: 6.9%) of pre-tax profit¹³. A further £191,706 was invested in the Co-operative Movement via The Co-operative Loan Fund (page 104) and support for the credit union movement (pages 47–48). Taken together, this raises the Group's total contributions to £11.6m (2007: £11.3m) or 10% (2007: 7.6%) of pre-tax profit.

Performance benchmark

The Co-operative Group contributed 9.9% of profits to the community in 2008. By comparison, an average of 0.8% of pre-tax profit was contributed to the community by member companies of the London Benchmarking Group over the period 2005–2007¹⁴.

The 10 largest community contributions made by the Group in 2008 (comprising 44% of contributions¹⁵) are detailed in the table below. The LBG model categorises contributions by their underlying motivation. In line with this classification, in 2008, 55% of LBG-verified community contributions was classified as 'community investment' (long-term strategic involvement in community partnerships to address social issues). This figure includes the Group's priority social goals projects, such as From Farm to Fork (page 37), Green Energy for Schools (page 73) and The Co-operative StreetGames Young Volunteers (page 48), alongside grant-making funds, such as The Co-operative Foundation.

A further 31% of LBG-verified community contributions is classified as 'commercial initiatives in the community' (community activities that directly support the success of the company and promote its brand), and this includes payments made in relation to the bank's charity cards and the bank's debit and credit cards. During 2008, the bank issued credit cards for over 30 national charities/non-governmental organisations¹⁶. Affinity partners receive a donation from the bank for each new card and a margin on the use of the card thereafter. During 2008, partners received a total of £1,448,522 (2007: £1,569,891).

The remaining 14% of LBG-verified community contributions is classified as 'charitable gifts' (support for charitable and community organisations in response to needs and appeals), and includes one-off support for fundraising appeals.

Community contributions: top 10 contributions in 2008

Project	Theme	Contribution ¹⁷
Green Energy for Schools (page 73)	Climate change	£850,229
The Co-operative Fund (page 104)	Modern co-operation	£635,315 ¹⁸
Amnesty International Defending Human Rights Campaign (pages 22–23)	Human rights	£556,593
The Co-operative Foundation (below)	Modern co-operation	£552,140 ¹⁹
RSPB charity credit cards (page 89)	Biodiversity	£447,181
Cambodia Stoves – Carbon Offset (page 72)	Climate change	£335,511
Consumer Credit Counselling Service – the UK's leading debt charity	Social inclusion	£331,858
From Farm to Fork (page 37)	Young people	£328,747
Oxfam charity credit cards (page 22)	International development	£288,488
Amnesty International charity credit cards (page 22)	Human rights	£245,267

The Co-operative Foundation

The Co-operative Foundation, an independent charitable trust, was set up in 2000 and is solely funded by The Co-operative Group. Since 2000, £11.9m has been donated, £9.6m of which has been invested in endowment funds that generate income for future disbursement, and £2.3m of which has been directly distributed. The Foundation awards grants of between £500 and £30,000 and is overseen by a Board of 17 Trustees.

During 2008, The Co-operative Foundation supported locally led groups that demonstrated evidence of the co-operative values & principles of self-help, equality, democracy and concern for the community.

The Foundation was set up by United Co-operatives, and previously, projects attracting funding were required to be within The Co-operative Group's former United Region trading area. However, during 2008, work was undertaken to extend the remit and make grants available on a national basis. This project is due to be completed in 2009. In parallel, a new three-year strategy for the Foundation is to be developed. In line with the results of the 2008 Community Plan consultation (page 57), this will focus on inspiring young people.

Co-operative Foundation requests and awards

	2007	2008
Number of applications	433	499
Total requested	£5,843,621	£7,280,057
Number of awards	85	63
Total disbursed	£895,714	£953,558
Average request	£13,496	£14,589
Average award	£10,538	£15,136



The Co-operative Foundation support for CHOOSE LIFE

CHOOSE LIFE, The Prisoners' Initiative, educates young people on the dangers of class A drugs, using the knowledge of recovered drug-user volunteers. The volunteers also facilitate training for professionals, such as the police. The work was started by a prison officer who put together a play for inmates about drugs. The project has since been expanded and is now run by volunteers outside the prison, in conjunction with young people.

The Foundation made a grant of £14,300 in April 2008 to ensure that volunteers are fully trained, and can facilitate drug education sessions for young people. This project aims to reduce drug use and facilitate safer drug use amongst young people, whilst helping recovered addicts to feel a valuable part of society again.



The Co-operative Foundation support for Whitby and District Disablement Action Group

Whitby and District Disablement Action Group seeks to enable disabled people to live as independently as possible, making informed choices through access to services and information. They are an independent, autonomous, user-led organisation working in the Whitby and District area.

The Co-operative Foundation granted £28,000 to the group to purchase a minibus.



The Co-operative Foundation support for Open Door Furniture Recycling

In 2008, the Co-operative Foundation supported Open Door Furniture Recycling, a furniture re-use project, which collects donations of furniture items and domestic electrical appliances to refurbish and pass on to disadvantaged residents in the community. Open Door works with over 60 statutory and community referral agencies and offers work placements, with training, to volunteers and the long-term unemployed.

The Foundation provided a grant of £10,000 to Open Door in April 2008 to support running costs for the group's three delivery vehicles, which are central to the work of Open Door.

Employee time

Employees are encouraged to volunteer and fundraise for the benefit of the community. During 2008, 8,612 employees registered that they had taken part in community activities, contributing the equivalent of 139,553 hours. This equates to a donation of time worth £1,630,000 (2007: £1,450,000). The reported increase can be attributed to the move towards allocating staff management time to specific projects, coupled with increased volunteering activity and overall improvements in data capture in 2008. The Co-operative Group Volunteer Programme allows staff to support their local communities through opportunities such as: mentoring homeless people back into employment, becoming school governors, and helping at local credit unions. As well as individual volunteering, teams of employees are encouraged to get together to make a difference and, in 2008, 39 team challenges took place around the country.

Employee volunteering²⁰

	2007	2008
Number of employees involved in community activity in work time	9,898	8,612
Number of days invested in community activity in work time ²¹	15,864	18,607
Value of staff time	£1,450,000	£1,630,000

Gifts in kind

In 2008, the Group's in-kind contributions (contributions of product, equipment, facilities or other non-cash items from the business to the community) totalled £184,000. The use of premises and facilities by community organisations and the donation of Fairtrade goods contributed to this total.

Gifts in kind

	2007	2008
Gifts in kind	£219,000	£184,000

Leverage

In addition to community investment made by the business directly, the Group also operates a number of programmes that facilitate charitable giving by customers, employees and members. The most significant of these are the Charity of the Year and The Co-operative Membership Community Fund (CMCF) as described below. The CMCF is made up of donations made by members from their twice-yearly share of profits. The Charity of the Year programme runs on a biennial basis and total leverage is significantly higher in those years when the programme is run (most recently in 2007). Total leverage of £2.8m was facilitated by the Group in 2008 (2007: £4.3m²²), principally through the share of profits donation mechanisms that support the Fund (£965,456) and through payroll giving schemes (£166,905²³).

Leverage

	2005	2006	2007	2008
Total leverage	£3.6m	£1.1m	£4.3m	£2.8m

The Co-operative Membership Community Fund

The key objective of the CMCF is to support self-help voluntary and community groups. The fund is overseen by a group of trustees, with the Group's 45 area committees (page 100) having responsibility for allocating CMCF awards and assessing applications within their areas. Applicants must demonstrate that their group carries out positive work in its local community, has a charitable purpose, and is aligned to the Group's values & principles.

Community Fund requests and awards

	2007	2008
Number of requests	4,467	2,614
Number of awards	2,270	1,515
Total disbursed	£1,060,936	£1,260,236
Average request	£1,026	£1,286
Average award	£467	£843

In 2008, fewer and larger awards were made compared with 2007, and as a result, better administrative value was achieved. During 2008, the minimum grant size was £100 and the maximum grant size was £5,000. Organisations supported in 2008 included those delivering health projects, counselling, drug and alcohol support and cultural projects including drama, music and local history.

The Co-operative Charity of the Year

In autumn 2008, staff across the Group's family of businesses, along with active members, cast over 13,000 votes to make RNID²⁴ The Co-operative Charity of the Year for 2009. The Group aims to raise over £2 million to support RNID's Hear to Help project.

Hear to Help uses volunteers to help older and vulnerable people who are deaf or hard of hearing make more effective use of their hearing aids through maintenance and support. It also provides advice to new hearing aid wearers and the families/carers of existing wearers, and also often doubles as a befriending service. The programme helps to stop isolation, and enables greater independence amongst the people who are deaf or hard of hearing.



Launch of the 2009 Co-operative Charity of the Year, RNID.

Influence and action

Education – inspiring young people

The Co-operative Group invests in education for young people across the UK. It sponsors a network of Co-operative Group Schools (pages 104–105) including 10 Business and Enterprise Colleges and three Co-operative Trust schools. The Group is also involved in the development of two Academy schools; one in Manchester and one in Stoke. The Co-operative Group works with schools across the UK on projects such as Green Energy for Schools (page 73), From Farm to Fork (page 37), Waste Works (page 83), Walking Buses (page 74), film festivals and employee volunteering (page 60). The Co-operative Bank works with 16 schools in Skelmersdale, offering two-week work placements to students as part of its Project Formation.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Community involvement in relation to:
 - International development and human rights (page 22).
 - Diet and health (pages 37–38).
 - Social inclusion (pages 48–49).
 - Diversity: Charity of the Year (page 56).
 - Climate change (pages 73–74).
 - Waste and packaging (page 83).
 - Biodiversity (page 89).
 - Persistent, bioaccumulative and toxic (PBT) chemicals (page 96).
- The Co-operative Fund, The Co-operative Loan Fund and C-change (page 104).
- Support for co-operative schools (pages 104–105).
- Charity credit cards (pages 22, 31, 47, 55–56, 89).

Accompanying notes

- 1 The theme will be children and young people as agreed with the Foundation's trustees in 2009.
- 2 www.ica.coop/coop/principles.html
- 3 The consultation was extended to members of The Co-operative Group and members of other societies. Questionnaires were distributed to members via the membership magazine, Re-act; a mass email was distributed with a link to an online version of the questionnaire; and questionnaires were given directly to colleagues, supported by information on the intranet, and to customers in Travel branches.
- 4 Including customers and colleagues.
- 5 Of which 15,700 were returns from members of other co-operative societies.
- 6 Excluding jogscotland, which is managed by the Group's Food marketing department.
- 7 The Co-operative Community Fund is a trading name of Co-operative Community Investment Foundation, registered charity number 1093028, England & Wales, www.co-operative.coop/communityfund
- 8 The Co-operative Fund is a trading name of The Co-operative Action Foundation, registered charity number 1098718, England & Wales, www.co-operative.coop/enterprisehub
- 9 The Co-operative Foundation is a trading name of The Co-operative Charitable Foundation, registered charity number 1080834, England & Wales, www.co-operative.coop/foundation
- 10 www.lbg-online.net
- 11 Comprises contributions 'spent' in the calendar year.
- 12 Of the Group total, the following contributions were attributable to CFS: cash: £3.2m; employee time: £0.1m; gifts in kind: £0; management costs: £0; bringing CFS' total community investment to £3.3m, or 2.2% of pre-tax profit.
- 13 Of this, £3.3m was attributable to CFS; 2.2% of CFS' pre-tax profit.
- 14 London Benchmarking Group (LBG), Annual Report 2007. Data refers to the 87 member companies of LBG who report their community investment contributions using the LBG model.
- 15 Total contributions excluding management costs in 2008 were £10,387,036.
- 16 www.co-operativebank.co.uk/servlet/satellite/1193206374589.CFSweb/Page/Bank-CreditCards
- 17 Contributions include cash, value of staff time, and in-kind donations.
- 18 Represents all contributions made to the fund in 2008. £1,233,054 was disbursed from the fund in 2008.
- 19 Represents all contributions made to the Foundation. £953,558 was disbursed by the Foundation in 2008.
- 20 The 2007 and 2008 employee volunteering figures were based upon staff responses to an intranet request for information on individual volunteering, and are not considered to be complete.
- 21 Where a day is considered to represent 7.5 hours.
- 22 In 2006, when the Charity of the Year did not run, total leverage was £1.1m.
- 23 Of which £125,551 was attributable to CFS.
- 24 www.rnid.org.uk

ecological sustainability **contents**

- 64** Climate change
- 78** Waste and packaging
- 85** Biodiversity
- 92** Persistent, bioaccumulative and toxic (PBT) chemicals

Image: Micro-hydro scheme,
New Mills, Derbyshire

our **ecological sustainability** priorities range from renewable energy generation to packaging reduction, sustainable fish sourcing to highlighting the honeybee decline.

approach to ecological sustainability

Strategy

As a large and diverse business, The Co-operative Group has a wide range of environmental impacts – both positive and negative. The issues of climate change, waste, biodiversity and persistent, bioaccumulative and toxic chemicals have been identified as reporting priorities. This approach has been influenced by an emerging understanding of the environmental imperatives facing society, the business and its customers. In 2008 The Co-operative Food Ethical Policy was launched, following an extensive consultation, in which 100,000 members identified ‘the environment’ as one of their top three priority areas¹. Millions of CFS customers have been consulted as part of The Co-operative Bank and The Co-operative Insurance’s Ethical Policy consultations², most recently in 2008, when over 80,000 bank customers responded. In addition, from 2009, the Group’s community activity will focus on three key themes, including ‘combating climate change’, as set out in its new Community Plan (page 57).

The Group aims to maintain its leadership in the area of climate change and attain/maintain at least median positioning in other environmental areas.

Management

In 2008, the Group’s Environment Team was maintained at five people, and an Environmental Advisory Committee (EAC), a sub-committee of the Group Values & Principles (V&P) Committee (page 8), met regularly to oversee strategy implementation³.

The Natural Step Framework⁴ continued to be utilised as a set of guiding principles when evaluating complex environmental issues across the Group’s businesses.

In July 2008, CFS’ environmental management systems were re-certified to the ISO 14001 standard at its annual audit inspection – CFS was the first financial services organisation in the world to secure certification for all its business activities⁵. However, ISO 14001 certification for the Group’s services function at its Manchester head office lapsed and was not renewed.

Developments

Three major national campaigns centred on environmental issues were initiated in late 2008/early 2009:

- Toxic Fuels – highlighting the undesirable impact upon our climate that could stem from the development of unconventional oil sources such as the Canadian tar sands (page 75).
- Marine Reserves Now – calling for the establishment of a network of highly protected marine reserves across the UK’s seas (page 90).
- Plan Bee – a call for greater action and research to halt the decline of the honeybee (page 90).

Recognition

- In June 2008, The Co-operative Group was awarded the European Business Award for the Environment⁶.
- The Co-operative Group won Business in the Community’s International Climate Change Award 2008; and Business in the Community’s Environmental Leadership Award 2009⁷.
- In October 2008, The Co-operative Food achieved The Institute of Grocery Distribution’s Environmental Sustainability Award 2008⁸.
- The Co-operative Food won The Grocer’s Green Retailer of the Year Award 2008⁹.
- Retail Week’s Responsible Retailer of the Year was awarded to The Co-operative Food in both 2008 and 2009¹⁰.
- The Co-operative Group was awarded the Renewable Energy Association’s Pioneer Award 2009¹¹.

Accompanying notes

- 1 www.co-operative.coop/food/ethics/
- 2 www.goodwithmoney.co.uk/have-your-say-on-our-ethical-policies
- 3 For the Environmental Advisory Committee’s Terms of Reference and membership see www.co-operative.coop/corporate/sustainability/envadvisorytor
- 4 The Co-operative Bank was the first UK-based business to incorporate The Natural Step methodology in 1996, and it is considered to have been vital to the substantive improvements in performance realised to date. www.forumforthefuture.org/our-approach/tools-and-methodologies/TNS
- 5 CFS’ certification extends to the ‘complete range of operations, activities, products and services (personal and corporate banking, insurance, investments and pensions) of Co-operative Financial Services, CIS, The Co-operative Bank and its internet bank, smile’.
- 6 http://ec.europa.eu/environment/awards/entries_2008winners_en.htm
- 7 www.bitc.org.uk/awards_for_excellence/index.html
- 8 www.lgd.com/index.asp?id=1&fid=2&sid=10&tid=0&folld=0&cid=883
- 9 www.thegrocergoldawards.co.uk/page/2008_winners.html
- 10 www.retail-week.com
- 11 www.r-e-a.net/events/rea-events/awards/090611BREAWinners

ecological sustainability climate change

Indicators

Energy: carbon dioxide emissions

Energy: usage

Transport: distribution/business mileage

Transport: carbon dioxide emissions

Carbon offset: products and operations

Targets 2008

- = Reduce energy consumption by 20% by 2010 and 25% by 2012, based on 2006 levels (page 65).
- = Generate 15% of energy requirements from sustainable energy sources by 2012, based on 2006 levels (page 67).
- = Reduce greenhouse gas emissions from refrigeration in The Co-operative Food's stores by 20% by 2011, based on 2007 levels (page 68).
- = Reduce transport CO₂ emissions from The Co-operative Food's distribution fleet by 15% by 2013, based on 2005 levels (pages 68–69).
- ✓ Continue to progress carbon footprinting case studies (pages 70–71).
- ✓ Relaunch the customer flight-offsetting proposition at The Co-operative Travel (page 71).
- ✓ Maintain carbon neutrality across CFS while offsetting an additional 10% to account for legacy issues (page 71).
- ✓ Achieve carbon neutrality for operations at The Co-operative Travel and The Co-operative Clothing (page 71).
- ✓ Complete the installation of photovoltaic panels at 100 schools and extend the Green Energy for Schools programme to include wind turbines, biomass boilers and ground source heat pumps (page 73).
- D Relaunch the Climate Change Challenge pledge scheme within The Co-operative Membership (page 74).

- ✓ **target achieved**
- = **on track**
- ✗ **target not achieved**
- ↙ **close to target**
- ↘ **behind schedule**
- D **target dropped**

Targets 2009

- Reduce energy consumption across the Group by 20% by 2010 and 25% by 2012, based on 2006 levels.
- Generate 15% of energy requirements from sustainable energy sources by 2012, based on 2006 levels.

Targets 2009 continued

- Reduce greenhouse gas emissions from refrigeration in The Co-operative Food's stores by 20% by 2011, based on 2007 levels.
- Reduce transport CO₂ emissions from The Co-operative Food's distribution fleet by 15% by 2013, based on 2005 levels.
- Maintain carbon neutrality across CFS, The Co-operative Travel and The Co-operative Clothing.
- Phase out the sale of tungsten incandescent light bulbs in The Co-operative Food's stores by 2010.
- Progress design of new head office complex to deliver BREEAM 'outstanding' specification.
- Deliver a climate change membership outreach initiative in partnership with Stop Climate Chaos.
- Complete Green Energy for Schools phase two, installing a further 60 photovoltaic systems and 20 small wind turbines, biomass boilers and ground source heat pumps.
- Progress a climate change impacts and adaptation initiative.

Background

The Co-operative Group has, arguably, done as much as any other UK business to tackle its contribution to climate change. 2008/09 saw significant advances in both the scientific understanding of climate change and its importance as an urgent political issue. These include the Climate Change Act gaining Royal Assent in November 2008, making the UK the first country to establish long-term, legally binding targets to reduce greenhouse gas emissions¹. The Act requires the UK to reduce its emissions by 80% by 2050, based on 1990 levels.

Stemming from the Act, the Committee on Climate Change was established in 2008 as an independent body to advise the Government on emissions targets and to report to Parliament on progress². The Committee on Climate Change published its first set of proposed emissions budgets for the years 2008 to 2022 in December 2008, recommending a 42% reduction by 2020 if similar commitments are forthcoming at international and EU levels³.

In March 2009, the International Scientific Congress on Climate Change⁴ convened in Copenhagen to review scientific knowledge that has emerged since the publication of the United Nations Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report⁵ in 2007. It concluded that given the high rates of observed emissions, the worst-case IPCC scenario trajectories (or even worse) are being realised. For many key parameters, the climate system is already moving beyond the patterns of natural variability within which our society and economy have developed and thrived⁶.

Materiality and strategy

The Co-operative Group has a number of operations that emit significant quantities of greenhouse gases (GHGs), the most significant of which is The Co-operative Food. Additionally, the Group, like any other business, will be subject to the impacts of climate change across its operations and activities.

The Group's Environmental Strategy, which has been agreed via the Values & Principles (V&P) Committee (page 8), continues to identify climate change as the Group's top environmental priority. Following extensive member consultation in 2008, 'tackling climate change' has been designated to be one of the Group's three community priorities (page 57). In the 2007 Co-operative Food Ethical Policy Consultation (page 9), 97% of members endorsed the Group's commitment to reduce the carbon footprint of its products. CFS' commitment to tackling climate change was most recently endorsed by customers. As a result of the bank's latest Ethical Policy consultation (page 39), with the support of 90% of customers, the bank's decline of finance to businesses involved in the extraction of fossil fuels was extended to exclude organisations involved in the distribution of fuels with a higher global warming impact, eg, tar sands and certain biofuels. In the most recent Co-operative Insurance Ethical Engagement Policy review, 94% of customers indicated that they want the business to use its influence as an institutional investor to encourage businesses to reduce their reliance on fossil fuels, increase renewable energy usage and promote energy efficiency.

Climate change is increasingly the subject of sector-wide agreements and initiatives. In 2007, The Co-operative Insurance became a founder partner of the Association of British Insurers' Climate Wise Initiative, which aims to encourage the UK's insurance sector to better measure and address climate change impacts, adaptation and mitigation⁷. In early 2008, The Co-operative Food became a signatory to the British Retail Consortium's 'A Better Retailing Climate' initiative, which sets out a series of voluntary targets for retailers to reduce their environmental impact; manage climate risks; help customers and suppliers to reduce their impacts and vulnerabilities; engage in public policy debates; and report transparently⁸.

The Group's approach to addressing the issue of climate change is five-fold, embracing: energy efficiency, support for renewable energy, carbon offsetting, the provision of finance, and public policy lobbying.

Accounting

In 2008, the Department for Environment, Food and Rural Affairs (Defra) changed its treatment of electricity from renewable sources within its Environmental Reporting guidelines. Previously, electricity from renewable sources was treated as having a zero carbon dioxide conversion factor, whereas, from 2008, it is treated as having a grid rolling average emissions factor of 0.53702kg CO₂ per kWh. In the interest of transparency, the Group's greenhouse gas emissions have been reported both ways: in the charts and body text (zero carbon dioxide conversion factor applied) and in the footnotes (grid rolling average carbon dioxide conversion factor applied).

Performance overview

Net greenhouse gas emissions across The Co-operative Group were 53% lower in 2008 compared with the 2003 baseline. This is despite the merger with United Co-operatives in 2007, which added another 1,150 premises and substantial distribution activities. In light of the merger, emissions data has been

normalised in terms of tonnes of carbon dioxide equivalent (CO₂e) per £m of turnover. On this basis, emissions fell by 60% between 2003 and 2008 from 64tCO₂e/£m to 26tCO₂e/£m.

Net greenhouse gas emissions connected with premises, transport and refrigerants (tonnes CO₂e)⁹



Net greenhouse gas emissions connected with premises, transport and refrigerants (tonnes CO₂e per £1m turnover)



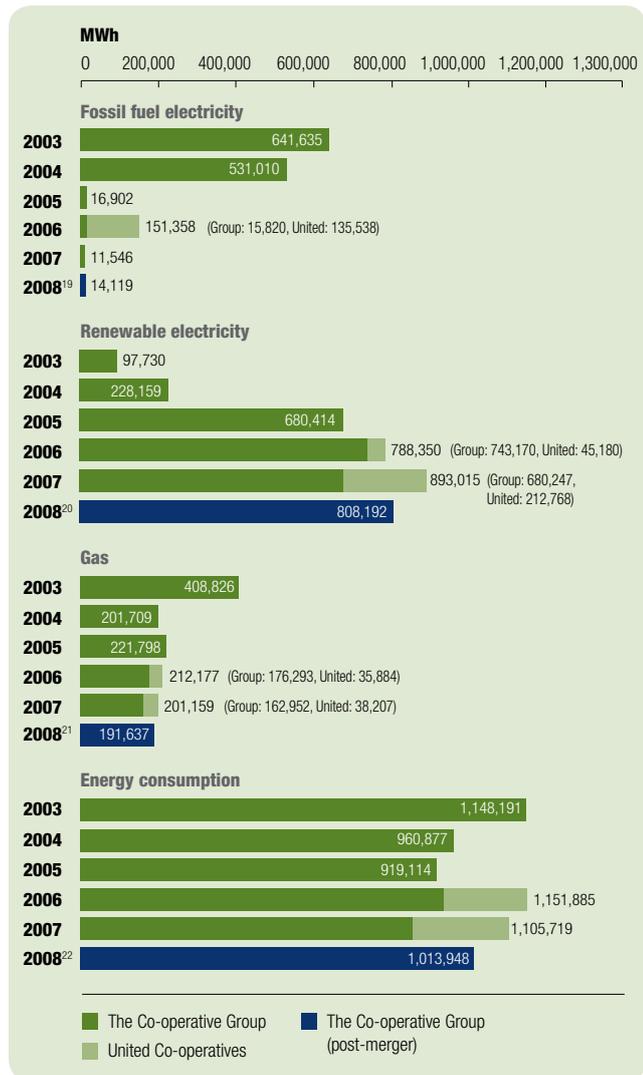
Performance benchmark

In 2009, the Group received the Renewable Energy Association's Pioneer Award. This is given to the organisation from outside the sustainable energy sector, judged to make the greatest contribution to the advancement of renewable energy. This follows on from the Group receiving this award in 2007, and makes the Group the only business to have won the award twice¹⁵.

Energy

During 2008, energy consumption across the Group decreased by 8% compared with 2007 and by 12% compared with 2006. There was a 9% decrease in electricity usage and a 5% decrease in gas usage compared with 2007. Heating degree day analysis suggests the decrease in gas consumption indicates a real eco-efficiency improvement, given the degree day value was 11% higher in 2008 than in 2007, meaning that the average outside air temperature was more frequently below the base temperature at which heating was required in 2008¹⁶. CFS' overall energy consumption dropped by 2% in 2008, compared with 2007, and has dropped by 17% since 2003¹⁷. Despite the additional 1,150 premises that the Group operates, following the merger with United Co-operatives in 2007, energy consumption has decreased by nearly 12% compared with a 2003 baseline. In light of the merger, an attempt has been made to normalise energy consumption data, through expressing it in terms of energy used per £m of turnover. On this basis, energy consumption dropped from 141MWh/£m in 2003 to 108MWh/£m in 2008.

Energy usage of premises, type and associated carbon dioxide emissions¹⁸



Energy consumption per £m turnover



Total CO₂ emissions from energy consumption²⁴



Energy strategy

The Co-operative Group's energy strategy focuses on The Co-operative Food's stores, distribution and the Group's head office operations, which comprise over 90% of the Group's energy use²⁵. The energy programme is directed by a Programme Board chaired by the Managing Director of The Co-operative Estates. There are three areas of focus: the encouragement of staff behavioural change and better housekeeping; amendments to the standard ongoing refit programme; and a retrofit programme designed to reduce energy at the most energy-intensive stores. Capital expenditure of £7.6m was committed in 2007/08 with a further £10.3m approved for the period 2009 to 2011 inclusive.

Initiatives delivered in 2008 include:

- Roll-out of retrofit measures to a further 257 premises (2007: 320), including building management systems, improved lighting systems and fridge controls;
- Improvements to the refit programme, including the use of Light Emitting Diodes (LEDs); and
- Automated gas readers installed in 34 stores.

In 2007/08, seven dedicated regional energy managers were recruited and a system was implemented whereby over 2,500 employees were trained and became Energy Champions across The Co-operative Food stores. In 2008, Birtley Regional Distribution Centre achieved an 'A' rating Energy Performance Certificate²⁶. In early 2009, all Food stores were given an A-G energy rating based on energy usage per square foot²⁷ and SMART metering trials were agreed for selected locations within The Co-operative Pharmacy and Sunwin Motor Group.

In 2008, the Group announced its intention to find new headquarter premises within Greater Manchester that will attain the new BREEAM 'outstanding' status.



Coldham wind farm on Co-operative Group land in Cambridgeshire. Planning permission was gained, in 2008, to extend the wind farm.

Green electricity procurement

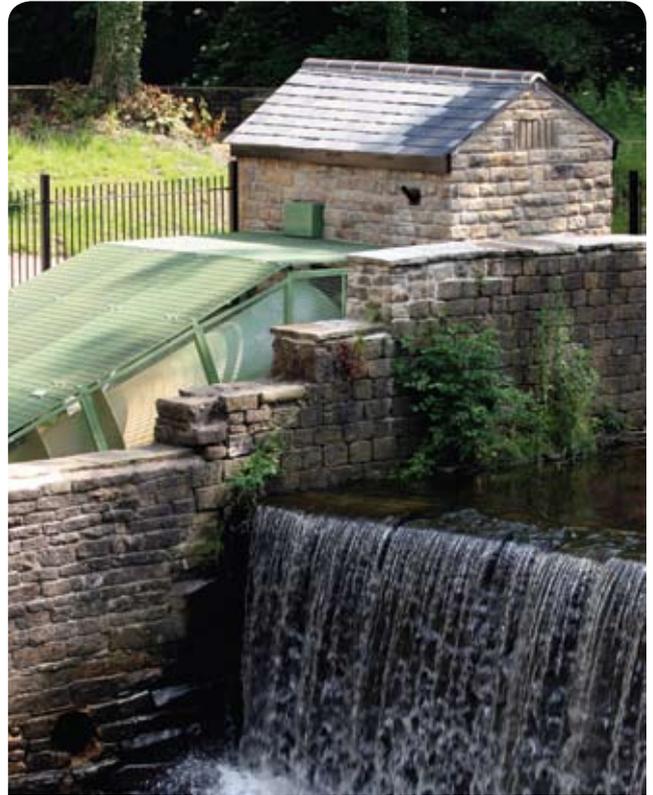
During 2008, virtually all (over 98%) of the electricity supplied to the Group (some 808GWh) was sourced from good-quality renewable sources – mainly wind and hydro technologies. This makes the Group one of the largest purchasers of green electricity in the world, and supports annual CO₂ savings of 434,015 tonnes. In addition, the Group has negotiated equivalent green electricity contracts (324GWh) on behalf of 20 independent co-operative societies. There is a growing concern that the good intentions of green electricity procurers may not prompt further growth in the UK's renewable generation capacity – some suppliers charge a premium for green electricity that they are effectively obliged to generate anyway, due to legislative requirements. With this in mind, in September 2004, CFS agreed an innovative £4m eight-year green electricity purchase agreement. This long-term off-site commitment – the first of its kind – enabled green electricity generator, ecotricity, to finance the construction of six new wind turbines in Lincolnshire. The supply arrangement meets a quarter of CFS' electricity requirement (some 9GWh each year) and results in 4,833 tonnes of annual CO₂ savings.

In 2003, The Co-operative Insurance became the first institutional property investor to transfer all contracts held for its investment property portfolio to green electricity. The Co-operative Insurance believes it is still the only institutional property investor to have done this. Electricity from large-scale hydro and Climate Change Levy-exempt sources is purchased. In 2005, The Co-operative Insurance outsourced its £2bn investment property portfolio and instructed its investment managers to maintain the utilities accounting systems developed in 2004 and to continue with the purchase of renewable electricity – some 9.4GWh in 2008 (2007: 9GWh).

On-site renewables generation

The Co-operative Group has made significant progress in the development of its own renewables capacity. In April 2008, planning permission was given for a 28MW, 14-turbine wind farm on Group land in Goole, Yorkshire. This will be capable of supplying enough electricity to power more than 16,000 homes annually, with completion anticipated by 2012. Goole wind farm follows on from the 'switch on' in July 2006 of a 16MW, eight-turbine wind farm on Group farming land at Coldham, Cambridgeshire. All output from this wind farm is paired with the Group's head office in Manchester, and other Group locations. In May 2008, the Group gained planning permission for a seven-turbine extension to Coldham wind farm. In February 2009, the Group applied for planning permission for a 32MW wind farm, on third-party-owned land; further projects are also in development. Output from the Group's own renewable energy installations in 2008 was approximately 35,400MWh.

In early 2008, the Group agreed to purchase electricity via a private wire to its local Food store from a co-operatively owned micro-hydro project in New Mills, Derbyshire. The Co-operative Bank was the principal lender to this project and a grant of £45,000 was provided from The Co-operative Fund (page 104). The project became fully operational in September 2008 and had produced 81,000kWh of electricity by the year-end. Planning permission was granted for a second micro-hydro scheme at Settle, Yorkshire, in February 2009.



Co-operatively owned micro-hydro installation on the River Goyt. The Co-operative Food store in New Mills, Derbyshire purchases electricity from the scheme, and The Co-operative Bank was the principal lender to the project.

The Group is an active supporter of micro-generation technologies, through its Green Energy for Schools programme (pages 73–74) and on its buildings. This commitment includes the Solar Tower project, completed in May 2006, which is the UK's largest solar power installation. This £5.5m project has transformed the 400ft, 25-storey landmark Co-operative Insurance tower into a facility capable of producing on-site renewable energy. The building now has over 7,000 photovoltaic cell panels with the potential to create 181MWh of renewable electricity each year and save 97 tonnes of CO₂ emissions. The solar panel cladding was considered to be the most cost-effective solution to repairing the deteriorating façade of the building, whilst respecting heritage concerns (the building is Grade II listed) and aligning with CFS' sustainability requirements. Further micro-generation projects will be pursued where viable.

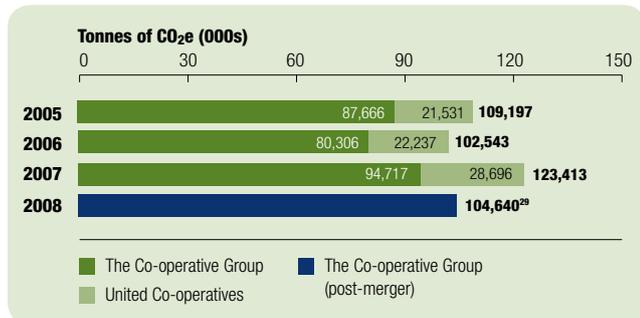
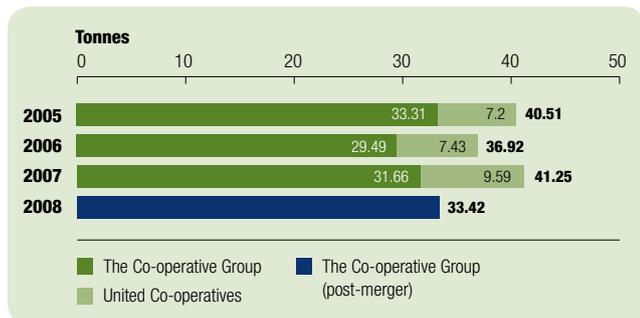
Refrigeration and air conditioning

The Group's refrigeration and air conditioning systems are a significant source of greenhouse gas emissions due to the prevalence of hydrofluorocarbon (HFC) systems. The most significant source is refrigerant leakages from The Co-operative Food's stores.

As air conditioning systems are replaced across CFS, it is preferred that systems based on ammonia, lithium bromide or hydrocarbons are introduced. In all cases, the global warming potential (GWP) of these chemicals is substantially less than that of organohalogens, such as HFCs, with ozone depletion being similar. All HFCs and hydrochlorofluorocarbons (HCFCs) removed are passed to third parties for recycling or destruction.

The Co-operative Food refrigeration

The Co-operative Food: refrigerant gas 'leaks'²⁸



In 2008, refrigerant gas leakage across The Co-operative Food stores was 33.42 tonnes (2007: 41.25 tonnes), with a net GWP equivalent of 104,640 tonnes of CO₂ (2007: 123,413 tonnes). This 15% reduction was achieved as a result of switching to contractors whose focus has been to reduce leakage through better maintenance of equipment. This year, for the first time, the Group has reported on refrigerant gas leakages across The Co-operative Food's Regional Distribution Centres, which were 0.8 tonnes with a GWP equivalent to 2,162 tonnes of CO₂.

In 2006, the decision was taken to specify new refrigeration equipment for roll-out across The Co-operative Food stores where new refrigeration is required (at a budgeted cost of £50m per annum for four years). As at June 2009, 10% of existing cooling equipment relies on HCFCs, which are potent ozone depleters; however, legislation requires that usage of these be phased out by 1 January 2010. More energy-efficient HFC units are now used and in 2008, 719 stores were refitted with this equipment, with a further 700 stores planned for refit in 2009. Research continues into more benign non-HFC cooling technologies.

In 2008, the Group's Food store in Norris Green, Liverpool, became the first in the UK to utilise the heat from the refrigeration system to provide space heating in the store³⁰. This project received the Green End-User of the Year Award, within the small projects category, at the Cooling Industry Awards 2008³¹ and follows on from the award won by the Group in 2007 for its Food store on Corporation Street, Manchester, which utilises carbon dioxide and hydrocarbon refrigerants.

Refit initiatives planned for 2009 include:

- Roll-out of the 'free heat' refrigeration system trialled at Norris Green to a further 200 stores;
- Switching the refrigerant gas from the HFC R404a (which has a global warming potential of 3,750) to the HFC R407a (which has a global warming potential of 1,770) at 200 high-temperature refrigeration systems; and
- All new standalone refrigeration units to run on hydrocarbons.

Performance benchmark

In 2008, The Co-operative Food participated in the Environmental Investigation Agency's³² (EIA) survey of supermarket refrigeration technology. In total, seven supermarkets responded to the survey, which assessed the current and projected use of HFCs in the supermarket sector. The Co-operative Food was ranked fourth.

CFS air conditioning

During 2008, one HCFC system, containing gas with a GWP of 3.7 tonnes of CO₂, was removed from a CFS main office. In the branch network, HCFC/HFC air conditioning units were replaced with hydrocarbon (HC) systems at 10 Co-operative Bank branches. This led to the removal of 33kg of HCFC/HFC gasses with a GWP of 52.8 tonnes of CO₂, and the introduction of 21kg of HC gasses with a GWP of just 62kg of CO₂. During 2008, and in breach of the CFS Air-Conditioning Policy, 25kg of the HFC R410a with a GWP of 48 tonnes of CO₂ were introduced to systems at six Bank branches. Preventative measures to ensure this is not repeated are to be put in place in 2009. During 2008, 37.8kg of refrigerant gases (including 9.3kg of organohalogenes) were released through leakages at CFS' head office premises. In total, the GWP of the gases released was equivalent to 48 tonnes of CO₂. CFS has a commitment to offset the greenhouse gas emissions arising from air conditioning in its head office premises. To this end, a payment has been made to Climate Care³³.

Transport

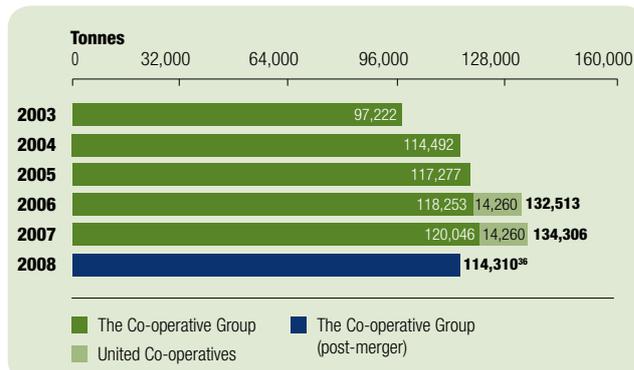
Distribution/business mileage and emissions

The Co-operative Bank, The Co-operative Insurance and the Trading Group have reported on their transport impacts since 1997, 2000 and 2003 respectively. Data for United Co-operatives' transport impacts is unavailable prior to 2007.

Total mileage

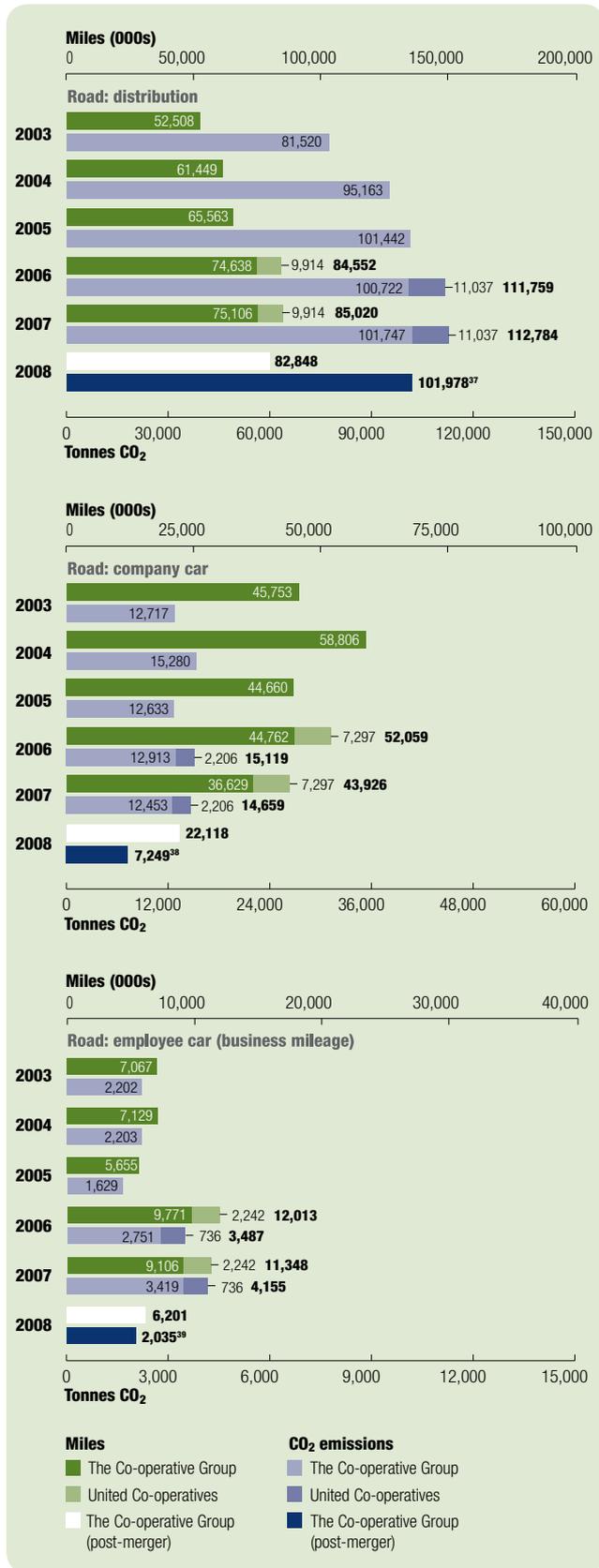


Total CO₂ emissions

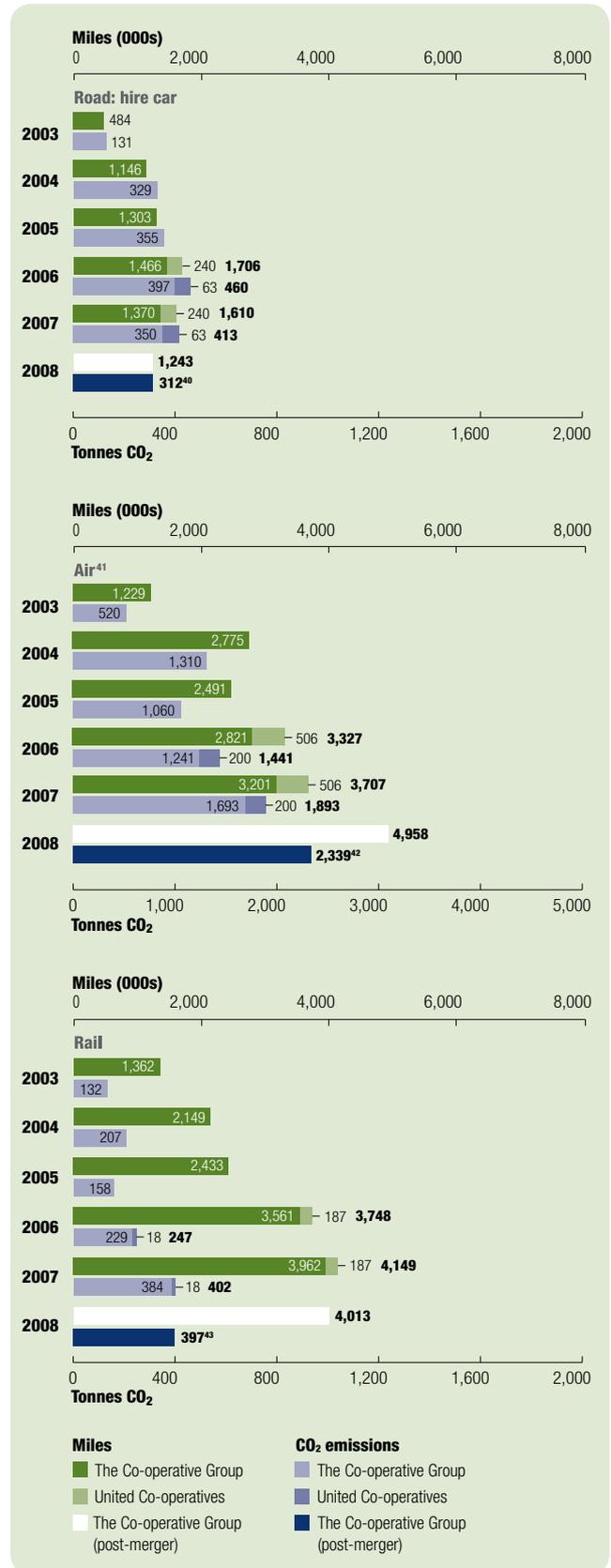


Accounting systems connected with road distribution capture The Co-operative Food, The Co-operative Funeralcare, CFS, and The Co-operative Clothing. Information is also captured for rail, air, company car, business mileage in employees' own cars and hire car journeys undertaken by the Group's office-based employees. In summary, the Group's transport-related CO₂ accounting systems are now considered to be 99% complete, with coverage across all major businesses and very limited need to extrapolate from samples.

Transport, mileage and CO₂ emissions



Transport, mileage and CO₂ emissions continued



Across the Group, reported CO₂ emissions connected with transport decreased by 15% and mileage decreased by 19% (some 28.4 million miles) during 2008 and by 14% and 23% respectively compared with 2006. This decrease is due to a combination of a reduction in road distribution mileage at The Co-operative Food and the introduction of better accounting systems⁴⁴ for company car and employee car mileage at The Co-operative Food, The Co-operative Pharmacy and at CFS. In 2008, road distribution emissions decreased by nearly 11,000 tonnes of CO₂, stemming from a reduction of over two million miles travelled by the fleet compared with 2007. Better accounting systems for company car and employee car mileage show a reduction in CO₂ emissions of 9,500 tonnes, with a reduction in car mileage of 27 million miles. For the first time, the Group has reported on familiarisation trips⁴⁵ across The Co-operative Travel. In 2008, this amounted to 1.6 million miles travelled and 303 tonnes of associated CO₂e emissions. The Co-operative Food became a signatory to the British Retail Consortium's 'A Better Retailing Climate' initiative, and committed to a 15% reduction in CO₂ emissions from its distribution activities by 2013, based on 2005 levels. In 2008, The Co-operative Food's distribution mileage and associated CO₂ emissions decreased by 11% (eight million miles) and by 14% (15,184 tonnes of CO₂) compared with 2005 respectively.

In 2003, The Co-operative Food converted 60 Foden articulated lorries from a fleet of 972 vehicles, to allow them to run on both compressed natural gas (CNG) and diesel. The dual-fuel scheme operates from two distribution depots (Alfreton and Cumbernauld). At its inception, the pilot was the largest of its type in the UK. However, the subsequent erosion of CNG tax benefits, the curtailment of conversion grants and parallel advances in clean diesel technology mean that there are no economic or environmental benefits to the use of CNG and it will be phased out. The Co-operative Food's fleet includes 40 double-decker trailers, each fitted with two solar panels. These charge the batteries that power the moving deck and reduce the need for charging at the distribution depot.

During 2008, CFS' business mileage decreased by 28%, compared with 2007, and by 53%, or 9.9 million miles, when compared with 2000⁴⁶. External mail freight (measured in tonnes of CO₂) decreased by 11% or 206 tonnes compared with 2007. The Co-operative Financial Advisers' (FAs) reported mileage and associated CO₂ emissions reduced by 76% and 75% respectively. This is largely as a result of improvements made to the FAs' business mileage accounting systems, which are no longer based on estimates, but actual mileage expense claims submitted. Overall CO₂ emissions⁴⁷ from transport at CFS decreased by 25%, compared with 2007 and by 37%, or 2,434 tonnes, when compared with 2000.

In early 2008, a new policy was agreed for the 200 job requirement cars within CFS: these must now have CO₂ emissions of less than 150g/km and diesels must meet the Euro5 clean burn standard or have particulate filters. It is intended that the CO₂ cap will be reduced to 145g/km by 2010 and 140g/km by 2012.

In 2008, 163 interest-free loans (with a value of £165,000) (2007: 178, with a value of £188,000) were taken up by Group employees for public transport season tickets. In addition, elected members are encouraged to use public transport when attending meetings and events⁴⁸.

Biofuels

The Co-operative Farms has a significant area (3,358 hectares) committed to oilseed rape. Its output in 2008 of 11,270 tonnes was used in biodiesel production.

With regard to the Group's distribution activities, the decision was taken in 2007 not to actively pursue biofuel use. This is in recognition of the adverse environmental impacts that certain biofuel feedstocks can have, and the opaque nature of much of the biofuels supply chain, which makes selection of feedstocks that meet sustainability criteria all but impossible. In 2008, the Group lobbied MEPs and the Renewable Energy Association in support of mandatory sustainability criteria and minimum carbon savings for biofuel feedstocks. Additionally, from 2009 the bank extended the ecological impact section of its Ethical Policy to decline business in connection with the distribution of biofuels that fail to achieve a 60% carbon dioxide saving; effectively ruling out investment in biofuels derived from feedstocks that cause tropical deforestation.

Food miles and 'considered carbon'

The term 'food miles' has been widely used in discussions about food sustainability, and is often assumed to be synonymous with total environmental impact, ie, low food miles equating to low environmental impact. However, a wide range of research⁴⁹ has shown that, when the whole product lifecycle (cultivation, processing, transport, use, etc) is taken into account there can be counter-intuitive results. For example, foods grown in heated greenhouses in the UK often have a worse environmental impact than foods grown outdoors and flown in. In addition, for some products, food miles can have ethical as well as environmental impacts. The UK Department for International Development (DfID) contends that more than one million people in Africa rely on fruit and vegetable exports to British shops, with around £7m a day going to developing countries from supermarket sales. Not only do many of these air-freighted products have relatively low carbon footprints, the UK market for such exports represents a significant economic development opportunity for farmers in developing countries that have very low per capita CO₂ emissions⁵⁰. The drive to reduce carbon emissions can, therefore, result in unintended consequences, which particularly work to the detriment of the developing world. In response, The Co-operative Group has committed to reduce the carbon footprint of products, but never at the expense of the world's poorest. This will be achieved through employing the following measures and policies:

- The Group will argue against any unmerited focus being given to mode of travel (particularly air freight) or food miles – be it in terms of labelling or broad reduction targets;
- The Group will continue to support significant local sourcing initiatives, whilst noting that these are driven not by a concern for food miles or carbon reduction, but the desire of some customers to support local UK products;
- The Group will only commit to operationalise carbon labelling at such a time as it is also possible to operationalise 'development labelling'; and
- In parallel with improving ability to account for, manage and reduce carbon within the Group's supply chain, the Group will also aim to gain a better understanding and advancement of human development accounting and labelling.

Carbon footprinting

In early 2007, The Co-operative Food began working with the Carbon Trust to ascertain the carbon embodied within one of its products, and at the same time to participate in the development of the Trust's new carbon footprinting methodology⁵¹. The project evaluated two types of strawberry sold in The Co-operative Food stores: 'Ava' strawberries, from The Co-operative Farms' Blairgowrie farm, Scotland, and 'Sabrosa' strawberries from Spain.

In August 2008, using a draft version of the Publicly Available Specification (PAS) 2050 methodology, it was estimated that the carbon embodied within a 400g punnet of the two strawberry varieties was 850g CO₂e and 600g CO₂e for the Scottish and Spanish strawberries respectively. Analysis showed that emission sources within the lifecycle of the two strawberry varieties varied significantly. In the case of the Scottish strawberries, the majority of emissions were associated with cultivation (64%), due to the use of peat as a growth media and its high-embodied carbon. In the case of the Spanish strawberries, the most significant emission source was transport (37%), followed closely by cultivation (31%).

Work was initiated in late 2008 to trial the viability of coir (coconut husk) as an alternative growth medium to peat for Scottish strawberries. It is anticipated that, if successful, this will provide a much less carbon-intensive production method for strawberries produced from plants grown in 'table-top' systems. It is hoped that the trial will gain an insight into the practical management issues surrounding coir usage – especially in relation to irrigation, application of fertiliser and buffering capacity. Another important part of the trial will be the analysis of any carbon savings resulting from the system, in order to provide robust evidence to support the hypothetical desk-based analysis of coir carried out in advance of the trial, which indicated the potential for savings. The trial is due to commence in 2009.

In late 2008, an additional study was carried out to evaluate the carbon footprint of 'Elsanta' strawberries; a third variety, also grown on The Co-operative Farms' Blairgowrie farm in Scotland. This variety of strawberry is grown in the soil (as opposed to peat grow-bags). The analysis followed the same draft version of PAS 2050 used in the other studies to allow for valid comparison of results. The findings show that when compared against the Ava and Sabrosa production methods, the in-ground production method from Scotland had a carbon footprint of 535g CO₂e per 454g punnet. In terms of percentages, the soil-grown Elsanta variety has a carbon footprint 46% lower than Ava and 18% lower than Sabrosa strawberries. The Elsanta strawberry's carbon footprint was dominated by production (46%), primarily as a consequence of the use of agrochemicals, but also significantly impacted by packaging (17%) and transport from the packhouse in Scotland to the Regional Distribution Centre (10%).

In 2008, a project was initiated to develop a new software tool (known as the 'Ready-Reckoner'), in partnership with Manchester University, which will allow the carbon footprints of products to be investigated more quickly and easily than a full PAS 2050 analysis. The tool aims to contribute significantly to The Co-operative Food's sustainable sourcing policies, by enabling quick, accurate decision-making around the climate change impacts of food and non-food products. This will enable The Co-operative Food to take action to reduce greenhouse gas emissions within its supply chain, by readily identifying the key carbon hotspots, and take informed positions on climate change campaigning.

Carbon offset – products and operations

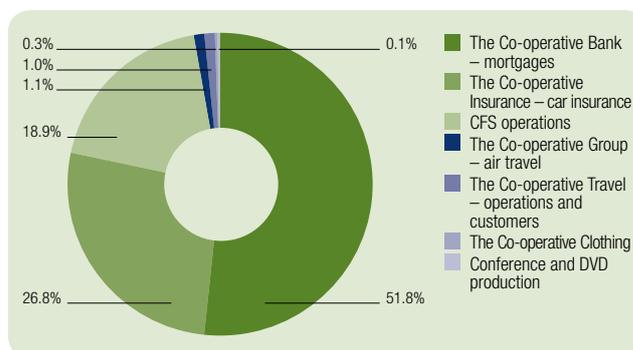
In 2008, substantial growth was seen in the total amount of carbon dioxide offset across the Group's range of products and services that feature carbon offset elements. During 2008, a total of 96,900 tonnes of CO₂ offset were purchased (2007: 68,600). Reductions realised via the Climate Care⁵² projects, detailed on page 72, are made up as follows:

- Carbon offsetting has been a standard feature of all The Co-operative Bank's mortgages since 2000 and accounted for over half of the Group's offset payments in 2008. Every year that

a customer holds a mortgage, the bank pays to offset a fifth of a typical UK home's CO₂ emissions on the customers' behalf.

- In early 2008, The Co-operative Insurance extended its carbon offset feature to cover virtually all new car insurance policies (this feature having previously been restricted to ecoinsurance policies only)⁵³. For each year that a policy is held, The Co-operative Insurance will offset 20% of the car's CO₂ emissions, based on an average UK car travelling an average number of miles.
- In 2008, The Co-operative Travel continued to sell carbon offsets at its branches (an initiative that was launched in October 2006) and undertook a major staff training exercise as part of the launch of its Ethical Strategy⁵⁴. Offsets are sold in a series of bands, based on distance flown⁵⁵. For example, a return flight to mainland Spain would fall into band one and cost £3, whilst a return flight to Australia would fall into band eight and cost £50.
- In 2008, CFS maintained its policy of going 'beyond carbon neutral' by offsetting all its remaining operational and business travel emissions, together with an extra 10% to cover legacy issues. CFS will maintain its policy of offsetting 110% of its remaining emissions in 2009.
- In early 2008, The Co-operative Travel and The Co-operative Clothing became carbon neutral by offsetting all their remaining operational and business travel emissions.
- In 2008, emissions from all Group business flights were offset for the second year running, and it is intended that this will be repeated in 2009.

Carbon offset – total: 96,900 tonnes of CO₂



Treadle pumps in West Bengal and Uttar Pradesh, India.

These manual pumps are used to irrigate fields outside the monsoon season. They provide a more sustainable and affordable alternative to expensive diesel-powered pumps, increasing productivity and bringing much needed additional income to farming families. In 2008, offset monies funded approximately 61,000 treadle pumps, which will avoid emissions of 27,500 tonnes of CO₂ over five years.



Energy-efficient cooking stoves in Cambodia.

Energy-efficient cooking stoves reduce the amount of wood needed for cooking, which means less CO₂ is released. The reduced demand for wood helps to protect Cambodia's forests. In 2008, offset monies helped to fund the construction and supply of over 33,300 stoves, and will avoid emissions of 50,000 tonnes of CO₂ over three years.



Reforestation in the Kibale Forest National Park, Uganda.

Chimpanzees and forest elephants have begun to migrate into areas previously reforested by the bank. This brings the total area of supported replanting to 280 hectares, equivalent in area to 10,720 tennis courts. The 48 hectares reforested in 2008 will, ultimately, sequester 19,400 tonnes of CO₂. Further details of the Kibale project are provided on page 21.

Going forward, The Co-operative Group will continue to place 80% of its offsetting portfolio into energy-efficiency and renewable energy projects. It is intended that the remaining 20% will be delivered through rainforest reforestation, such as that taking place in the Kibale Forest National Park, Uganda. This reflects the typical level of global greenhouse gas emissions attributable to deforestation⁵⁶.

Other products and services

Energy-inefficient goods

White goods and domestic lighting account for 56% of all domestic electricity consumption in the UK⁵⁷. Since 2007, The Co-operative Food has committed to only stocking white goods (eg, fridges, freezers and washing machines) which are energy rated 'A' or above, or Energy Saving Recommended. Also in 2007, The Co-operative Food committed to phase out the sale of tungsten incandescent light bulbs by 2010 and broadened its range of energy-efficient light bulbs from four to 19 products. During 2008, 1.3 million energy-efficient light bulbs were either given away via a newspaper promotion with The Sun newspaper or sold in 'five for 40p' promotions in The Co-operative Food stores.

In April 2009, The European Commission announced new minimum performance standards for household appliances under the EU Eco-Design Directive. From July 2010, all fridges, freezers, washing machines and dishwashers that are energy rated less than 'A' will be removed from sale. In March 2009, The European Commission confirmed the sale of incandescent light bulbs would be phased out between September 2009 and 2012.

Green energy tariffs

In early 2009, The Co-operative Group developed a relationship with British Gas New Energy (BGNE). BGNE has two product offerings to promote to Co-operative customers, members and employees: the 'Future Energy' tariff, which matches the amount of electricity used in the home with power generated from renewable sources such as wind and water; and 'Zero Carbon', a dual-fuel tariff that also offsets the emissions from gas used in the home. Co-operative customers, members and employees who switch to these greener energy tariffs (and who are not existing British Gas customers) will receive £15 and £25 in Co-operative gift vouchers respectively.

CFS and ethical finance

Bank screening of finance

In its response to climate change, CFS seeks to be the leading retail bank and institutional investor in the global financial services industry. The customer-led Ethical Policy of the bank includes a commitment not to invest in businesses that are integral to the extraction and/or production of fossil fuels. During 2008, 34 (2007: 38) finance opportunities were referred to the Ethical Policy Unit in relation to these areas, of which 13 were declined at a cost of £1,412,000 in terms of estimated income foregone in 2008.

Bank finance for renewable energy

The bank approved a £15.8m finance facility for the construction of a 24MW on-shore wind farm in County Durham, estimated to meet the electricity needs of 15,700 homes; and made a £15.3m contribution to a syndicated finance facility for the construction and maintenance of a new 48MW on-shore wind farm in East Lothian, Scotland. In addition, the bank invested £12.5m in six wind farms and £2.5m in a Combined Heat and Power Facility at Kingston Hospital NHS Trust. An additional £71,000 was provided to finance a co-operatively owned micro-hydro project (page 67).

The Co-operative Insurance engagement – unconventional oil

Increasing investment by certain oil companies in unconventional oil sources, such as Canadian tar sands and US shale oil, risks dangerous levels of climate change and local ecological disaster.

Climate change-related business declines 2008

	Estimated income foregone 2008
Services (five instances) £25m contribution to a syndicated loan facility and £100,000 lending respectively for businesses engaged in the provision of specialist systems, instrumentation and software for the exploration, management and expansion of oil fields. £5m lending to a business engaged in the maintenance and upgrade of oil refineries. £2.5m lending and banking facilities to businesses engaged in the provision of crude oil metering systems and valves used in pipelines, terminals, production platforms and refineries.	£784,000
Engineering (four instances) £25m contribution to a syndicated loan facility for a business engaged in manufacturing specialist lifting equipment used in oil drilling. £1m lending and banking facilities to businesses involved in the provision of specialist fabrication and engineering services to oil and gas extraction companies. Banking facilities for a business engaged in the provision of engineering and design services for Floating Production Storage and Offtake vessels used in extraction processes.	£522,000
Fossil fuel extraction and production (three instances) Deposit facility for a property management business with a 28% stake in a coal-mining business. Holdings in excess of 20% are considered significant and constitute a breach of the bank's Ethical Policy. £2m lending to an on-shore oil and gas drilling company. £250,000 lending to a business engaged in developing methanol production plants deriving fuel from natural gas.	£100,000
Higher global warming impact fuels Banking facilities to a business engaged in the production of biodiesel from vegetable feedstocks sources from Malaysia, Cameroon and Chile. Business not able to provide assurance that its feedstocks had been produced without rainforest clearance.	£6,000

In July 2008, CFS and WWF-UK⁵⁸ jointly published the report 'Unconventional Oil: scraping the bottom of the barrel?' which examines the social, environmental and financial risks associated with unconventional oil. The report recommended that oil companies report on the environmental and social risks associated with their unconventional oil operations, including carbon emissions, boreal forest and local community impacts, water intensity and long-term toxic waste management, and publicly disclose strategies for mitigating these risks. The Co-operative Insurance engaged extensively with BP and Shell on these issues, meeting the companies to discuss the report's findings. In September 2008, CFS presented the report to 60 attendees from over 20 institutions at an investor event organised by The Co-operative Insurance and UK Social Investment and Finance, which sought to form an investor coalition to collectively engage with oil companies on this issue. In a separate initiative, in late 2008, CFS and the Co-operative Group signed a letter that was sent to pension funds together with the Greenpeace UK/Platform report 'BP and Shell: rising risks in tar sands investments', recommending that investors seek greater disclosure from the two companies on the risks associated with tar sands. Collaborative shareholder engagement will continue in 2009.

The Co-operative Insurance engagement – coal-fired power generation

Brown coal (lignite), commonly used in power generation, contains more moisture and less energy than conventional coal. International Power, a UK-based power generation company,

operates two brown coal-fired power stations in Victoria, Australia; Hazelwood and Loi Yang B; as well as the Hazelwood brown coal mine. A typical Victorian brown coal power station is 37% more carbon-intensive than a power station using conventional coal⁵⁹, and Hazelwood power station is among the most carbon-intensive in the developed world⁶⁰. In early 2009, The Co-operative Insurance urged International Power to adopt meaningful and challenging targets for reducing the carbon intensity of its operations.

The Co-operative Insurance overseas shareholder resolutions – climate change

In 2008, The Co-operative Insurance was presented with seven overseas shareholder resolutions relating to climate change, of which six were supported and one abstention was registered.

The Co-operative Insurance overseas shareholder resolutions

Company	Resolution	Vote registered
Chevron Texaco Corp (three resolutions)	To report on environmental laws of host countries; to adopt emission reduction goals; to report on the impact of oil sands operations in Canada.	Supported
Encana	To report on strategy for incorporating carbon pricing into business planning.	Supported
Southwest Airlines Company	To prepare a sustainability report.	Supported
Tokyo Electric Power Co. Ltd (two resolutions)	To close nuclear power plant; to terminate nuclear waste recycling contract.	Abstained ⁶¹

Avoided deforestation

The world's forests are disappearing at the rate of one acre per second⁶² and, without a means of slowing and reversing this trend, it will be all but impossible to prevent the emissions that are likely to lead to dangerous climate change in the absence of an internationally agreed mechanism to fund developing countries to preserve their tropical forests⁶³. At the end of 2008, The Co-operative Bank entered into an arrangement with the RSPB to preserve a third of an acre of Indonesian rainforest for every new think credit card account that is activated; additionally, 25p will be donated to the RSPB for every £100 spent on the credit card⁶⁴. Following the RSPB report 'Tropical Forests and Climate Change'⁶⁵, sponsored by The Co-operative Bank in 2007, in early 2009 The Co-operative Group committed £20,000 to support research by the RSPB into addressing deforestation in Sierra Leone.

Community involvement

Green Energy for Schools

In 2007, the Group launched its Green Energy for Schools (GEFS) programme, which enables schools across the UK to install solar panels at no cost. This programme involved the Group committing £1m and a further £1m was secured from the Government's Low Carbon Buildings Programme in order to undertake 100 free installations. In 2008, a further £1m was committed by the Group to undertake a further 60 free solar installations and to expand the programme to allow the subsidised installation of small wind turbines, biomass boilers and ground source heat pumps. Over 160 GEFS installations will have been completed by September 2009.



Peacehaven Community School in East Sussex became the 100th school to benefit from a free solar installation from GEFS in July 2008.

Walking Buses

The Co-operative Walking Buses initiative was launched in a pilot programme with five schools in 2007. Each school received materials, including 50 high-visibility vests for the children and adult helpers; high-visibility snap bands to reward children walkers; posters for use in school; and a banner for the school railings to promote the bus to children and parents. Evaluation of the pilot established that, in four of the five schools, over 50% of the children now walking with the bus previously made the journey by car. Additionally, in three of the five schools, punctuality, fitness and attendance improved. The scheme was launched nationally in July 2008. More than 100 applications were received during the year, and over 80 active buses had been established by the end of April 2009.

Green car show

In March 2008, The Co-operative Insurance sponsored the 'Sexy Green Car Show' at The Eden Project in Cornwall for a second year. Leading motor manufacturers from across the industry demonstrated and launched new eco-friendly models at the show.

Member involvement

Membership climate challenge

It was intended that The Co-operative Membership's Climate Change Challenge would be relaunched in 2008⁶⁶. However, this was made obsolete by the development of the Toxic Fuels Campaign (page 75), and the planned mobilisation of support for the Stop Climate Chaos march on 5 December 2009⁶⁷.

Transition towns

In early 2009, The Co-operative's South & West Membership team launched the 'Transition Towns Grant' scheme. The grant scheme provides funding to support communities, based near a Co-operative Group trading outlet, to plan for a future after peak oil. The Group is awarding grants of £100 or £150 as a contribution for communities working towards Transition Town criteria or developing an energy action plan. The first community to benefit from a Co-operative Transition Town grant was the Roseland peninsula in Cornwall.

Influence and action

As part of its approach to tackling climate change, the Group is actively involved in public policy lobbying. The aim of this involvement is to support the creation of the legislative and policy framework that will be necessary to bring about a low carbon economy.

The Group responded to the following in 2008 and early 2009:

EU Energy-using Product Directive – cold appliances

In February 2008, the Group responded to a Department for the Environment, Food and Rural Affairs (Defra) Market Transformation Programme consultation on the energy use of domestic cold appliances, wherein the Government proposed targets for minimum performance standards. The Group called for action in this area to be prioritised, stating its belief that cold appliances had the greatest potential for significant short-term household energy/CO₂ savings (eg, replacing all inefficient cold appliances with A-rated models could save the UK 800,000 tonnes of CO₂ per year). The Group supported the proposed government targets as the basis of the UK's negotiating position in the upcoming review of the EU Energy-using Product Directive.

Feed-in tariffs for renewables

In March 2008, the Group wrote to 13 MPs asking them to sign an Early Day Motion (EDM) in support of feed-in tariffs for renewable electricity. In April 2008, a letter was written to the then Minister of State for Energy, Malcolm Wicks MP, requesting that he support amendments to be made to the Energy Bill to enable feed-in tariff arrangements for renewables. In late 2008 and early 2009, the Group was a leading participant in the Renewable Energy Association (REA) and Friends of the Earth-organised 'Feed-in Tariffs coalition'⁶⁸, and participated in meetings with the then Minister of State for Energy, Mike O'Brien MP, Department of Energy and Climate Change officials and the two shadow Ministers of State for Energy (Charles Hendry MP, Conservative and Steve Webb MP, Liberal Democrat).

A key feature of these discussions was the 5MW threshold for eligible renewable energy installations. The Group provided £5,000 to support research, to be undertaken by the University of Exeter on behalf of Friends of the Earth and REA, to identify international best practice in feed-in tariffs.

The Energy Bill became law on 26 November 2008 and includes enabling powers for a 'feed-in tariff for small-scale electricity' and a 'Renewable Heat Incentive'⁶⁹.

Eco-town

The Co-operative Group's eco-town submission was shortlisted by the Department for Communities and Local Government in April 2008. The scheme, proposed for land that the Group owns in Leicestershire, sought to provide 15,000 new homes with their own renewable energy, local food production, new schools and services, and a bus rapid-transit system to help reduce the number of car journeys in the area. The development of the Masterplan Vision for the town was undertaken with high levels of community engagement, regular meetings with the local authorities in the area and meetings with local MPs. The Group also wrote to the then Housing Minister Margaret Beckett MP to outline the scheme and provided information to the Department for Communities and Local Government for assessment – all of which is detailed on the eco-town website. The Group's proposed eco-town was not included in a list of four that were given permission to progress by Government in July 2009⁷⁰.

Heathrow third runway

As part of its Ethical Strategy launched in July 2008, The Co-operative Travel opposes the development of a third runway at Heathrow Airport, and in principle, all other new runway developments in the UK unless there is a clear sustainability case⁷¹.

The adoption of this policy followed research undertaken on behalf of The Co-operative Travel by the Campaign for Better Transport⁷², which found that growth in emissions from flying will render almost impossible the UK's prospects for reducing CO₂ emissions by its target of 80% by 2050. The strategy states the business' belief that the current aviation volume is manageable, but that it should only be allowed to grow in line with improvements in technology that would allow total emissions to remain stable, and that any growth that is allowable should be primarily at regional airports that have capacity.

The Government confirmed its policy to support the development of a third runway at Heathrow Airport in January 2009⁷³.

Toxic fuels

Increasing investment by oil companies in unconventional oil, such as Canadian tar sands and US shale oil, risks dangerous levels of climate change and local ecological disaster.

- 'Unconventional Oil: scraping the bottom of the barrel?' report** In July 2008, CFS and WWF-UK jointly published the report 'Unconventional Oil: scraping the bottom of the barrel?' which found that unconventional fossil fuels, such as Canadian tar sands and US shale oil, emit between three and eight times more greenhouse gases in their extraction and production than conventional oil. The report highlighted that if all 1.1 trillion barrels of probable North American unconventional oil reserves were exploited, it would result in emissions of 980Gt CO₂, equating to an estimated increase in atmospheric CO₂ levels of between 49 and 65 parts per million.
- EU Low Carbon Fuel Standard** In December 2008, The Co-operative Group wrote to eight North West MEPs asking that they vote in favour of the Fuel Quality Directive and its Low Carbon Fuel Standard (Article 7a) and encourage their parliamentary colleagues to do the same. The Group highlighted that the proposed Low Carbon Fuel Standard would require suppliers to reduce the lifecycle greenhouse gas emissions of transport fuels, with reductions of at least 6% achieved by 2020 compared with the 2010 average. The Fuel Quality Directive was passed by the European Parliament on 19 December and presents serious obstacles to the use of unconventional fossil fuels within the EU from 2010.
- CFS support for Beaver Lake Cree Nation** The Beaver Lake Cree Nation is a small, indigenous community in Alberta, Canada, whose reserve home and ancestral lands are being destroyed by tar sand developments, impacting upon their traditional way of



Open-cast tar sand mine, Alberta, Canada. Tar sand deposits sit beneath Canada's pristine boreal forest, the world's largest terrestrial carbon store. The most easily accessible reserves are extracted via open-cast mining. (© Jiri Rezac WWF-UK)

life. The Beaver Lake Cree have constitutionally protected treaty rights to hunt, fish and gather plants and medicines within their ancestral lands and have therefore commenced a legal challenge to enforce recognition of these rights and to protect the ecological integrity of these lands. Citing over 17,000 infringements of their rights, they are seeking injunctions against new developments. In February 2009, CFS announced it would be supporting the Beaver Lake Cree Nation's legal challenge and donated £50,000 to assist with the filming of elder depositions for use in the court case. During 2009, CFS will provide further assistance for the legal case and help set up a charitable trust to support fundraising efforts.

- CFS Campaign – Toxic Fuels** In February 2009, CFS began mobilising customers through the 'Toxic Fuels' campaign. In partnership with WWF-UK, the campaign will highlight the environmental and financial risk associated with unconventional fossil fuels, such as Canadian tar sands and US shale oil, and call for a halt to expansion plans for their exploitation. The campaign was launched at a CFS and WWF-UK protest outside the Canadian Embassy, and was joined by senior members of the Beaver Lake Cree Nation. Representatives from CFS and WWF-UK delivered a letter of protest to the Embassy and met with the Canadian High Commissioner regarding tar sands expansion. Representatives from CFS, WWF-UK and the Beaver Lake Cree Nation also met with a number of MPs to highlight the issue, including members of the All Party Parliamentary Group on Canada, the All Party Parliamentary Group on Tribal Peoples, the Government's Envoy on Carbon Markets, the Liberal Democrat Shadow Climate Minister, and the Climate Change Adviser to the Shadow Secretary of State for Energy and Climate Change. Following the meetings, some MPs offered to table parliamentary questions, arrange adjournment debates and organise committee inquiries on the issue. CFS will be pursuing these political channels and calling for legislation on carbon liability disclosure for oil and gas companies during 2009.
- US Securities and Exchange Commission oil reserve reporting requirements** In February 2009, The Co-operative Asset Management co-signed a collaborative investor and environmental NGO letter to the US Securities and Exchange Commission regarding its new requirements for oil and gas reserve reporting. The letter called for it to adopt a disclosure framework for reserves that have higher than average lifecycle greenhouse gas emissions, such as tar sands. It requested disclosure of geographic location and carbon intensity, highlighting the increased exposure to regulatory and litigation risks that unconventional oil reserves have.

Carbon reductions in existing homes

In August 2008, CFS responded to the UK Green Building Council's consultation 'Carbon Reductions in Existing Homes', with the purpose of developing recommendations to inform the Government's 'Low Carbon Homes' strategy. CFS' submission called for urgent measures to help overcome barriers to progress in this area, such as favourable tax treatment for energy-efficiency appliances and equipment, the introduction of feed-in tariffs, the provision of grants for households through a revamped Low Carbon Buildings Programme, and the availability of suitable financial products. CFS stated the Government should focus on practical support, not raising awareness. Also in August 2008, The Co-operative Bank joined the Existing Homes Alliance, a coalition of organisations calling for an ambitious programme of low-carbon refurbishment across the UK's housing stock.

Renewable Energy Strategy consultation

In September 2008, The Co-operative Group responded to the Department for Business, Enterprise and Regulatory Reform's (BERR) consultation on the UK Renewable Energy Strategy. The Group's submission welcomed the strategy's ambitious objectives, but stated they needed to be matched by bold policy drivers, with sufficient scope and resources to accelerate the renewable energy sector over the next decade.

The Group stated that incentives to support innovative schemes are not currently large enough, attractive enough, or consistent or focused enough to achieve the desired results. The Group made recommendations as to where government funding can be best placed to help create a renewable energy economy and argued that decentralising energy, making changes to the planning system and improving technical planning support were all essential to meet 2020 targets.

Climate Change Bill

In October 2008, The Co-operative Group, in conjunction with Friends of the Earth, wrote to MPs welcoming the Government's pledge to increase the 2050 greenhouse gas emissions reduction target to 80% in the Climate Change Bill and asking that MPs support amendments to the Bill to take proper account of aviation and shipping emissions. MPs were also asked to sign Early Day Motion 2233 and to contact the Department of Energy and Climate Change to indicate support.

Carbon reporting

In October 2008, The Co-operative Group, via the Aldersgate Group, wrote to the Prime Minister calling for a robust framework in the Climate Change Bill for the introduction of mandatory carbon accounting and reporting, which is consistent with international financial reporting standards.

International climate change talks

In December 2008, The Co-operative Group, The Co-operative Asset Management and The Co-operative Insurance signed the 'Poznan Communiqué on Climate Change' issued by The Prince of Wales' Corporate Leaders Group on Climate Change to political leaders at the United Nations Climate Change Conference in Poznan, Poland. The communiqué called for key elements of the agreement to include measures to deliver a robust GHG emissions market, a revised Clean Development Mechanism, measures to promote low-carbon technologies, a framework for developing countries, an adaptation strategy and a mechanism to reduce emissions from deforestation and forest degradation in developing countries.

The Co-operative Insurance: climate change

The Co-operative Insurance was among the signatories to the Investor Statement on a Global Agreement on Climate Change in November 2008⁷⁴. Signatories expressed their conviction that the world must move to a low-carbon trajectory in order to avoid dangerous climate change, and that strong, international regulation, which also facilitates innovation and investment in low-carbon solutions, was not only desirable but inevitable. The Co-operative Insurance hosted a trustee training seminar, in conjunction with the Institutional Investors Group on Climate Change, for pension fund trustees and property professionals. A number of investment managers, including representatives of The Co-operative Insurance, presented on why climate change is important to investments and how trustees and investment managers can factor consideration of climate change into their investment decisions.

Carbon accounting

In January 2009, The Co-operative Group responded to a Department of Energy and Climate Change consultation on 'carbon units, the net UK carbon account and carbon accounting'. The Group's submission called for carbon credits from avoided deforestation to be recognised under the Clean Development Mechanism, for the inclusion of international aviation and shipping emissions in carbon budgets and for the Government to include carbon offset limits within the UK's carbon account.

G20 and climate change

In March 2009, the Group's Chief Executive co-signed a letter to the Prime Minister, organised by Oxfam, in relation to the 2009 G20 meeting in London. The letter called for G20 developed countries to adopt national investment plans consistent with keeping global warming below 2°C, and for a substantial proportion of stimulus spending to be dedicated to low-carbon investment. The letter also made reference to the need for the richer G20 countries to commit to deliver additional finance to assist developing countries in adapting to climate change.

In July 2009, the Group's Chief Executive co-signed a further letter to the Prime Minister, ahead of the G8 meeting in Italy, welcoming his proposal that \$100bn in financing be made available to developing countries to adapt to climate change and reduce their emissions. Additionally, the letter called for the UK to push for mid-term emissions reduction targets of 25% to 40% by 2020 to be adopted by developed countries.

Low Carbon Buildings Programme (LCBP)

In April 2009, The Co-operative Group Chief Executive wrote to the Minister of State for the Department of Energy and Climate Change, highlighting the high level of demand for participation in The Co-operative 'Green Energy for Schools' scheme, and raising concerns about the scheme's completion, due to problems with LCBP match-funding, despite the availability of considerable funds. The Group highlighted that the gap in support for photovoltaics (PV) via the LCBP could create serious viability issues for the emerging UK PV industry, and called for the Government to extend the LCBP with the allocation of additional funds.

Conferences

The Co-operative Group's Social Goals Department gave presentations on climate change at 25 national conferences, to an estimated combined audience of 2,400 during 2008.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Carbon offset projects: biodiversity (page 87).
- Carbon offset projects: international development (page 21).
- The Co-operative Group Community Plan: combating climate change (page 57).
- Educating young people on environmental issues, including climate change: Waste Works (page 83).
- Local sourcing (page 107).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Engagement Policy (page 39).
- The Co-operative Food Ethical Policy (page 9).
- The Co-operative Travel Ethical Strategy (page 20).

Accompanying notes

- 1 www.opsi.gov.uk/acts/acts2008/ukpga_20080027_en_1.htm
- 2 www.theccc.org.uk/about-the-ccc/
- 3 www.theccc.org.uk/carbon-budgets
- 4 www.climatecongress.ku.dk/about/
- 5 www.ipcc.ch/publications_and_data/publications_and_data_reports.htm
- 6 www.climatecongress.ku.dk/newsroom/congress_key_messages/
- 7 www.climatewise.org.uk. The Co-operative Insurance's 2008 submission to Climate Wise, which has been independently audited by Two Tomorrows, can be viewed at www.goodwithmoney.co.uk/assets/Uploads/Documents/ABI%20Climatewise%20submission%20-%20Web%20version%201.1.pdf
- 8 www.brc.org.uk
- 9 Carbon dioxide equivalent (CO_{2e}) is used to compare the Global Warming Potential (GWP) of different greenhouse gases (methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) relative to CO₂. For example, CO₂ has a GWP of one, whilst N₂O has a GWP of 310.
- 10 Data includes Group Co-operative Food refrigerant losses equivalent to 87,666 tonnes of CO₂ and United Co-operatives Food refrigerant losses equivalent to 21,531 tonnes of CO₂. This data was not available prior to 2005.
- 11 Data includes energy consumption, transport and refrigerant-related emissions for The Co-operative Group and United Co-operatives. Note: transport data was unavailable for United Co-operatives for 2006, necessitating the use of 2007 data as a proxy and refrigerant data covers The Co-operative Food stores only.
- 12 Data includes energy consumption, transport and refrigerant-related emissions for The Co-operative Group and United Co-operatives. Note: refrigerant data covers The Co-operative Food stores only. Figures for 2007 include 18,871 tonnes of CO_{2e} offset by CFS for 110% of its remaining emissions and 44 tonnes of CO_{2e} offset for its greenhouse gas emissions from air conditioning. A further 1,000 tonnes of CO_{2e} was offset by Group Business air travel. Greenhouse gas emissions for CFS prior to offsetting were 13,635 in 2007 (2006: 14,619; 2005: 17,122; 2004: 21,680; and 2003: 23,007). Total emissions for The Co-operative Group and United Co-operatives, excluding any offsetting, were 301,134 tonnes of CO_{2e}.
- 13 Data includes energy consumption, transport and refrigerant-related emissions for The Co-operative Group and United Co-operatives. Note: refrigerant data covers The Co-operative Food stores only. Figures for 2008 include 18,333 tonnes of CO_{2e} offset by CFS for 110% of its remaining emissions and 44 tonnes of CO_{2e} offset for its greenhouse gas emissions from air conditioning. In addition, The Co-operative Travel and The Co-operative Clothing offset 950 tonnes of CO_{2e} and 333 tonnes of CO_{2e} for their remaining emissions respectively. A further 1,025 tonnes of CO_{2e} was offset by Group Business air travel. Greenhouse gas emissions for CFS prior to offsetting were 8,907 tonnes in 2008 (previous years as footnote 12). Total emissions for The Co-operative Group, excluding any offsetting, were 261,985 tonnes of CO_{2e}.
- 14 Figures provided here apply a zero emissions factor to electricity from renewables where the Group purchased Levy Exemption Certificates and Renewable Energy Guarantee of Origin Certificates. However, if Defra emissions factors for 2008 are applied, which no longer count electricity from renewables as zero carbon, then Group net greenhouse gas emissions connected with premises, transport and refrigerants were 675,315 tonnes of CO_{2e}; 2007: 760,786 tonnes of CO_{2e}; 2006: 778,952 tonnes of CO_{2e}; 2005: 641,979 tonnes of CO_{2e}; 2004: 559,497 tonnes of CO_{2e}; and 2003: 569,908 tonnes of CO_{2e}.
- 15 www.r-e-a.net/events/events/req-events/awards/090611BREAwinner
- 16 Degree day data analysis takes account of the impact of weather on energy consumption. For example, a particularly hot summer or cold winter can have a significant impact on energy consumption, via the requirement for increased/enhanced air conditioning and heating, respectively. The method uses an 'average' UK dataset, collated from building energy records and regional temperatures, then assesses the extent to which the weather deviates from this datum on a daily basis.
- 17 CFS energy consumption 2008: 54,028MWh; 2007: 54,838MWh; 2006: 58,502MWh; 2005: 60,816MWh; 2004: 63,191MWh; 2003: 65,293MWh.
- 18 The Co-operative Bank, The Co-operative Insurance and the Trading Group have reported on their energy consumption and CO₂ emissions since 1998, 2000 and 2003 respectively. Energy consumption and CO₂ emissions data have been captured for former United Co-operatives premises since 2006. During 2006, 2007 and into 2008, significant steps were taken to ensure that robust management information became increasingly available across Trading Group businesses. Half-hourly metering has now been installed at more than 2,200 of The Co-operative Food's sites and is used to drive and monitor an energy-efficiency improvement programme. The Group's energy-related carbon dioxide accounting systems are considered to be 99% complete.
- 19 Data for 2008 covers all Group businesses and is considered to be 99% complete.
- 20 Ibid.
- 21 Data for 2008 covers all Group businesses (with the exception of The Co-operative Legal Services) and is considered to be 99% complete.
- 22 Data for 2008 covers all Group businesses and is considered to be 99% complete.
- 23 Ibid.
- 24 Figures provided here apply a conversion factor of 0.53702Kg/KWh for fossil fuel electricity, 0.185Kg/KWh for gas and a zero emissions factor for electricity from renewable sources. However, if Defra emissions factors for 2008 are applied, which no longer count electricity from renewables as zero carbon, Group emissions from energy consumption were 477,050t CO₂ in 2008 (2007: 522,981; 2006: 543,895; 2005: 415,505; 2004: 445,005; 2003: 472,686).
- 25 The Group committed to reduce its energy consumption, as set out on page 65, following a study undertaken in conjunction with the Carbon Trust, www.carbontrust.co.uk
- 26 The depot uses 15% less energy per square foot, incorporating improved lighting technology and use of natural light, and the harvesting of rainwater used for refrigeration and vehicle washing.
- 27 A Food store with an A rating is the most energy-efficient and one with a G rating is the least energy-efficient. Stores in each band A: 4%, B: 15%, C: 31%, D: 26%, E: 13%, F: 6% and G: 5%.
- 28 Data covers The Co-operative Food stores only.
- 29 CO_{2e} emissions are calculated by applying relevant IPCC 'conversion factors'.
- 30 www.acl-online.com/index
- 31 www.coolingindustryawards.com
- 32 EIA is an independent international campaigning organisation committed to investigating and exposing environmental crime and building a sustainable future for people and wildlife.
- 33 www.climatecare.org
- 34 Restated as data incorrectly totalled in 2006 and 2007.
- 35 Ibid.
- 36 CO₂/CO_{2e} emissions are calculated by applying relevant Defra 2008 'conversion factors' for each mode of transport to the distance travelled.
- 37 Data for 2008 covers The Co-operative Food, The Co-operative Funeralcare, CFS and The Co-operative Clothing and is considered to be 80% complete. Note data for United Co-operative Funerals extrapolated from Group Co-operative Funerals data.
- 38 Data for 2008 covers all Group businesses and is considered to be 99% complete. Data for CFS includes company cars, Co-operative Financial Advisers' mileage and mileage from five vans.
- 39 Data for 2008 covers all Group businesses and is considered to be 99% complete.
- 40 Data for 2008 covers all Group businesses and is considered to be 99% complete. Note: data for United Co-operatives Food, Pharmacy, Funerals and Travel extrapolated from former Group Co-operatives Food, Pharmacy, Funerals and Travel data.
- 41 Aviation is different from other energy-using activities as the majority of emissions occur at altitude, are responsible for other atmospheric chemical processes that also have atmospheric warming consequences, and are comprised of N₂O as well as CO₂. The Co-operative Group has chosen to use a multiplier of two to attempt to account for the enhanced effects of aviation.
- 42 Data for 2008 covers all Group businesses and is considered to be 99% complete.
- 43 Ibid.
- 44 Prior to the introduction of fully automated, computerised claims systems in 2008, calculations for company and employee car mileage were reliant upon samples taken from paper-based systems that were then extrapolated.
- 45 Familiarisation trips give The Co-operative Travel the opportunity to check out resorts, facilities and inspect hotel accommodation.
- 46 Excludes external mail freight and business mileage associated with Co-operative Financial Advisers.
- 47 Excludes CO₂ emissions associated with Co-operative FAs.
- 48 As detailed in Elected Member Handbook.
- 49 Such research includes: Dr A Williams (12 February 2007) Comparative Study of Cut Roses for the British Market Produced in Kenya and the Netherlands, Précis Report for World Flowers, Cranfield University; C Saunders and A Barber (July 2007) Comparative Energy and Greenhouse Gas Emissions of New Zealand's and the UK's Dairy Industry, Research Report No. 297, Lincoln University, New Zealand; and P Tyedmers and N Pelletier (2007) Greenhouse gas emissions for selected seafood species supplied to the UK, Dalhousie University, Canada.
- 50 Melamed, C (2007) Sometimes it's ethical to buy air-freighted goods, The Guardian, 2 March 2007.
- 51 www.carbon-label.co.uk
- 52 CO₂ offset by Climate Care in 2008 includes 20,685t CO_{2e} relating to UK business operations at CFS, The Co-operative Clothing, The Co-operative Travel and Group air travel emissions, and 76,047t CO_{2e} relating to offsets connected with customers' services and products. In addition, a further 131 tonnes was offset for travel associated with promotional events and materials. For further information on the Group's offsetting activities see: www.co-operative.coop/carbonoffset
- 53 The Co-operative Insurance's Ecoinsurance was the UK's first motor insurance policy to include carbon offset as standard, when it was introduced in May 2006.
- 54 www.co-operativetravel.co.uk/ethical-strategy
- 55 For all flights, distance travelled is calculated using the greater circle distance between airports. For long-haul flights (Bands 4 to 6), customers' CO₂ emissions are calculated using average fuel burn figures for a Boeing 747 and Airbus A340, whereas for short-haul flights (Bands 1 to 3), fuel burn figures for a Boeing 737 are used. These figures are divided by the typical number of seats in each case, deducting the average amount of freight when necessary. A metric of two is then applied to attempt to account for the enhanced impact of aviation upon the climate and give a CO₂ equivalent figure. For further information, please refer to www.climatecare.org/business
- 56 Stern, N (2006) The Stern Review on the Economics of Climate Change. Also see Global Canopy Programme (May 2007) Forests First in the Fight Against Climate Change – The Vivocarbon Initiative.
- 57 Energy Savings Trust (2006), The Rise of the Machines.
- 58 WWF-UK is the UK arm of the WWF Network, the world's leading environmental organisation founded in 1961 and now active in over 100 countries.
- 59 Institute for Sustainable Futures, University of Technology Sydney (May 2002), why Brown Coal Should Stay in the Ground.
- 60 www.wwf.org.au/news/n223
- 61 In both cases, The Co-operative Insurance considered that there was insufficient analysis provided by the proponents and the company in respect of these resolutions, and an abstention was considered appropriate.
- 62 RSPB (2007) Tropical Forests and Climate Change, www.rspb.org.uk
- 63 While progress was made on this issue at the United Nations Climate Change Conference in Bali, in December 2007, in the form of the Reducing Emissions from Deforestation and Degradation (REDD) agreement, this is still very much at consultation stage and will not be implemented until 2009 at the earliest.
- 64 Prior to the arrangement with RSPB, the bank's think credit card provided donations to Cool Earth to preserve Brazilian rainforest. In 2008, 104 acres of Brazilian rainforest were preserved via funds from the think credit card, preventing over 27,000 tonnes of CO₂ being released to the atmosphere (2007: 164 acres and 42,600 tonnes of CO₂).
- 65 See footnote 62.
- 66 The challenge was a pledge scheme, launched in 2006 and promoted to members, encouraging them to take action to reduce their greenhouse gas emissions.
- 67 www.stopclimatechaos.org/march-in-december
- 68 www.r-e-a.net/policy/collaborative/other-collaborations
- 69 www.r-e-a.net/policy/uk-national-policy/UK-legislation/energy-2008
- 70 www.ecotownforleicestershire.coop
- 71 www.co-operativetravel.co.uk/ethical-strategy/runway-developments
- 72 www.bettertransport.org.uk
- 73 www.dft.gov.uk/pgr/aviation/heathrowconsultations/heathrowdecision/decisiondocument/decisiondoc?page=1#a1001
- 74 <http://www.iigcc.org/docs/PDF/Public/InvestorPolicyStatement8Dec08.pdf>

ecological sustainability waste and packaging

Indicators

Waste disposed

Waste reused/recycled

Targets 2008

-  Extend the consolidation of waste management contracts across The Co-operative Group businesses to facilitate a further improvement in accounting systems for general and recycled waste streams (page 79).
-  Designate responsibilities for waste data accounting within The Co-operative Pharmacy, The Co-operative Travel and The Co-operative Funeralcare (page 79).
-  Ensure that less than 50% of total waste arisings are landfilled by 2013¹ from The Co-operative Food (page 79).
-  Develop further projects to support the reduction in The Co-operative Food's own-brand packaging by 15% by 2010 (page 80).
-  Reduce the number of carrier bags distributed by The Co-operative Food by 50% by May 2009, based on 2006 levels (page 81).
-  Continue to increase the amount of cardboard and polythene recycled by The Co-operative Food (pages 81–82).
-  Increase the amount of waste recycled through the Manchester recycling centre (page 82).
-  Reduce total waste arisings² and maintain a 70% reuse/recycling rate across The Co-operative Financial Services' (CFS) main offices (page 82).
-  Investigate the use of alternative waste management technologies, such as in-vessel composting and anaerobic digestion (page 82).

-  **target achieved**
-  **on track**
-  **target not achieved**
-  **close to target**
-  **behind schedule**

Targets 2009

Extend the consolidation of waste management contracts across The Co-operative Group businesses to facilitate a further improvement in accounting systems for general and recycled waste streams.

Maintain less than 50% of total waste arisings being sent to landfill from The Co-operative Food³.

Develop further projects to support the reduction in The Co-operative Food's own-brand packaging by 15% by 2010.

Continue to increase the amount of waste recycled through the Manchester recycling centre.

Targets 2009 continued

Reduce total waste arisings⁴ and maintain a 70% reuse/recycling rate across CFS' main offices.

Deliver 40 'Love Food, Hate Waste' events during 2009 to support a reduction in household food waste.

Progress brochure recycling from The Co-operative Travel.

Increase the amount of cardboard and polythene recycled by The Co-operative Food.

Background

Each year, the UK produces an estimated 70 million tonnes of Industrial and Commercial (I&C) waste⁵. The retail sector is the largest contributor, generating some 13 million tonnes⁶. In addition, the sector contributes 5.2 million tonnes⁷ of packaging waste to the 35 million tonnes of municipal waste generated annually⁸. In July 2008, the Department for Environment, Food and Rural Affairs (Defra) published a progress report on the Waste Strategy for England, which was launched in May 2007. Defra has not yet set a target for the reduction in I&C waste; however, the policies in place are expected to reduce I&C waste by 20% by 2010 (compared with a 2004 baseline). Progress against the target to reduce the amount of biodegradable municipal waste sent to landfill to 75% of that produced in 1995 by 2010, 50% by 2013 and 35% by 2020⁹ has been positive, with a 7% reduction reported in 2007 compared with 2006.

In 2008, waste disposal costs continued to rise, due to decreasing landfill capacity and the application of the landfill tax escalator, which has increased the cost of landfill tax by £3 per tonne each year since 1999. Following the rise in the escalator to £8 per tonne per year from April 2008, the landfill tax increased to £40 per tonne as of April 2009¹⁰.

There is a growing public awareness of waste and packaging issues. This is evident in the 2% reduction in municipal waste generated in 2007/08 compared with 2006/07 and the increase in municipal recycling from 31% in 2006/07 to 35% in 2007/08¹¹.

Materiality and strategy

The majority of the Group's waste arisings are associated with The Co-operative Food. CFS and the Group's head office complex are the main generators of office waste.

The Group's Environmental Strategy, which has been agreed via its Values & Principles (V&P) Committee (page 8), identifies better waste management as one of the Group's top two environmental priorities. Furthermore, in the 2007 Co-operative Food Ethical Policy consultation (page 9), 97% of members endorsed the Group's commitment to reducing waste arisings from its operations, increasing recycling and reducing own-brand packaging. In addition, as identified in the most recent consultations, 99% of The Co-operative Bank's customers wish to see their money supporting businesses involved in recycling

and sustainable waste management; whilst over 90% of The Co-operative Insurance's customers wish to see it encourage the businesses in which it invests to reduce their environmental impact and to consider more sustainable products and services.

The Group's approach to waste management focuses on waste reduction (both internally and in terms of packaging passed on to customers), increasing reuse and recycling rates, improving the degradability and biodegradability of waste, and the provision of finance for more sustainable waste management options. It is recognised that further work is necessary in 2009 to reduce total waste arisings and increase the proportion of waste reused/recycled across the Group. In addition, further consolidation of waste management contracts will be required to improve the accuracy of waste reporting and ensure compliance with relevant waste legislation.

Accounting

Following the improvements in the completeness of waste accounting made in 2007 and 2008, The Co-operative Group is now able to produce a reasonably accurate account of waste arisings across the majority of its businesses. In 2008, for the first time waste to landfill from The Co-operative Food's Regional Distribution Centres has been accounted for.

The accuracy of the waste to landfill tonnage for The Co-operative Pharmacy, The Co-operative Travel, the head office complex – including CFS' main offices – and Sunwin Motor Group has improved as a result of the determination of more accurate converters: these are based on the average weight of a sample of bins from these businesses as opposed to the industry weight standards previously used¹². The accuracy of waste to landfill tonnage for The Co-operative Pharmacy and The Co-operative Travel has improved further still as it is now based on data from a larger number of branches than in 2007¹³. The accuracy of the waste to landfill tonnage from The Co-operative Funeralcare has improved as it is based on 2008 data as opposed to an extrapolation of data from the previous year.

Responsibilities for waste data accounting were designated within The Co-operative Pharmacy, The Co-operative Travel and The Co-operative Funeralcare in 2008.

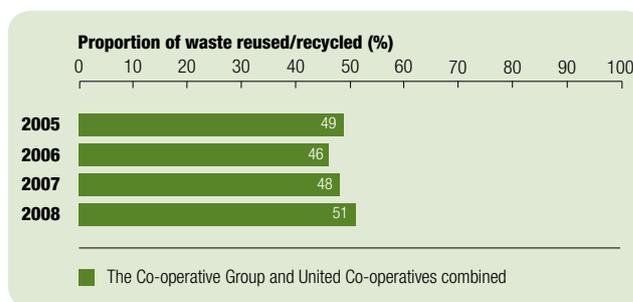
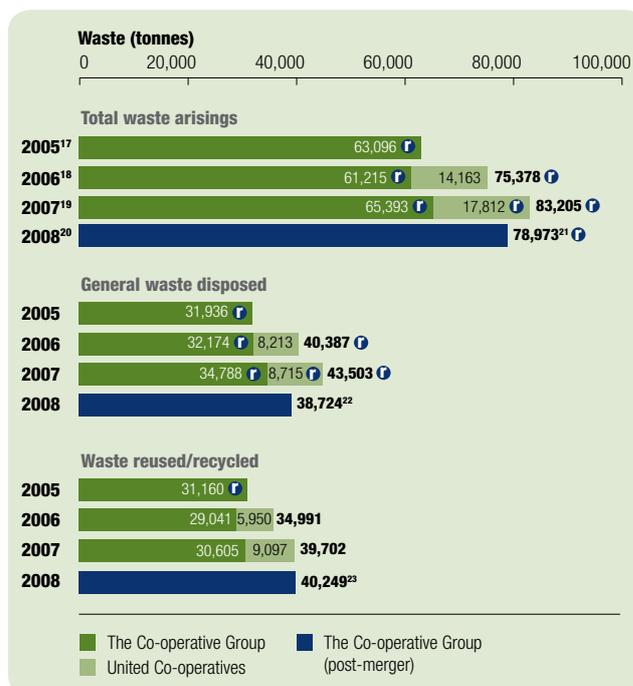
For the first time, tonnage determinations have been made for: plastic sacks and containers recycled by The Co-operative Farms; cooking oil recycled by The Co-operative Food; and tyres recycled by Sunwin Motor Group.

Performance overview

The Group's total reported waste arisings reduced by 5% (4,200 tonnes) in 2008 despite an increase in year-on-year sales of 15%. Reported arisings of general waste disposed also reduced by 11% (4,800 tonnes) and waste reused/recycled increased slightly, by 500 tonnes, resulting in an improvement in the percentage of waste reused/recycled from 48% in 2007 to 49% in 2008¹⁴.

Comparison of like-for-like data for The Co-operative Group shows a significant drop in waste sent to landfill of 29% (11,100 tonnes) since 2006¹⁵. Comparison of like-for-like data for the Group's largest generator of waste, The Co-operative Food, shows a significant drop in waste arisings of 21% (13,000 tonnes) and a reduction in waste sent to landfill of 33% (11,000 tonnes) since 2006¹⁶.

Performance overview



Reducing waste

Packaging waste

The Co-operative Group (like most large UK retailers) has been a signatory to the Courtauld Commitment since 2005, which seeks to 'design-out' packaging waste growth, deliver absolute reductions in packaging weight and tackle the amount of food that consumers throw away. In 2005, The Co-operative Food was the first retailer to successfully run a packaging reduction programme with the Waste and Resources Action Programme (WRAP)²⁴, whereby own-brand tomato purée packaging was redesigned to save 8.5 tonnes of card per annum.

In 2006, a Packaging Policy for Co-operative own-brand food products was developed, which prioritises absolute packaging reductions and governs acceptable packaging materials based on food safety and environmental considerations²⁵.

In February 2007, The Co-operative Food staged a conference to communicate the Packaging Policy to 500 own-brand suppliers and, subsequently, announced a target to reduce own-brand primary packaging by 15% by 2010, based on 2006 levels²⁶. In late 2007, The Co-operative Food restated its 15% packaging reduction target to include transit packaging.

Packaging reduction projects developed in 2008 by The Co-operative Food include²⁷:

Examples of packaging reduction

Initiative	Projected Annual Savings
The use of reusable plastic crates for fresh produce was expanded to include some meat crates; replacing single-use cardboard transit packaging.	In 2008, 4,078 tonnes of cardboard were saved.
The transfer of 35cl vodka bottles from glass to plastic.	Projected savings of 214 tonnes of glass per annum.
The reduction in weight of ale bottles.	Projected to save 106 tonnes of glass per annum.
The transfer of table sauces from glass to plastic bottles.	Projected to save 61 tonnes of packaging per annum.
The reduction in weight of 330ml Czech beer bottles.	Projected to save 38 tonnes of glass per annum.
The reduction in weight of milk caps from one supplier.	Projected to save 19 tonnes of plastic per annum.
The reduction in weight of chilled fruit juice caps.	Projected to save 16 tonnes of plastic per annum.
The reduction in weight of chicken trays.	Projected to save 13 tonnes of plastic per annum.
The reduction in weight of tea boxes.	Projected to save 13 tonnes of cardboard per annum.
The removal of cardboard disks from cake packaging from one supplier.	Projected to save 11 tonnes of cardboard per annum.
The reduction in weight of 75cl sherry bottles.	Projected to save 11 tonnes of glass per annum.
The reduction in weight of olive jars.	Projected to save 10 tonnes of glass per annum.
The reduction in weight of 750ml bleach bottles.	Projected to save eight tonnes of plastic per annum.
The removal of a secondary lid on classic dips.	Projected to save eight tonnes of plastic per annum.
The reduction in weight of Tillington cider bottles.	Projected to save 10 tonnes of glass per annum.



Packaging reduction. The Co-operative's 35cl vodka bottles have been transferred from glass to plastic, to save a projected 214 tonnes of glass per annum.

In March 2008, The Co-operative Group reported to WRAP a 2% reduction in own-brand packaging (709 tonnes) and a 9% reduction (4,181 tonnes) against the new combined target under the Courtauld Commitment.

As a result of packaging reduction projects initiated since 2006 and projects committed for 2009, The Co-operative Food is expected to meet its 15% packaging reduction target by the end of 2009; a year ahead of schedule.

Against the background of a 23% increase in sales at The Co-operative Food²⁸, total packaging levels (branded and own-brand) have reduced by 4% (5,686 tonnes). This can be attributed in part to the packaging reduction projects progressed by The Co-operative Food; and also a result of packaging reductions by brand owners. As glass accounted for 48% of primary packaging in 2008, it will continue to be a priority area for packaging reduction in 2009.

Food waste

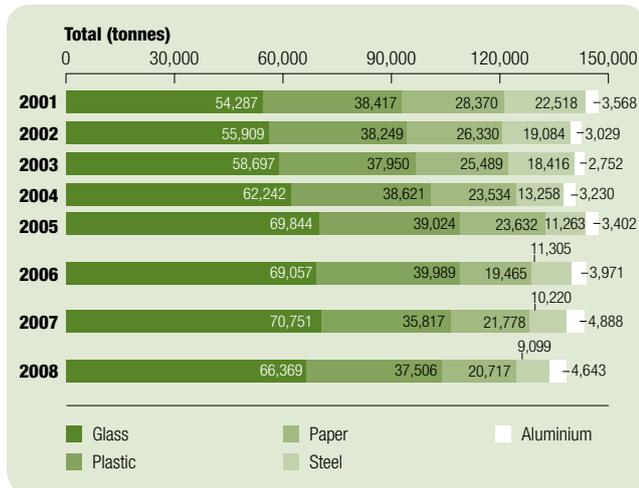
In addition to reducing packaging, The Co-operative Food will also work to reduce food waste generated by its customers in 2009. In the UK, 6.7 million tonnes of food is thrown away by householders each year, approximately 60% of which could have been eaten. This equates to one-third of all food that householders purchase. The Co-operative Food and The Co-operative Membership will deliver events across the UK to support the 'Love Food, Hate Waste' campaign as part of the Courtauld Commitment²⁹.

In June 2009, The Co-operative Food became the first retailer in the UK to include storage instructions for fruit and vegetables on its fresh produce bags, to help tackle the growing problem of household food waste. For example, the storage instructions for bananas are to store at room temperature, never put in the refrigerator, and keep away from other foods.

Total primary packaging handled (tonnes)³⁰



Primary packaging handled by material³¹ (tonnes)³²



In addition to reducing packaging waste that is passed on to customers, The Co-operative Food has also been working to reduce its commercial waste. In late 2008, a bin reduction trial at 539 stores resulted in a reduction of 61 tonnes of waste sent to landfill from these stores. This trial will be expanded in 2009.

Carrier bags

In 2008, The Co-operative Food signed up to a government initiative to reduce the number of carrier bags distributed to customers by 50% by May 2009, based on 2006 levels. In January 2009, the business reported a 45% reduction in numbers for 2008 compared with 2006, with 460 million bags being distributed in 2008. Furthermore, analysis of carrier bag ordering figures for the first 29 weeks of 2009, compared with the same period in 2008, show a reduction of more than 60% in carrier bags ordered by Regional Distribution Centres.

This was achieved through a number of initiatives including:

- The launch, in February 2007, of a reusable Fairtrade cotton carrier bag, which has, as at July 2009, sold 1.8m items;
- Prominent display of reusable bags at checkouts;
- Removal of single-use bags from prominent display at checkouts from April 2008 and training of employees to ask customers if they need a bag; and
- Use of in-store signage, radio and till-screen messages on the benefits of reducing carrier bag usage, in a number of stores in November 2008.



The Co-operative Food's Fairtrade cotton carrier bag was the UK's first to be launched by a supermarket.

In addition to reducing the number of carrier bags distributed to customers, the environmental impact of bags has been reduced through the introduction of:

- Smaller size bags for fewer items in selected stores;
- Home-compostable carrier bags in selected stores; and
- Carrier bag recycling bins in selected stores.

In November 2008 and May 2009, The Co-operative Travel wrote to its suppliers requesting a review of travel brochure distribution. The Co-operative Travel called for an end to sending to branches large numbers of soon-to-be reissued brochures in order for the suppliers to clear their warehouses.

Reusing waste

The use of reusable plastic crates for transportation and display of fresh produce and some meat products has enabled The Co-operative Food to save 4,078 tonnes of cardboard in 2008.

In 2008, CFS donated/sold for reuse 1,593 items, equivalent to 17 tonnes, of IT equipment, including monitors/terminals, PCs, laptops and printers. Donated items were sent to charities, such as Digital Links International and the NSPCC. CFS is the first British company to participate in a Digital Links International programme to return donated computer equipment from the developing world to the UK, at the end of its useful life, for safe recycling. In addition, The Co-operative Group head office passed 534 items, equivalent to seven tonnes and The Co-operative Food, 748 items, equivalent to four tonnes of IT equipment to their asset management contractor for reuse³³.



CFS donations of IT equipment: Items were sent to charities including Digital Links and NSPCC in 2008.

Recycling waste

Cardboard and polythene

The largest streams of waste that are recycled by The Co-operative Group are cardboard and polythene, generated at the back of store at The Co-operative Food. In 2008, The Co-operative Food recycled 34,184 tonnes of cardboard and polythene³⁴. This represents a slight reduction on 2007 (36,091 tonnes) and is possibly due to the expansion of the use of returnable crates across the former United Co-operatives' estate. Cardboard and polythene accounts for 89% of the total tonnage of waste reused/recycled. Whilst there is no central record of customer recycling facilities at The Co-operative Food stores, a survey undertaken in 2006 of 1,363 stores identified: 102 with glass recycling facilities; 79 with aluminium facilities; 35 with plastic facilities; and 87 with textile recycling facilities. A proportion of the textile recycling facilities is provided by Textile Recycling for Aid and

International Development (TRAID). Through the use of the TRAID facilities at Group sites, customers have recycled 122 tonnes of unwanted clothing since 2005.

Packaging

The Co-operative Group manages compliance with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007³⁵ on behalf of much of the UK retail Co-operative Movement. Under these regulations, The Co-operative Group is obligated³⁶ to determine how much packaging material the Movement passes on to customers and to produce evidence of a set amount of recycling and recovery for each of the Co-operative Societies. In 2008, The Co-operative Group entailed obligations in all of the six material-specific categories: paper (7,832 tonnes), glass (28,349 tonnes), aluminium (976 tonnes), steel (3,435 tonnes), plastic (5,420 tonnes) and wood (3 tonnes). In addition, the Group also had a balanced recycling and recovery obligation of 8,443 tonnes³⁷. These recycling obligations are met through the purchase of Packaging Recovery Notes (PRNs), largely from the Valpak compliance scheme.

Electricals

With the introduction of the Waste Electrical and Electronic Equipment (WEEE) Regulations³⁸ in January 2007, producers and retailers in the UK are now responsible for financing the environmentally sound disposal of WEEE. The Co-operative Group entails obligations as both a producer and distributor³⁹ of electrical and electronic equipment and is a member of the Valpak producer compliance scheme and retailer take-back scheme to ensure it meets the requirements of the regulations. WEEE generated by the Group's business activities will be taken back for recovery, reuse or recycling by suppliers as part of contractual agreements.

In 2008, The Co-operative Group recycled 1,487 tonnes of WEEE, including 1,453 tonnes of electrical equipment from The Co-operative Electrical; 24 tonnes of IT equipment from CFS; nine tonnes of IT equipment from the Manchester head office complex; and one tonne from The Co-operative Food.

Biodegradable

Some 1,742 tonnes (95%) of animal by-product food waste from The Co-operative Food stores was recovered/recycled in 2008, for example, for use in pet food⁴⁰.

Some limited investigations into the use of alternative waste management technologies, such as in-vessel composting and anaerobic digestion for non-animal by-product food waste from The Co-operative Food, took place in 2008. These concluded that due to the relatively small amount of diverse food waste generated at each branch and the amount of packaging present, the technologies are not viable for the business at the present time. As the technologies develop, The Co-operative Food will reassess their use.

Manchester recycling centre

In addition to the recycling obligations placed on The Co-operative Group by environmental legislation, operational waste continued to be recycled through the recycling centre based at the Manchester head office complex. In 2008, the centre recycled a total of 1,431 tonnes (2007: 1,249 tonnes) of the Group's waste⁴¹.

Other recycled waste

Additional recycling to that sorted by the Manchester recycling centre took place across the Group businesses in 2008, including the recycling of:

- 684 tonnes of wood and 2,055 litres of solvent from The Co-operative Funeralcare;
- 382 tonnes of various streams, including paper, cardboard, cups, cans, bottles, furniture, toner and fluorescent tubes from CFS;
- 194 tonnes of travel brochures and 0.2 tonnes of fluorescent tubes from The Co-operative Travel;
- 64 tonnes of various streams, including furniture, toner and fluorescent tubes from The Co-operative Group head office buildings;
- 39 tonnes of car tyres from Sunwin Motor Group;
- 24 tonnes of plastic sacks and containers from The Co-operative Farms;
- 23 tonnes of cardboard from The Co-operative Pharmacy branches;
- 19 tonnes of paper from The Co-operative Legal Services;
- 1.5 tonnes of cardboard from The Co-operative Clothing⁴²; and
- 1 tonne of fluorescent tubes and 44,515 litres of cooking oil from The Co-operative Food.

Performance benchmark

In 2008, CFS recycled 1,440 tonnes (2007: 1,360 tonnes) of its waste, resulting in a stable CFS reuse/recycling rate of around 80% in 2007 and 2008. This recycling rate is considerably above that of the average office, which stands at 7.5%⁴³.

Recycled content in products and packaging

Ensuring that products sold contain a high recycled content is another area of focus for the Group. Two products – own-brand 100% recycled toilet tissue and kitchen towels – currently utilise waste paper from the Manchester recycling centre as part of a closed-loop scheme. Recycled materials are also used in a number of own-brand packaging lines, including:

- Carbonated soft drinks bottles made from 100% recycled plastic, a project that won the Best Supermarket Recycler award at the National Recycling Awards in 2008⁴⁴;
- The majority of green wine bottles have high recycled content, with green glass bottles from one supplier containing 90% recycled glass;
- Washing powder boxes containing 85% recycled cardboard;
- Tissue boxes from one supplier containing 80% recycled cardboard;
- Cereal boxes from one supplier containing 60% recycled cardboard; and
- Milk bottles from one supplier containing 30% recycled plastic.

In addition, as from March 2009, The Co-operative Food changed the specification of its hand baskets to 100% recycled plastic.



The Co-operative Food, along with other UK retailers, worked with WRAP and the British Retail Consortium to develop a packaging recycling logo. Since its introduction in July 2008,

approximately 1,600 own-brand products now include the logo on their packaging. Use of this logo is voluntary; however, it is hoped that industry-wide standardisation of the multiple recycling logos to a single, easily identifiable one will reduce confusion over whether packaging can be recycled⁴⁵.

Waste disposal

The Co-operative Food landfilled 31,356 tonnes of waste in 2008⁴⁶, of which an estimated 13,000 tonnes is food waste. Waste landfilled from The Co-operative Food accounted for 83% of the Group's total waste sent to landfill. The remaining 17% is attributed to The Co-operative Pharmacy (3,486 tonnes)⁴⁷, The Co-operative Travel (879 tonnes)⁴⁸, The Co-operative Funeralcare (689 tonnes)⁴⁹, The Co-operative Electrical (486 tonnes), Sunwin Motor Group (462 tonnes), CFS' main offices (307 tonnes)⁵⁰, the Manchester head office complex (133 tonnes), The Co-operative Farms (165 tonnes)⁵¹, The Co-operative Clothing (26 tonnes) and The Co-operative Legal Services (15 tonnes).

In addition to waste disposed directly to landfill, The Co-operative Funeralcare sent 89 tonnes of clinical waste and one tonne of spray booth filters to be autoclaved/incinerated; The Co-operative Food sent 92 tonnes of animal by-products to be rendered/incinerated⁵²; and Sunwin Motor Group sent 234 tonnes of hazardous waste, including waste oils and residues, antifreeze, batteries and oil filters, to be reprocessed. No data is available for clinical/pharmaceutical waste from The Co-operative Pharmacy.

Ecological profile of packaging

The Co-operative Food has, for a number of years, worked to render packaging more degradable. Research⁵³ shows that, whilst degradable packaging is still fossil fuel-based, it will degrade after four years to carboxylic acids that can be readily bioassimilated. The Co-operative Food introduced Britain's first degradable⁵⁴ plastic carrier bag in 2002, and was, subsequently, the first retailer to introduce these materials into mainstream grocery packaging. The Co-operative Food sliced bread bags and self-select fresh produce bags were made degradable in 2004 and 2006, respectively.

The Co-operative Food is committed to taking a wider sustainability approach to packaging (ie, one that goes beyond light-weighting) and considers issues such as toxicity, degradability and recyclability in the choice of packaging of own-brand products. As part of the development of its Packaging Policy⁵⁵, the following conclusions were reached and are reflected in the requirements placed on own-brand suppliers:

- The weight of packaging is not necessarily an indication of the sustainability of the component materials, and weight reductions made should not be at the expense of increasing other environmental impacts, such as the toxicity of materials, or the opportunity to increase the recyclability/recycled content.
- Currently, the introduction of biodegradable packaging has only limited advantages due to the lack of widespread home composting facilities and concerns that many biopolymers (eg, polylactic acid) may not actually break down in commercial composting and landfill facilities⁵⁶. Furthermore, biopolymers may contaminate plastic recycling streams.

- A rationalisation of plastic polymers (excluding films) to polyethylene terephthalate (PET) and polythene (PE) would assist in increasing plastic recycling rates, as this would make best use of the UK's current recycling infrastructure.
- Simplification of packaging through the removal of composite materials, or multiple layers of different materials, should assist in increasing recycling rates.

CFS and ethical finance

Bank screening of finance

The bank's customer-led Ethical Policy includes a commitment to support businesses involved in recycling and sustainable waste management. The bank declines support for incineration where mixed municipal waste acts as a feedstock.

During 2008, eight finance opportunities (2007: 12) were referred to the Ethical Policy Unit in connection with waste, of which one was declined (2007: 2) at a cost of £11,000 (2007: £520,000) in terms of estimated income foregone in 2008.

Waste-related business declines 2008

	Estimated income foregone 2008
Waste management £2.5m asset finance facility supporting the construction of a new food-to-energy facility. Insufficient consideration given to the segregation and extraction of recyclable plastics.	£11,000

Bank finance for sustainable waste management

Provision of £13.5m to a syndicated loan facility was approved for a project to develop a local authority Waste Recycling and Composting Facility.

Community involvement

Waste Works

In September 2007, The Co-operative Group opened Waste Works, an education facility based at the Manchester recycling centre. The facility was officially launched by Hazel Blears MP, then Secretary of State for Communities and Local Government, in March 2008. Waste Works promotes effective waste management, and raises awareness of wider environmental issues, such as climate change and the use of renewable energy at The Co-operative Group.

The Waste Works facility was designed to be an exemplar of recycling in action, with tables made from recycled plastic bottles and Forest Stewardship Council (FSC) plywood. It is heated by a biomass boiler run on FSC wood pellets. The centre is managed by the environmental charity Waste Watch⁵⁷ and offers a curriculum-linked education programme to Key Stage 2 school pupils (aged 7–11) and community groups. As of February 2009, the facility has welcomed over 7,000 visitors.



As well as taking part in a range of educational activities, visitors learn about the closed-loop system, whereby waste is collected from the head office complex, shredded and baled and then converted into toilet and kitchen tissue, which is sold in The Co-operative Food stores.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Oxfam mobile phone recycling scheme (page 22).
- Member involvement: keeping Britain's beaches clean and safe (page 90).
- The Co-operative Food Ethical Policy (page 9).
- The Co-operative Bank Ethical Policy (page 39).

Accompanying notes

- In line with the British Retail Consortium's Better Retailing Climate agreement.
- Excluding one-off disposals associated with office closures.
- See footnote 1.
- See footnote 2.
- www.defra.gov.uk/environment/statistics/waste/wrindustry.htm
- Ibid.
- Sustainable Development Commission (2008) Green, Healthy and Fair, page 48.
- www.defra.gov.uk/environment/statistics/wastats/bulletin07.htm
- www.defra.gov.uk/environment/waste/strategy/index.htm
- www.hmrc.gov.uk/budget2009/bn78.pdf
- www.defra.gov.uk/environment/statistics/wastats/bulletin08.htm
- Converter based on the average weight of a sample of 1,129 bins from The Co-operative Pharmacy, 117 bins from The Co-operative Travel and 102 bins from Sunwin Motor Group and head office buildings.
- The Co-operative Pharmacy waste to landfill tonnage in 2008 is extrapolated from data from 68% of branches in 2008 compared with 60% in 2007 and The Co-operative Travel is extrapolated from data from 66% of branches in 2008 compared with 52% in 2007. Improvements arise in part from the consolidation of the general waste to landfill contracts, with 62% of branches now covered by one contractor.
- In 2008, only 473 tonnes (0.5%) of reported waste arisings are as a result of improved accounting systems; therefore comparison of like-for-like data for 2007 and 2008 shows a similar level of improvement.
- Based on waste to landfill from The Co-operative Group's food, travel, funeral, pharmacy and financial services businesses. This excludes the former United Co-operatives estate, improvements to accounting and waste disposed by other means, including animal by-products and hazardous wastes.
- Based on card and plastic recycled and waste to landfill from The Co-operative Group's food business. This excludes the former United Co-operatives estate, improvements to accounting and waste disposed by other means, including animal by-products and hazardous wastes.
- 75% complete, with large reliance on estimates at The Co-operative Food.
- 80% complete, with reliance on extrapolation at The Co-operative Pharmacy, The Co-operative Funeralcare and The Co-operative Travel.
- 80% complete, with reliance on extrapolation at The Co-operative Pharmacy and The Co-operative Travel.
- 85% complete, with reliance on extrapolation at The Co-operative Pharmacy and The Co-operative Travel.
- CFS total waste arisings in 2008: 1,747 tonnes (2007: 1,696 tonnes **♣**; 2006: 1,406 tonnes **♣**; 2005: 1,455 tonnes **♣**; 2004: 2,006 tonnes and 2003: 2,155 tonnes).
- CFS general waste disposed in 2008: 307 tonnes (2007: 336 tonnes **♣**; 2006: 336 tonnes **♣**; 2005: 295 tonnes **♣**; 2004: 657 tonnes and 2003: 690 tonnes).
- CFS waste reused/recycled in 2008: 1,440 tonnes (2007: 1,360; 2006: 1,070 tonnes; 2005: 1,160 tonnes; 2004: 1,349 tonnes and 2003: 1,465 tonnes).
- WRAP is a government body charged with creating efficient markets for recycled materials and products, while removing barriers to waste reduction, reuse and

recycling. WRAP's focus for the retail sector over 2006–08 was to secure reductions of 80,000 tonnes per year of packaging waste, in order to offset predicted growth. www.wrap.org.uk

- www.co-operative.coop/corporate/sustainability/packagingpolicy
- Based on 115,927 tonnes of primary packaging handled by The Co-operative Food in the baseline year 2006, of which it is estimated that 38,000 is own-brand packaging.
- Packaging reduction figures are based on savings attributed to The Co-operative Group, not the wider Co-operative Retail Trading Group to which it supplies products. Further examples of packaging reduction projects are presented in Sustainability Reports 2006/07 and 2007/08, www.co-operative.coop/sustainabilityreport
- In 2008, The Co-operative Food accounted for 98% of total packaging handled by the Group.
- www.wrap.org.uk/retail/case_studies_research/report_the_food_we.html
- Data includes tonnages from co-operative societies that merged with United Co-operatives prior to its merger with the Group. These include Yorkshire Co-operative Society in 2002 and Leeds Co-operative Society and Sheffield Co-operative Society in 2006.
- Graph excludes wood and other packaging materials, such as cork, which account for very small tonnages.
- See footnote 30.
- www.tier1.com
- Derived by assuming The Co-operative Group accounts for 77.44% of the Co-operative Retail Trading Group collections in 2008, based on the number of cases sent out through Regional Distribution Centres to each society.
- Ultimately derived from the European Parliament and Council Directive 94/62/EC on Packaging and Packaging Waste.
- As is any retailer that handles more than 50 tonnes of packaging and has a turnover in excess of £2m per annum. The Co-operative Group is obligated as a 'seller' at 48%, pack/filler at 37% and an importer at 100%. The 2008 targets for materials were: glass (78%), paper (67.5%), aluminium (35%), steel (68%), plastics (26%) and wood (20.5%). Overall recovery (which includes energy recovery and composting) is set at 72%, of which a minimum of 92% must be achieved via recycling. The Producer Responsibility Obligations (Packaging Waste) Regulations 2007, Defra.
- Under the Regulations, obligations are calculated on the packaging handled in the previous year. The obligation in 2008 was, therefore, based on 143,430 tonnes of packaging handled in 2007.
- www.opsi.gov.uk/si/si2006/ukSI_20063315_en.pdf
- Producer obligation based on 12,704 items and distributor obligation based on 455,784 items of electrical and electronic equipment produced/sold in 2008.
- As defined in The Animal By-Products Regulations 2005. Extrapolated from an 85% sample.
- 2008 figure includes various recyclates from CFS' main offices (1,017 tonnes), the Manchester head office complex (335 tonnes), The Co-operative Funeralcare and The Co-operative Travel major occupancies (24 tonnes), and The Co-operative Pharmacy head office (55 tonnes).
- Recycled through the food distribution network, estimated tonnage based on that recycled in 2007.
- Envirowise 2008, GG256 Green Efficiency: running a cost-effective environmentally-aware office. www.envirowise.gov.uk
- CFS re-use/recycling rate: 2008: 82% (2007: 81% **♣**)
- www.nationalrecyclingawards.com
- Sanderson, P (2008) Recycling Logo aims to cut confusion, Materials Recycling Week, 11 April 2008, p.6.
- Including 30,956 tonnes of waste from Food stores and 400 tonnes of waste from Regional Distribution Centres, extrapolated from 89% and 20% samples respectively.
- Extrapolated from a 68% sample.
- Extrapolated from a 66% sample.
- Extrapolated from a 73% sample.
- 74% excludes bank branches.
- Extrapolated from a 94% sample.
- This represents the 5% of animal by-product waste (mainly contaminated packaging) that cannot be recovered/recycled.
- Wiles, DM and Scott, G (2006). Polyolefins with controlled environmental degradability. Polymer Degradation and Stability vol. 91 pages 1581–1592.
- Conventional polyethylene is bio-inert, and highly resistant to assimilation by micro-organisms. The introduction of an additive system, in the production of Group bags and other plastic packaging, catalyses the natural process of oxo-biodegradation and greatly accelerates disintegration in landfill.
- www.co-operative.coop/corporate/sustainability/packagingpolicy
- www.guardian.co.uk/environment/2008/apr/26/waste.pollution
- www.wastewatch.org.uk

Indicators

MSC-certified fish species sold

MCS 'fish to avoid' species sold

FSC-certified timber products sold

Peat content of growing media sold

Biodiversity initiatives

Biodiversity enhancement

Targets 2008

- ✔ Finalise and publish The Co-operative Food's Sustainable Fish Sourcing Policy (page 86).
- ✔ All bagged growing media to be Forest Stewardship Council (FSC) certified (page 87).
- ✔ All wrapping paper, gift tags and Christmas cards to be FSC-certified (page 87).
- ✔ Further progress the certification of The Co-operative Funeralcare coffins and caskets that contain FSC timber (page 87).
- ↔ Progress the sourcing of sustainable palm oil within The Co-operative Food (page 87).
- ✔ Consider development of a further ecosystem restoration project (page 88).
- ⚖ Progress peat reduction to meet the Government's target that 90% of soil improvers and growing media will be met by peat-free alternatives by 2010 (page 88).
- ✔ Raise, through the RSPB credit card, over £4.9m for Britain's threatened wetlands over the period 1999–2008 inclusive (page 89).

- ✔ **target achieved**
- ⚖ **on track**
- ✘ **target not achieved**
- ↔ **close to target**
- ↔ **behind schedule**

Targets 2009

- Progress the sourcing of sustainable palm oil within The Co-operative Food.
- Increase the number of Marine Stewardship Council (MSC)-certified fish products sold by The Co-operative Food.
- Agree funding for four UK fisheries to progress MSC certification.
- Achieve FSC certification for The Co-operative Food's greaseproof paper by 2010.
- Raise, through the RSPB credit card, £400,000 for Britain's threatened wetlands during 2009, to bring the total raised over the period 1999–2009 inclusive to £5.3m.

Targets 2009 continued

Progress wildflower seed trials on The Co-operative Farms' sites as part of Plan Bee, during 2009.

Ensure 50% of The Co-operative Travel's point-of-sale material is FSC certified by end 2009.

Background

The main threat to plant and animal species is the loss of habitat, which results from factors such as the rapid increase in human population, the felling of forests for timber, and the use of land for agriculture and housing. Biodiversity is also threatened by the annual harvesting of tens of thousands of species at unsustainable levels. The 2008 World Wildlife Fund (WWF) Living Planet Index study showed that between a quarter and a third of the world's wildlife has been lost since 1970 and that humans are responsible for wiping out around 1% of all other species every year, with one of the 'great extinction episodes' in the Earth's history currently underway¹.

President of the European Commission, José Manuel Barroso, has emphasised the importance of biodiversity preservation for economic development within the EU: 'Biodiversity is integral to sustainable development, underpins competitiveness, growth and employment and improves livelihoods. Biodiversity loss, and the consequent decline of ecosystem services, is a grave threat to our societies and economies'².

Materiality and strategy

As one of the country's largest farmers, the Group can exert a direct impact on the UK's biodiversity. In total, at 15 farm units in England and Scotland, over 24,000 hectares of land are farmed (of which nearly 12,000 hectares are managed by the Group). The Group can also exert a significant impact on biodiversity via the products offered by The Co-operative Food, The Co-operative Bank's provision or non-provision of finance to businesses, and The Co-operative Insurance's engagement with businesses to promote sustainability. Indeed, in the most recent Ethical Policy consultation (page 39), 98% of bank customers indicated that they do not wish their money to be invested in businesses whose core activities contribute to the unsustainable harvesting of natural resources, whilst 95% of The Co-operative Insurance customers want to see it using its power as an institutional investor to encourage businesses to end the exploitation of Nature and consider more sustainable, natural products and services³. In the 2007 Co-operative Food Ethical Policy consultation (page 9), 96% of members endorsed the Group's commitment to increase the use of products from sustainable sources, particularly in relation to fish, wood, paper, palm oil and soya. Furthermore, The Co-operative Group's implementation of a far-reaching Pesticides Policy, which has significant implications for biodiversity, is described on page 94.

Marine stewardship

Globally, three-quarters of commercial fish stocks are fully or over-exploited, and nearly 90% of stocks of large predatory fish have already disappeared. The United Nations Food and Agriculture Organisation's Assistant Director-General for Fisheries has indicated that ocean fisheries appeared to reach a ceiling in the late 1980s, and that strong regional fishery management is now required to rebuild depleted stocks and prevent the collapse of other stocks.

Almost half of the world's edible fish now comes from fish farms; up from just 9% in 1980. In the UK, £1.8bn worth of seafood is sold every year – nearly 90% of it through supermarkets.



Since 1998, The Co-operative Food has been a supporter of the Marine Stewardship Council (MSC)⁴ – an independent, global, non-profit organisation that uses a market-based approach to help improve the management practices of fisheries. During 2008, the number of The Co-operative Food own-brand products containing MSC-certified fish increased from two (canned Alaskan pink, 213g, and red, 418g, salmon) to 14⁵. Three MSC-certified products were launched during 2008: frozen salmon fillets, frozen steamed salmon linguine and frozen hake provençal⁶. Additionally, in 2008 the Group committed £200,000 to support the certification of UK fisheries to the MSC standard.

Other measures taken in support of sustainable fishing include not knowingly purchasing fish that is caught over-quota (otherwise known as 'blackfish') and seeking to purchase fish within set size specifications, in order to discourage the use of undersized fish.

In 2007, The Co-operative Food Fish Sustainability Group (FSG) was set up and tasked to produce, and make public, a Responsible Sourcing Policy⁷ for both wild and farmed fish species. The policy was launched in 2008, and is underpinned by a checklist, which is used to determine the sustainability of each species sold under The Co-operative Food label. The checklist examines individual species based on the fishery location and method of catch. Checklist criteria include information such as species resilience to fishing, fishery by-catch estimates and whether species are noted as critically endangered or endangered on the International Union for Conservation of Nature (IUCN) Red List status⁸, as well as stock assessments from NGOs such as the Marine Conservation Society (MCS)⁹ and Greenpeace¹⁰. The FSG consists of buyers, quality assurance and sustainability representatives from The Co-operative Group and suppliers.

Additionally, The Co-operative Food supports the following sustainability initiatives:

- Own-brand tuna is caught by methods that conform to the Earth Island Institute (EII) dolphin-safe standards¹¹. Drift nets are not used to catch tuna¹², nor are fish caught using the method known as 'setting on dolphins'¹³.
- The Co-operative Food buys most of its fresh salmon and trout from farms. Salmon is sourced from farms in Scotland and Ireland, and trout is sourced from a single farm in Southern England. In 2008, 41% (2007: 40%) of trout sold was farmed organically. Both conventional and organic farmed fish is produced to strict codes of practice, which detail various aspects of production – from the sourcing and type of feed, through to veterinary care and harvesting. The Co-operative Food was an early promoter of humane stunning prior to slaughter for all farmed fish; a standard that is now widely accepted across the industry. Systems have now also been developed for farmed sea bream and sea bass, although these have yet to be implemented. The Co-operative

Food continues to work with the industry to develop analogous systems for other farmed fish species (page 30).

- In 2007, wild warm-water prawns were removed from all own-brand products stocked by The Co-operative Food. All warm-water prawns are now sourced from well-established farms in Indonesia and Thailand, which are Global Aquaculture Alliance (GAA)¹⁴ certified. Farms in areas of mangrove forest depletion are not used.
- In 2007, The Co-operative Food removed from sale huss (dogfish) and skate.
- The MCS Fishonline website¹⁵ rates fish species on a scale of one to five, where one is the most, and five the least, sustainable. Cod is rated five; however, The Co-operative Food's cod is sourced from fully exploited, but well-managed, Icelandic stocks. Haddock is also rated as five if caught from Faroes and west coast of Scotland fisheries. In 2008, The Co-operative Food replaced Faroes haddock, in haddock Florentine, with Scottish haddock from a fishery currently undergoing MSC certification. Cod portions and Healthy Living breaded cod fillets sourced from trawlers operating in the North East Atlantic were delisted in 2008¹⁶.

Performance benchmark

The Co-operative tinned tuna steak was ranked second in the 2008 Greenpeace Tuna league table. The table compared the eight major tuna retailers and tuna brand suppliers. The Co-operative Food was marked down for its failure, at the time, to support marine reserves; seen as critical in ensuring the long-term viability of tuna and other fish stocks; and also for a failure to display the method of catch on all tuna products¹⁷. Later in 2008, the Group launched a national campaign for the establishment of marine reserves around the UK coastline (page 90).

Forest stewardship

Forests help stabilise the world's climate by storing large amounts of carbon that would otherwise contribute to climate change. Around two-thirds of the world's land-based species of plants and animals live in ancient forests. A 2005 WWF report showed that UK trade in illegal timber is responsible for the destruction of around 600,000 hectares of forests each year – an area nearly three times the size of Luxembourg¹⁸.

The Co-operative Food is a member of the WWF-UK Forest and Trade Network (FTN)¹⁹, and reports that it sold 33,237m³ of timber products in 2008 (2007: 35,260m³). Ideally, all timber and paper supplies would come from well-managed forests, and would not contribute to forest destruction and illegal logging practices. As a member of the WWF-UK FTN, The Co-operative Food submits an annual report detailing the virgin and recycled forest products consumed over the last year, together with an action plan containing at least three SMART (specific, measurable, achievable, realistic, timely) actions for completion over the next 12 months. Membership of the network also commits The Co-operative Food to trace all timber and paper products back to forest sources and to improve forest sustainability in conjunction with suppliers. During 2008, The Co-operative Food reported that, once again, all wood products were of known origin and that there was credible evidence of legal harvesting. Of this, 96% (2007: 67%) was supported by Forest Stewardship Council (FSC) certification (ie, a complete chain of custody from forests that demonstrate social, economic and environmental benefits), with a further 3% sourced from recycled post-consumer waste (2007: 16%)²⁰ and 1% was known, legal-source virgin material, such as PEFC.

Total percentage of own-brand forestry products supported by FSC Certification

	2003	2004	2005	2006	2007	2008
Supported by credible Forest Stewardship Council chain of custody	11%	17%	27%	36%	67%	96%



Amongst a plethora of forestry standards, FSC²¹ is probably the most respected by independent experts and campaigners. At The Co-operative Food, 100% FSC-certified own-brand products have, for some time, included barbecue charcoal

and the majority of wooden kitchenware²². In 2006, a 100% recycled and FSC mixed-source²³ paper stationery range was launched, including envelopes, writing paper and notepads. In 2007, The Co-operative Food was the first retailer to convert its entire own-brand household paper range (all bathroom tissues, kitchen towels and facial tissues) to material that has been sourced from FSC-certified, responsibly managed forests and recycling facilities, with degradable film used to wrap the kitchen towels and toilet tissue. In 2008, The Co-operative Food converted all bagged growing media to FSC-certified material along with wrapping paper, gift tags and Christmas cards.

Performance benchmark

In the 2007 Greenpeace Guide to forest-friendly toilet paper, kitchen towels and tissues, The Co-operative Food was rated fourth out of 14 tissue retailers and producers²⁴.

The refurbishment of eight corporate bank branches in 2008 involved the use of FSC timber. In 2008, 87% (2007: 62%) of paper used for printing by CFS contained FSC-certified fibres.

In 2008, The Co-operative Funeralcare launched an FSC-certified foil on chipboard coffin range²⁵, which, in 2008, made up approximately 45% of all coffins manufactured. Around 5% of coffins manufactured were either from solid wood²⁶, sustainably grown wicker or recycled cardboard²⁷. The remaining 50% was made up of a veneer coffin range. In total, approximately 100,000 coffins and caskets were manufactured by The Co-operative Funeralcare in 2008.

Carbon offset

In 2008, in connection with the Group's carbon offset programmes (pages 71–72), £128,800 (2007: £81,800) was spent in support of the reforestation of 48.2 hectares in Kibale Forest National Park, Uganda (2007: 34.1 hectares). In 2008, reforestation accounted for 20% of the Group's offsets (down from 100% in 2001), where it will remain; given this is the commonly accepted level of CO₂ emissions attributable to deforestation and land use change. In total, the restoration of 280 hectares of rainforest has been supported (since 2001) at a cost of £636,300. The planting process begins in the nursery, where 30 species of local trees and shrubs are tended until large enough to plant out. A major barrier to the natural regeneration of the forest is the rapid growth of elephant grass, which needs to be hand cut at least three times a year. The areas planted on behalf of the Group have attracted primates, including chimpanzees, and forest elephants. Securing the involvement of local communities is central to the project's success. The reforestation programme in Kibale provides work

for up to 400 people at certain times of the year. Further details of the Group's work with villagers living near Kibale are given on page 21. The project area has attained certification from the FSC with the 2007 FSC audit highlighting several strengths in relation to biodiversity, including wetland conservation and the success of restoration activities. Further information on the Kibale project is available on The Co-operative Group's website²⁸.

Palm oil

Palm oil is used as an ingredient in a wide variety of food and non-food products, such as biscuits, confectionery and cosmetics. Globally, demand for palm oil is rising, and its use is predicted to double by 2030 and triple by 2050 compared with 2000²⁹. The majority of palm oil is used in food and cleaning products, but it is also used in the rapidly expanding biofuels industry. A report published by the United Nations Environment Programme (UNEP) in 2007 acknowledges that palm oil plantations are now the leading cause of rainforest destruction in Malaysia and Indonesia³⁰.

The Co-operative Food reviewed its use of palm oil in own-brand products with suppliers in 2007, and found it was used in over 900 products, with an estimated annual usage of 45,000 tonnes³¹. The business has been speaking with major palm oil suppliers regarding the availability of certified sustainable palm oil (CSPO), as being developed by the Roundtable on Sustainable Palm Oil initiative (RSPO)³². Auditing of RSPO supply chains began in January 2008, with the first supplies becoming available late in 2008.

In 2008, The Co-operative Food re-issued its product composition document, requiring all suppliers to provide detailed data on quality, suppliers and sources of palm oil and derivatives of palm oil, used in own-brand products³³. It is intended that this will provide a more accurate picture of The Co-operative Food's use of palm oil as new own-brand products are developed and reformatted. The Co-operative Food reserves the right to suspend or delist palm oil, or an ingredient containing palm oil, which has come from a company within the palm oil supply chain, and that can be shown to have repeatedly exhibited practices not in keeping with the Principles and Criteria of the RSPO.

Further work will be undertaken in 2009 to progress the sourcing of sustainable palm oil, with particular consideration given to the GreenPalm web-based platform. One barrier to the wide-scale uptake of RSPO-accredited oil is the complexity of the commodity supply chain. GreenPalm, an RSPO endorsed platform, negates the problem of segregation of sustainable and unsustainable oil by allowing the end user to purchase certificates directly from the producer to cover off usage in products. These certificates can then be redeemed to show how a business is 'promoting the production of RSPO-verified sustainable palm oil'. It is hoped that the trading system can further international development goals by allowing palm oil smallholders to easily gain access to the sustainable palm oil market. In addition, The Co-operative Food is monitoring the usage of palm oil in the formulation of its own-brand products and requiring suppliers to evaluate the use of other types of oil in the formulation of own-brand products.

Peat stewardship

Peat bogs are one of the UK's rarest and most vulnerable habitats. Formed over thousands of years, they have very slow growth rates (no more than 1mm per year). In the UK, 94% of their original extent has been lost and less than 6,000 hectares remain in a near-natural condition³⁴.

Moors for the Future

The blanket bog areas on the high moorland plateau of the Peak District, contain some of the oldest peat deposits in the UK. They are internationally recognised for populations of breeding birds such as merlin and golden plover³⁵, and nationally rare and significant plant communities. They are also an important recreational resource, with up to 22 million day visits being made every year³⁶. The Co-operative Foundation, a charitable trust solely funded by The Co-operative Group (page 59), has provided £78,290 to part-fund Moors for the Future's blanket peat restoration project in the South Pennines. Moors for the Future is Britain's largest upland conservation partnership project, implementing conservation, research and awareness-raising work in the Peak District. The project is led by a partnership between the Peak District National Park Authority and several land-use and conservation management organisations³⁷. It is looking at large-scale cultivation and spreading of Sphagnum moss³⁸, the loss of which has been the ultimate cause of the erosion of blanket peat in the South Pennines³⁹. The project began in spring 2009 and is due for completion in 2011.



The Moors for the Future blanket peat restoration project in the South Pennines.

Peat-related products

Peat has been used as the major constituent of most horticultural growing media in the UK for many years and is mainly used as a multi-purpose compost. Sustainable alternatives are available, for which there has been poor uptake to date. The Co-operative Food's long-term goal has been to meet the Government's target that 90% of soil improvers and growing media would be met by peat-free alternatives by 2010⁴⁰. To comply, The Co-operative Food has established annual dilution targets for peat. In 2008, The Co-operative Food sold 13,210m³ of peat-related products (2007: 16,195m³) of which 35% was peat⁴¹ (2007: 50%). The Group was the first major retailer to stock peat-free salad cress, which, rather than being sold in peat-lined punnets, is grown on special matting made of 100% biodegradable material. The Co-operative Food currently retails an own-brand 'Peat-Free Compost' (40 litre) certified by the Soil Association for use in organic systems, and it also sells own-brand 'Multi-Purpose Compost' (20 and 70 litre) and 'Grow Bags' (28 litre), which contain 40% peat. In 2009, the decision was taken to discontinue the sale of bagged compost and household and bedding plants, with the exception of seasonal potted plants, eg, Christmas Poinsettias in The Co-operative Food stores. As a result, the Group's target to progress peat reduction in line with Government targets has not been restated for 2009.

The peat content of many house and bedding plants sold by the Group increased markedly in 2007, due to the bankruptcy of a previous supplier. In 2008, The Co-operative Food carried out trials to reduce the peat content in its bedding plants; however, these were unsuccessful. Reductions in peat content were achieved with planted arrangements, chrysanthemums and Christmas trees. More extensive trials to reduce the peat content of bedding plants will be carried out in 2009. Additionally, a peat tracker database has been set up with suppliers in order to monitor the peat content in bedding plants more accurately.

Peat content in own-brand household and bedding plant-growing media (%)

	2004	2005	2006	2007	2008
Azaleas	60	0	0	75	75
Bedding plants	70	60	0	70	70
Begonias	70	60	50	65	65
Bromelias	–	–	–	60	60
Celosias	100	60	0	Unknown	Unknown
Christmas trees	–	–	50	25	0
Chrysanthemums	100	100	0	80	70
Foliage plants	70	60	60	53	53
Gerberas	80	70	70	55	55
Lilies	–	–	–	50	50
Orchids	0	0	0	0	0
Planted arrangements	50	0	0	100	0 ⁴²
Poinsettias	100	70	70	70	70

Land stewardship

The Co-operative Farms

In 2008, The Co-operative Farms managed a total of 24,096 hectares of land on a variety of different agreements. Of this land, 11,938 hectares were owned by the Group. Of the land farmed as Co-operative Farms, 11,022 hectares were intensively cultivated and 916⁴³ hectares either unintensively cultivated or set aside⁴⁴.

The Co-operative Farms' fields are managed to help support farmland birds through the provision of three basic requirements: nesting areas, an abundant summer food supply for young birds and an adequate winter food supply. Annual hedge cutting ended around 20 years ago, and hedges are now only cut every second or third year in order to provide berries as food for birds. Hedges are cut in late winter to allow the birds to harvest the berries before cutting.

A large, well-grown hedge offers secluded nesting sites, and leaving a grass bank at the base of the hedge also provides opportunities for ground-nesting birds. 2006 saw the establishment of a significant number of grass field margins on The Co-operative Farms as part of a commitment to the Defra Environmental Stewardship scheme⁴⁵. In 2008, 10,680 hectares (2007: 10,945 hectares)⁴⁶ of land, 97% of the total owned and intensively farmed, were managed under the Entry Level Stewardship (ELS) scheme. Field margin strips consist of tussocky grasses, such as cocksfoot, which offer habitats for insects and small mammals. They complement large hedges and help to provide an ample supply of insects for nesting birds and chicks throughout the summer. In 2008, grass margins accounted for over 265 hectares (2007: 263 hectares) of the intensively cultivated land total.

The Co-operative Farms operates an environmental management system (EMS), against which all farms have been assessed since 2004. Farms are checked for best practice and legislative compliance, and an improvement plan put in place each year.

As part of Plan Bee (page 90), The Co-operative Farms will be starting a three-year project in 2009 to evaluate the benefit to bees and other pollinators of different wildflower seed mixes sown in field margins. The Co-operative Farms at Down Ampney and Stoughton will be used for the seed trials⁴⁷.

Genetic diversity

The Co-operative Farms purchased a collection of 1,000 varieties of rare apple trees in 2008, which were in danger of extinction as they existed only as small, vulnerable, localised populations. It is hoped that the apples will be used to produce own-brand juices for The Co-operative Food. Additionally, The Co-operative Farms launched a new variety of potato⁴⁸ in 2008, which is grown for sale within The Co-operative Food stores.

Support for organics

Organic produce is grown using a highly restricted range of pesticides and fertilisers. During 2008, the range of organic products offered within The Co-operative Food decreased (from 782 to 713), whilst sales increased by 15% to £30.1m (2007: £26.3m⁴⁹). Own-brand organics accounted for 12% of the organic range at the end of 2008 (2007: 10%). The Co-operative Food's broader work to reduce pesticides across all own-brand products, which brings with it biodiversity benefits, is described on page 94.

CFS and ethical finance

Bank screening of finance

The bank's customer-led Ethical Policy contains a commitment not to invest in businesses whose core activity contributes to the unsustainable harvest of natural resources, including timber and fish.

During 2008, 43 finance opportunities (2007: 56) were referred to the Ethical Policy Unit in connection with biodiversity, of which two were declined (2007: 2) at a cost of £410,000 (2007: £350,000) in terms of estimated income foregone in 2008.

Biodiversity-related business declines 2008

	Estimated income foregone 2008
Road builder £20m lending to finance the operation and maintenance of a motorway, which damaged two Sites of Special Scientific Interest and generated strong local opposition. Provision of finances considered inconsistent with the bank's decision to refuse to finance construction of the road in 2001.	£310,000
Quarrying Banking facilities for a business engaged in quarrying in a scheduled Ancient Monument area. Business had systematically exceeded extraction quotas and had applied to extend its operations in a National Park. Also evidence of sustained community opposition to the quarry.	£100,000

Bank finance for business positively impacting on biodiversity

In contrast, banking services were provided to a new business engaged in the production of pre-fabricated timber 'eco-housing' that used timber sourced from Forest Stewardship Council-certified suppliers.

The Co-operative Insurance overseas shareholder resolutions – biodiversity

In 2008, The Co-operative Insurance was presented with one overseas shareholder resolution relating to biodiversity, which was supported. The resolution called on Barrick Gold Corp to establish an independent environmental committee to monitor the impacts of a mining project.

The Co-operative Insurance: palm oil

In 2008, The Co-operative Insurance contributed to a Palm Oil Finance handbook, produced by WWF, which provides guidance to the investment and banking communities on how they can incorporate palm oil sustainability into their investment decisions. In addition, The Co-operative Insurance, along with the UK Social Investment and Finance, organised and presented at an investors' event on sustainable palm oil. In early 2009, The Co-operative Insurance provided the Palm Oil Finance handbook to three UK-listed banks in which it invests⁵⁰, encouraging them to develop policies governing services they provide to the palm oil plantation sector.

RSPB credit cards (in support of UK wetlands)

Between 1999 and 2008, over £4.9m was raised for Britain's threatened wetlands via the Royal Society for the Protection of Birds (RSPB)⁵¹ credit cards (£447,181 during 2008⁵²). The RSPB receives £18 for every account opened, and a further £2.50 if the card is still being used six months later. In addition, the RSPB receives 25p for every £100 spent using the card. Monies raised have facilitated the restoration and management of 1,500 hectares of reedbed. This habitat supports species including the endangered bittern.

Woodland Trust credit cards (in support of UK woodlands)

In 2007, the bank launched a Woodland Trust affinity credit card. The UK is the least wooded country in Europe, with just 12% woodland cover, compared with a European average of 44%. Monies raised through the card will help the Trust reverse this trend and support a range of woodland protection and creation projects, such as the 'Tree for All' campaign. Tree for All aims to plant 12 million trees – one for every child in the UK. Since the Woodland Trust credit card was launched in 2007, it has raised over £61,000, enough to help the Woodland Trust plant 8,844 trees; £33,441 of this total was raised in 2008.

Bonus Account (in support of animal welfare and conservation)

The bank offers a youth account in support of animal welfare and conservation. Since 2003, the Bonus Account, in partnership with the Born Free Foundation⁵³, has provided £124,938 (£11,938 in 2008) of support to projects such as anti-poaching units in Zimbabwe and Kenya, Cameroon chimpanzee sanctuaries, and conservation projects for sea turtles in Tanzania and tigers in India.

Community involvement

UK community woodlands

In 1997, The Co-operative Bank committed £300,000 to the development of four community woodlands in Greater Manchester. The four woodland sites were all formerly landfill sites or opencast mines. The North West of England has one of the lowest levels of tree cover in England, and the bank's sponsorship has led to the creation of 48.5 hectares of new woodland. A website⁵⁴ provides information on the habitats and species found within the community woodlands, including biodiversity audit findings.

Member involvement

The Wales & Borders Membership team made a £20,000 donation to the Marine Conservation Society, to support work to keep Britain's beaches clean and safe. Members provided further support, taking part in cleaning beaches and litter surveys.

Influence and action

Plan Bee

In January 2009, The Co-operative Group launched Plan Bee, a 10-point plan⁵⁵ to highlight the decline of the honeybee. One element of Plan Bee is to raise awareness amongst the Group's members, encouraging them to take action within their own gardens that will benefit bees. As part of The Co-operative brand relaunch events in February 2009, over 1.2 million members were invited to 38 regional meetings, which featured screenings of the film 'Return of the Honey Bee' and RSPB-facilitated workshops on wildlife gardening. Approximately 3,500 members attended the events and, as of March 2009, 2,000 had signed up to the Plan Bee website; furthermore, 20,000 packets of wildflower seeds had been made available to members, to promote the need for additional forage for bees in their gardens.



Beehives on The Co-operative Farms at Tillington. Bee keepers will be invited to establish hives on the Group's farms, as part of Plan Bee.

The Co-operative Group will make available £150,000 to support research into the decline of the honeybee, with a particular focus on UK farming, pesticides and gene diversity. This is the largest-ever private contribution to bee research in the UK. In addition, a range of other activities will be taken forward: The Co-operative Food will temporarily prohibit the use of neonicotinoid-based pesticides on own-brand fresh produce (page 94); over three years, The Co-operative Farms will trial a new wildflower seed mix that will be planted alongside crops on its farms across the UK; and beekeepers will be invited to establish hives on all the Group's farms in the UK.

Marine reserves

The Marine and Coastal Access Bill, announced in the Queen's Speech on 3 December 2008, offers an opportunity to introduce marine reserves; a key recommendation of The Royal Commission on Environmental Pollution's (RCEP) 25th report 'Turning the Tide: addressing the impact of fisheries on the marine environment'. As drafted, when the Bill becomes law, it will place a statutory duty on Ministers to create Marine Conservation Zones, but does not yet specify a timetable for their introduction, or indicate what a network of Marine Conservation Zones would look like or what level of protection they would receive.

Following the Queen's Speech, The Co-operative Group and The Marine Conservation Society (MCS) launched a new campaign for 'Marine Reserves Now!' and wrote to Rt Hon Hilary Benn MP, Secretary of State for Environment, Food and Rural Affairs on the issue. Via a campaign website⁵⁶, the Group and MCS have mobilised members, customers and supporters to write to their MP calling for the Marine and Coastal Access Act to: include a clear statutory 'duty' to designate an 'ecologically coherent network' of Marine Protected Areas; include Highly Protected Marine Reserves (no-take reserves closed to commercial fishing) on the face of the Bill; have the general offence loophole specifically for sea fishing removed; and extend the general offence of 'damage' to a Marine Conservation Zone and include reckless, as well as intentional, damage. The MP letter also calls for political parties to adopt a policy/manifesto commitment for 30% Highly Protected Marine Reserves to be achieved by 2020, with intermediate targets of 10% by 2012 and 15% by 2015. It requests that MPs sign Early Day Motion 337, which supports RCEP's recommendation for a network of Highly Protected Marine Reserves. As at 23 April 2009, 2,104 supporters had contacted their MP and 164 MPs had signed the Early Day Motion.

On 22 January 2009, The Co-operative Group made a submission to the House of Commons Environment, Food and Rural Affairs Committee inquiry on 'Securing food supplies up to 2050: the challenges for the UK'. As part of this written evidence The Co-operative Group advised that the UK faces serious challenges to the security of its food supplies sourced from the marine environment. It stated that it expects fish populations and catches to continue to decline on the present trajectory if the marine management system remains as it is, and that measures such as the introduction of Highly Protected Marine Reserves are required to help secure fish stocks as a sustainable resource for the future.

In March 2009, The Co-operative Group and MCS met with the Fisheries Minister, Huw Irranca-Davies MP, to set out concerns with the present drafting of the Marine and Coastal Access Bill and to advise of the Group's intention to ask MPs to table amendments when the Bill enters the House of Commons for its second reading.

Ahead of the Bill's second reading, The Co-operative Group and MCS wrote to all MPs in support of the proposed amendments and advised of levels of constituency support for marine reserves from both an in-store keypad vote in Food retail stores and an MCS petition. For one week in late January 2009, The Co-operative Food customers were asked, via keypads at 2,130 stores: "I support marine reserves to protect UK seas – Yes/No", with an accompanying plasma till-screen display on the issue. Of the 362,970 customers who participated, 301,697 voted 'Yes' (83.1%).

Deforestation

World forests are disappearing at the rate of one football pitch (one acre) per second. Of these, tropical forests are the most ecologically rich, home to at least 70% of the world's plants and animals. In 2007, in response to the continued threat of massive tropical deforestation, The Co-operative Bank sponsored the RSPB report 'Tropical Forests and Climate Change'⁵⁷, which highlighted the link between avoided deforestation and both the preservation of biodiversity and avoidance of dangerous climate change. Following the report, in early 2009, The Co-operative Group committed £20,000 to support research by the RSPB into addressing deforestation in Sierra Leone. The Co-operative Group's wider approach to climate change, including avoided deforestation, is further described on pages 64–77.

Common Agricultural Policy – subsidies and end of set-aside

In September 2008, The Co-operative Farms responded to the Department for Environment, Food and Rural Affairs (Defra) and Scottish Government's Rural Directorate consultations on the European Commission's Health Check of the Common Agricultural Policy. In the submissions, The Co-operative Farms welcomed the shifting of agricultural subsidies to encourage a greater focus on environmental protection as positive and necessary, coupled with an emphasis on the further development of rural areas, provided payments to large farmers were not capped.

The Co-operative Farms highlighted that, if progressive modulation proposals for subsidies were introduced as currently drafted, it would put the business at a serious competitive disadvantage from 2012, as it discriminated against large landowners who farm, as opposed to those who rent their land to third parties. This competitive disadvantage risked a loss of farms and profitability, bringing with it serious concerns about the future of the Group's farming business. In the submissions, The Co-operative Farms stated that there was an argument for co-operatives to be excluded from these proposals because of the way in which they are owned, and the way in which they farm. The Co-operative Farms accepted that subsidy payments will reduce, but stated that they must reduce to all farmers on a level playing field, which the proposals, as drafted, would not facilitate. Progressive modulation has since been introduced, which reduces payments to large farmers by 4%.

In its response to the above-named consultations, The Co-operative Farms also recognised that ending set-aside would enable greater food production, but stressed the importance of the agricultural sector reducing its environmental impact and called for the Government to put robust measures in place to capture the key environmental benefits of set-aside, with influence levied at the EU level.

Read more in this Report

Subjects covered elsewhere in the Report include:

- The Co-operative Food Pesticide Policy (pages 94–95).
- Organic protein and dairy products (page 27).
- Traditional animal breeds (page 27).
- Climate change and deforestation (page 73).
- Soil Association organic standard/air-freight consultation (page 23).
- Plan Bee: Campaign to highlight the decline of the honeybee – prohibited pesticides (page 94).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).
- The Co-operative Food Ethical Policy (page 9).

Accompanying notes

- 1 WWF (2008) 2010 and beyond – Rising to the Biodiversity Challenge.
- 2 Birdlife International (2007) Wellbeing Through Wildlife in the EU.
- 3 Results from the 2005 Co-operative Insurance Ethical Policy consultation.
- 4 www.msc.org
- 5 Canned red salmon (Alaskan only) 105g, 213g, 418g, canned pink salmon (Alaskan only), 105g, 213g, 418g, frozen Healthy Living salmon in watercress sauce (Pacific), mini classic fish pie (hoki), salmon and cucumber sandwich, ready to eat peppered smoked mackerel (not labelled MSC-

certified), ready to eat smoked mackerel (not labelled MSC-certified), smoked kippers (not labelled MSC-certified) and frozen salmon fillets, and frozen hake provencal.

- 6 Three further products are sourced from fisheries currently being assessed for MSC accreditation. These are: breaded Scottish haddock, lightly dusted Scottish haddock and frozen haddock florentine (Scottish).
- 7 Further information on The Co-operative Food's guide to the responsible sourcing of fish is available at www.co-operative.coop/food/food/Own-brand-fish/
- 8 www.iucnredlist.org/search

- 9 www.mcsuk.org
- 10 www.greenpeace.org.uk
- 11 The EI monitors this claim. www.earthisland.org
- 12 Drift nets are kept at, or below, the surface of the sea by numerous floats, and drift with the current. They may be used close to the seabed (eg, shrimp drift net) or at the surface (eg, herring drift net), usually across the path of migrating fish schools. Fish strike the net and become entangled in its meshes.
- 13 The tuna/dolphin controversy centres on the Eastern Tropical Pacific fishery where, unusually, schools of large yellowfin tuna associate with dolphins. In a practice that began in the 1950s, purse seiners maximise their catches of yellowfin tuna by chasing and setting their nets on herds of dolphins. This practice has resulted in very high numbers of dolphin deaths.
- 14 www.gaalliance.org
- 15 www.fishonline.org
- 16 The Co-operative Food's sustainable fish sourcing policy requires cod to be line-caught from specific areas, such as Iceland or Norway, where stocks are deemed to be acceptable and well managed.
- 17 www.greenpeace.org.uk/oceans/the-tuna-retailers-league-table-2008
- 18 WWF (22 November 2005) UK top of the pile in illegal logging scandal.
- 19 WWF-UK FTN's mission is to improve the management of the world's production forests via use of the purchasing power of UK businesses and consumers. www.wwf.org.uk/ftn/index.asp
- 20 FSC certification includes FSC mixed-source certification, which requires a timber product to contain a minimum of 50% FSC-certified material and the remaining materials to be from controlled sources.
- 21 Sets international standards for responsible forest management, accredits independent third-party organisations that certify forest managers, products and producers to FSC standards. www.fsc.org/en/
- 22 Own-brand chopping boards are made from rubberwood, derived from old plantation trees.
- 23 FSC mixed-source products contain a mix of timber from other certification schemes, such as PEFC and/or recycled materials (in addition to FSC-certified raw materials). The Co-operative uses the volume credit system, with a 50% threshold for FSC timber content.
- 24 www.greenpeace.org.uk/forests/tissue-guide
- 25 FSC mixed source 50% SW-COC-003477.
- 26 The majority of which are made using mahogany or American red oak.
- 27 Wood-grain effect cardboard contains 25% recycled content; white cardboard contains 63% recycled content.
- 28 www.co-operative.coop/ethicsinaction/climatechange/carbonoffsetting/some-of-the-schemes-we-help-to-fund/
- 29 www.greenpeace.org.uk/forests/palm-oil
- 30 C Nellemann, L Miles, BP Kaltenborn, M Virtue and H Ahlenius (Eds) (2007) The last stand of the orang-utan – State of emergency: Illegal logging, fire and palm oil in Indonesia's national parks, United Nations Environment Programme.
- 31 Estimation made by The Co-operative Food in 2007. Modifications are currently underway to allow more accurate data to be gathered, which has resulted in an incomplete data set for the 2008 period.
- 32 www.rspo.org
- 33 The product composition document requests that suppliers consider other types of oils, ideally from non-tropical sources, in the formulation of a product before palm oil, where it does not have an impact on flavour or functionality of the final product. Some products may be allowed to use palm oil to fry strictly on permission of the Group's Technical Manager, although in these cases sustainable palm oil will be a requirement.
- 34 www.rspb.org.uk/ourwork/policy/water/water/peat_bogs/index.asp
- 35 www.jncc.gov.uk/default.aspx?page=2001
- 36 According to the Peak District fact sheet, produced by the Peak District National Park Authority, it is estimated that 18–22 million day visits, and 2.5 million overnight stays are made every year (from GBA/HETB 2001). www.peakdistrict.gov.uk/tourism.pdf
- 37 Heritage Lottery Fund, Peak District National Park Authority, National Trust, Natural England, United Utilities, Severn Trent Water, Environment Agency, Derbyshire County Council, Sheffield City Council, Yorkshire Water and Moorland Owners.
- 38 Sphagnum moss is the fundamental building block of the world's peatlands. It creates waterlogged anaerobic, acidic conditions that prevent micro-organisms from growing easily and breaking down dead vegetation. This allows plant remains to accumulate at a faster rate than they are decomposed, thus forming peat.
- 39 The degradation of sphagnum moss, as a result of 250 years of industrial pollution, has resulted in the erosion of blanket peat. The erosion of blanket peat leads to the drying out and exposure of peat.
- 40 The Co-operative Food does not distinguish between soil conditioners and growth media; therefore, the target for both is to reduce by 10% peat content.
- 41 Includes bagged compost and compost for household and bedding plants.
- 42 Planted arrangements were planted into containers using 0% peat content compost; however, the plants were grown in a mixed compost.
- 43 The amount of set-aside was significantly reduced in 2008 to 725 hectares. Set-aside was introduced as part of the Common Agricultural Policy (CAP) reform in 1992. A minimum of 15% set-aside was enforced on all crop growers, this then dropped to 10% in 2000, and, due to rises in grain prices, was removed entirely for the harvest of 2008. For this reason The Co-operative Farms chose to farm some of the land that had previously been set-aside. www.ukagriculture.com/crops/setaside.cfm
- 44 www.defra.gov.uk/farm/environment/land-manage/setaside.htm
- 45 www.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx
- 46 The decrease in the hectareage of land managed under the Entry Level Stewardship Scheme is due to the sale in 2008 of land that was previously managed under the scheme.
- 47 Eight plots of set-aside land, measuring 6m wide by 30m long, will be used on each site for the trial.
- 48 The new variety of potato is named the 'Pioneer'.
- 49 2007 figure has been updated from 2007 Sustainability Report, which had previously not included the North West Region.
- 50 HSBC, Barclays and Standard Chartered.
- 51 www.rspb.org.uk
- 52 Over £7.2m has been raised since 1989.
- 53 www.bornfree.org.uk
- 54 www.co-operative-woodlands.co.uk
- 55 www.co-operative.coop/planbee
- 56 www.marinereservesnow.org.uk
- 57 www.rspb.org.uk

ecological sustainability **persistent, bioaccumulative and toxic (PBT) chemicals**

Indicators

PBT reduction: Food

PBT reduction: Non-Food

PBT reduction: Goods not for resale

Targets 2008

- ✓ Launch a range of household products accredited to the EU Eco-label standard (page 93).
- ↻ Complete the roll-out of The Co-operative Food's Pesticides Policy across all aspects of chilled and frozen food categories, using a web-based pesticides portal system to aid delivery (page 94).
- ↻ Review The Co-operative Food's Pesticides Residue Testing programme to increase the scope of the testing; deliver better results analysis; and deliver improved online reporting (pages 94–95).

✓ target achieved = on track ✗ target not achieved
 ↻ close to target ↻ behind schedule

Targets 2009

Complete the roll-out of The Co-operative Food's Pesticides Policy across all aspects of frozen vegetables and potato categories, using a web-based pesticides portal system to aid delivery.

Review The Co-operative Food's Pesticides Residue Testing programme to increase the scope of the testing; deliver better results analysis; and deliver improved online reporting.

Progress the development of a Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) database within The Co-operative Food.

Review the European Chemicals Agency (ECHA) list of substances of very high concern (SVHCs) and amend The Co-operative Food's Chemicals Strategy to reflect any subsequent changes.

Identify whether any products on sale within The Co-operative Food contain 0.1% or more of SVHCs by 2011 and notify ECHA.

Background

Over 100,000 synthetic chemicals are now registered for use in the EU and 400 million tonnes are produced globally each year¹. However, reports have shown that minimal, or no, toxicity data exists for the majority of these chemicals and most have never been adequately assessed for their human and environmental safety².

Concerns with synthetic chemicals and their use generally centre on the following:

- Persistence – where chemicals are resistant to degradation through natural processes and consequently persist in the environment.
- Bioaccumulation – where chemicals that plants and animals cannot break down properly accumulate in Nature.
- Toxicity – where chemicals cause direct damage to organisms that are exposed to them.

Materiality and strategy

Within the Trading Group of businesses, The Co-operative Food and The Co-operative Farms consider safe management of synthetic chemicals as a priority. As part of the most recent Ethical Policy consultations (page 39), 97% of The Co-operative Bank's customers stated that they do not wish to see their money invested in businesses whose core activities contribute to the manufacture of chemicals that are persistent in the environment and linked to long-term health concerns. Additionally, 90% of The Co-operative Bank's customers also voted not to see their money invested in businesses whose core activities contribute to the development of nanotechnology in circumstances that risk damaging the environment or compromising human health. 95% of The Co-operative Insurance's customers wish it to encourage businesses to end the production of chemicals that cannot easily break down, and that build up and contaminate plants and animals. In the 2007 Co-operative Food Ethical Policy consultation (page 9), 98% of members endorsed the Group's commitment to continue to be the UK's leading retailer in the removal of substances of concern, particularly additives and pesticides.

The Co-operative Food Chemicals Strategy

In 2001, The Co-operative Food prioritised a list of more than 20 chemical types for removal from own-brand products. Chemicals were primarily selected as defined by the Oslo–Paris Convention for the Protection of the Marine Environment of the North East Atlantic (OSPAR)³. In addition, chemical groups for which there was emerging evidence of problematic impact (such as Bisphenol A and PVC) were targeted. The list is reviewed, and new chemicals added as merited, with the precautionary principle⁴ continuing to exert a strong influence on deliberations.

A full list of The Co-operative Food's Chemicals for Priority Action, together with progress to date, is provided online⁵. More than 40 chemical groups are now listed for screening, although, in some cases, legislation has severely restricted the options for usage; for example, in the case of cadmium⁶.

Detailed overleaf are examples of decisions taken and their rationale, in connection with areas where there is concern, but, as yet, no internationally established consensus.

Examples of decisions taken on chemicals listed for priority action

Chemical	Issue	Action taken
Perfluorooctanoic acid (PFOA)	PFOA is a key-processing agent in making non-stick and stain-resistant materials. It is very persistent in the environment. Possible links to cancer and birth defects in humans and animals are currently being investigated ⁷ .	As of 2004 PFOA was removed from all non-stick bakeware. Alternatives across The Co-operative Food's full cookware range are currently being identified.
Perfluorooctane sulphonates (PFOSs)	PFOSs are persistent in the environment, bioaccumulative in the fatty tissue of living organisms and are toxic to humans and wildlife ⁸ . They are suspected of reducing fertility and lowering birth weight in humans ⁹ . They are present in many products including polishes, paints and general-use cleaning fluids.	In 2008, PFOSs were completely removed from all The Co-operative Food's own-brand products.
Formaldehyde	Formaldehyde is carcinogenic to humans ¹⁰ and is used in household products, such as washing-up liquid, as a preservative.	Formaldehyde was removed from all own-brand household products in January 2008.
Diethyl phthalate (DEP), dibutyl phthalate (DBP) and diethylhexylphthalate (DEHP) – a group of chemicals collectively known as phthalates	DEHP and DBP are suspected of disrupting the body's hormone system ¹¹ . DBP and DEHP are both used as plasticisers in plastics and DEP is used in perfumes.	DBP and DEHP were removed from own-brand clingfilm and children's toys in 2003. DEP has not been used in own-brand products since 2005.
Triclosan, often marketed under the name Microban®	Triclosan is an anti-bacterial agent. Concerns exist about bioaccumulation in humans ¹² and about it causing antibiotic resistance ¹³ .	Triclosan was removed from all own-brand products, such as cleaning fluids, in 2002.
PVC (polyvinylchloride)	PVC is a plastic with a wide variety of uses. If PVC is burned, it can release toxic chemicals, including dioxins. These chemicals can bioaccumulate, and contribute to problems in development, reproduction, growth and behaviour ¹⁴ .	The Co-operative Food aims to phase out the use of PVC in its own-brand packaging and communicates this to its suppliers within its Packaging Policy. PVC is thought to account for only 1% of own-brand packaging, and is only used by permission where no other alternative exists.
Bisphenol A (BPA)	BPA is believed to be a hormone disruptor ¹⁵ and is used in the manufacture of the plastic polycarbonate. BPA is also used as a can lining and as a seal for jars.	Since March 2004, all baby bottles sold have utilised polypropylene. To date, The Co-operative Food has been unsuccessful in the process of BPA phase-out in can linings and jar seals.
Parabens	Parabens are widely used as a preservative in cosmetics and toiletries, but are suspected to be hormone disruptors and carcinogens ¹⁶ .	As of 2005, progressive phase-out has commenced; however, currently, there are no suitable alternatives for 'leave-on' applications.
Brominated flame-retardants, specifically polybrominated diphenyl ethers (PBDEs)	Brominated flame-retardants are a group of chemicals of which some, specifically polybrominated diphenyl ethers (PBDEs), are known to bioaccumulate ¹⁷ .	PBDEs were removed from all own-brand textiles with the application of the Oekotex Standard for human ecological safety of textiles ¹⁸ .
Artificial musks – two main groups, nitro musks and polycyclic musks	These are artificial perfumes used in a wide variety of household products. The two main groups, nitro musks and polycyclic musks, have been shown to be persistent and bioaccumulative ¹⁹ .	Nitro musks were removed from own-brand products in 2004 and polycyclic musks were removed in 2005.

In May 2008, The Co-operative Food launched an own-brand ecological cleaning range. The new range consists of seven products – laundry powder, fabric conditioner, all-purpose cleaner, washing-up liquid, toilet cleaner, dishwasher tablets and laundry liquid. At the time of launch, the range was the only brand in the UK to carry both the EU's Eco Flower logo²⁰ and the BUAV 'Cruelty-Free' logo²¹.

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)²² is a European regulation that came into force on 1 June 2007, the implementation of which will be phased in over an 11-year period until 2018²³. The Co-operative Group supports the overall principles and objectives of the regulation to further improve the protection of human health and the environment. The Co-operative Food undertook the following actions in 2008 and early 2009 within its REACH work programme.

- Compliance letters were sent to all non-food product suppliers requesting they ensure compliance with the regulation. Guidelines on REACH compliance were also written into the non-food policy document, which is issued to all non-food suppliers.
- All suppliers have been contacted, asking them to notify The Co-operative Food of any products that currently contain substances of very high concern (SVHCs).

In line with the requirements of REACH, The Co-operative Food has committed to the following:

- Information on the use of an SVHC within an article as identified by REACH will be provided following any consumer queries, within a 45-day period, in compliance with the regulation.
- The ECHA will be notified as to whether any products contain 0.1% or more of SVHCs, by 2011.

- A REACH supplier database will be produced in 2009. This will be populated with data regarding SVHC and pre-registration numbers. The database will be used to assess suppliers to ensure they are complying with the regulation.

The Co-operative Food Pesticides Policy

The UK Pesticides Safety Directorate defines pesticides as 'any substance, preparation or organism prepared or used for controlling any pest'²⁴. Over 1,000 different chemicals are made globally and sold in tens of thousands of mixtures for use as pesticides²⁵. These chemicals are designed to exert toxicity selectively, but they can sometimes have unintended consequences for human health (both that of the grower and consumer) and the environment.

In recent years, The Co-operative Group has developed a market-leading Pesticides Policy, which seeks to reduce the use of pesticides in all of its own-brand fresh and frozen produce. The Policy determines that the use of pesticides by growers should be considered only as a last resort, when the use of preventative measures (such as land choice, crop rotation and crop hygiene, and cultural and biological controls) have been fully explored with limited success.

In 2001, The Co-operative Food worked with suppliers to draw up a list of pesticides where use would be prohibited (approximately 20) or restricted (approximately 30) in the production of fresh, frozen, dried and canned produce, ready meals (frozen), wine and a number of ambient grocery lines. These were considered higher-risk products in respect of the potential to contain significant levels of pesticide residues.

In 2004, The Co-operative Food established a Pesticide Advisory Group comprising individuals from The Co-operative Food, The Co-operative Farms, expert NGOs and the UK Government's Advisory Committee on Pesticides, with a view to the further development of the Pesticides Policy. A 'hazard framework' was developed to guide the future acceptability, or otherwise, of pesticides²⁶. During 2004 and 2005, over 800 chemicals were analysed using the framework, and, in summer 2005, a list of problematic pesticides was identified for potential prohibition and monitoring. During 2006, consultation with suppliers sought to establish whether a commercial need existed for the use of these pesticides, and the new Pesticides Policy, containing 24 banned, 98 prohibited and 322 monitored pesticides, was formalised at the end of 2007²⁷. Additionally, as part of The Co-operative's Plan Bee (page 90), a further eight neonicotinoid pesticides were added to the prohibited list²⁸, bringing the total to 106 at the start of 2009.

The policy terms are defined as:

- **Banned** – pesticides should never be used under any circumstances;
- **Prohibited** – pesticides should not be used, other than in exceptional circumstances pre-approved by The Co-operative Food; and
- **Monitored** – pesticides may be used, but more benign alternatives should be considered and full justification for use should be made available on request by The Co-operative Food.

Feedback was received from a limited number of overseas suppliers who indicated that, for certain crops, the extended list was problematic. Potential issues were also highlighted in relation to some UK crops (eg, early potatoes) and, whilst these can be resolved by site selection, this may impact upon availability and quality.

In 2007, an internet-based pesticides portal (known as the EPAW system) was rolled out to all tier-one produce suppliers. The portal

is designed to help suppliers comply with The Co-operative Food's policy requirements and to source information to control the most hazardous situations for workers, suppliers and consumers. The system allows suppliers to check the current status of all listed pesticides (whether they are banned, prohibited or monitored), and to make an online derogation application for prohibited pesticides where necessary. In time, the system will allow analysis of pesticide application, from any country of origin. It will also help suppliers to set targets to reduce the usage of monitored and prohibited pesticides. Progress against the 2008 target to extend the Pesticides Policy across additional produce categories has been slow, due to technical issues with expanding the EPAW system. In 2009, The Co-operative Food has set a target to complete the roll-out of the Policy to all frozen vegetable and potato categories.

Regular audits are undertaken to ensure compliance with the Pesticides Policy. These comprise desk-based traceability audits²⁹, site audits, agronomic audits and pesticide analysis, the latter of which is undertaken on a monthly basis by an independent third-party analytical laboratory. The Co-operative Food relies on its tier-one produce suppliers, of which there are approximately 65, to ensure that growers further down the supply chain comply with the Group's restrictions and all legal requirements, such as ensuring that the maximum residue limit (MRL)³⁰ for pesticides is not exceeded in any produce they handle.

The Co-operative Food pesticide residue analysis, 2003–2008

Pesticide analysis results	2003	2004	2005	2006	2007	2008
Total number of samples tested	220	243	268	184	238	257
Average number of tests per product sample	90	88	88	84	82	82
Number of residues in excess of MRL	4	4	2	3	0	0
% samples with no residues	58	56	48	64	74	70
Prohibited pesticides detected without derogation	-	-	-	5	0	0
Banned pesticides detected	-	-	-	-	1	0
Derogations granted for prohibited pesticides	-	-	-	-	13	39

Performance benchmark

In March 2009, Pesticides Action Network published a study comparing pesticides policies within 10 UK supermarkets. The Co-operative Food was named as one of three companies doing the most to address different issues of concern on pesticide use and the contamination of food³¹.

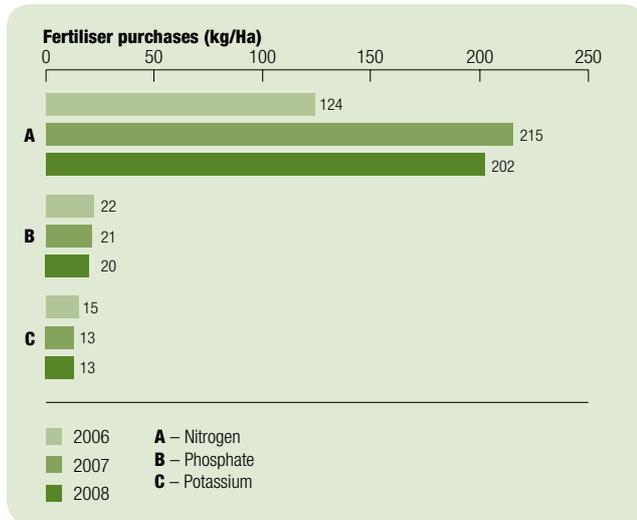
In instances where the Pesticides Policy is breached, sourcing from the specific supplier/grower temporarily ceases, pending the conclusions of a full investigation. Where appropriate, The Co-operative Food then secures corrective actions from the supplier; however, should these not prove to be forthcoming, the relationship with the supplier/grower will cease. In 2008, no MRL exceedances or banned pesticides were detected. The results of the Pesticide Residue Testing programme are no longer available

online, due to them being omitted from The Co-operative Food's new website, launched at the end of 2008. It is intended that online reporting will be reinstated in 2009.

The Co-operative Farms' use of chemicals

The Co-operative Farms has adopted integrated farm management (IFM), which combines traditional farming techniques with modern technology. The application of chemicals, such as fertilisers and pesticides, is minimised through crop rotation and varietal choices that maintain soil health and limit the spread of pests and plant disease. Minimum tillage is favoured, as this ensures that energy use during crop establishment is reduced and earthworm and soil microbe communities are better maintained. Soil samples are taken to determine nitrogen fertiliser requirements, and grain nitrogen is sampled to help refine the decision-making process on each individual farm.

The Co-operative Farms' fertiliser purchases (kg/Ha)



Fertiliser use

The Co-operative Farms apply fertilisers either via the soil for uptake by plant roots, or by foliar feeding for uptake through leaves³². Whilst fertilisers are not considered to be PBT chemicals, their use and excessive application can contribute to environmental problems, particularly waterway eutrophication³³, and minimal application is desirable.

Following a successful trial during 2007, The Co-operative Farms rolled out cab-mounted, real-time crop nitrogen sensors across all managed properties in 2009. The nitrogen sensors optimise field nitrogen fertiliser application. Information is assessed in real time, allowing nitrogen application to be constantly adjusted as the tractor passes through the crop. The apparent increase in nitrogen since 2006 is due to the availability of more complete data.

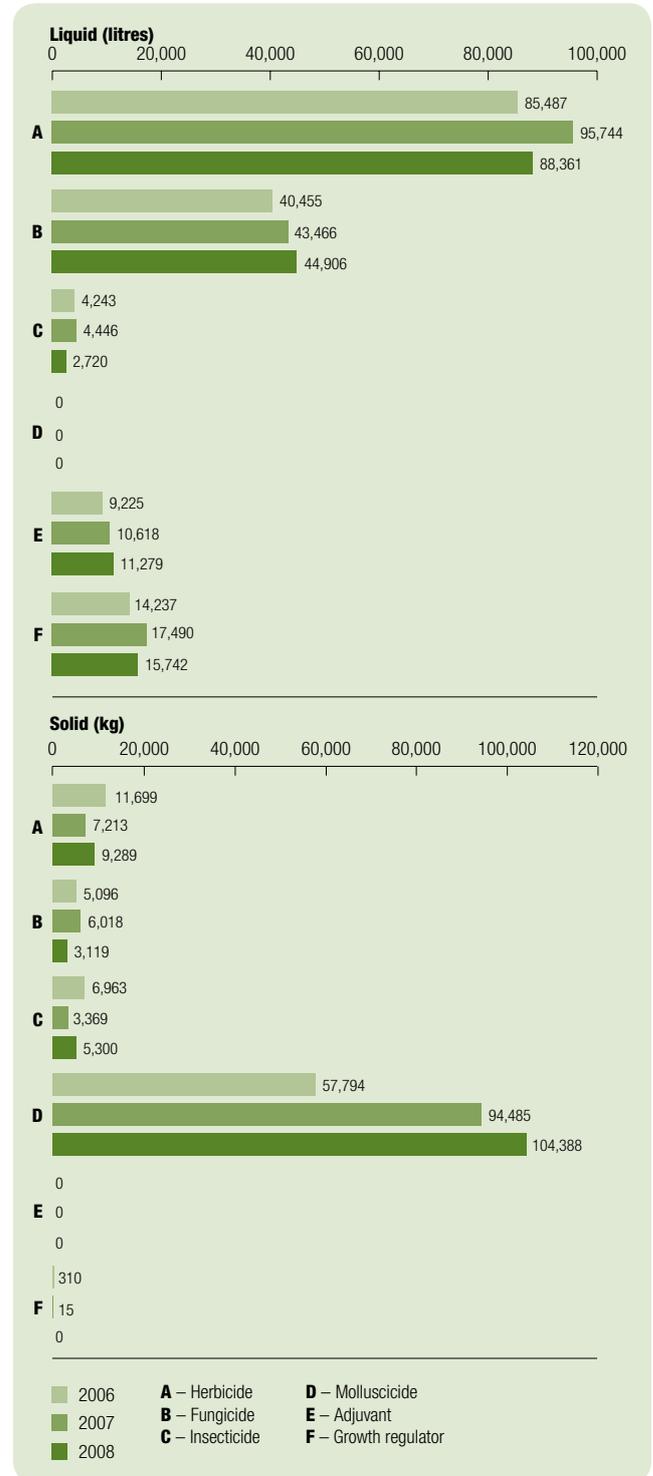
Pesticide use

The Co-operative Farms apply pesticides as foliar sprays or in solid form (eg, slug pellets). Chemicals used fall under four categories:

- Herbicide – used to control vegetation (weedkiller);
- Fungicide – used to control fungal diseases in plants;
- Insecticide – used to control insects; and
- Molluscicide – used to control slugs and snails.

In 2008, pesticide usage remained broadly comparable with 2007; particularly the use of solid molluscicide, which was used to combat slugs that thrived during another wet summer. Additionally, changes to set-aside requirements under Common Agricultural Policy (CAP) (page 91) resulted in large areas of set-aside land being brought back into production during 2008, increasing the overall amount of land in production requiring pesticidal treatment.

Pesticide, adjuvant³⁴ and growth regulator³⁵ purchases



CFS and ethical finance

Bank screening of finance

CFS seeks to be the leading retail bank and institutional investor in the global financial services industry in its response to PBT chemicals. The bank's customer-led Ethical Policy includes a commitment not to invest in businesses that are considered to contribute to the manufacture of chemicals that are persistent in the environment and linked to long-term health concerns. This position is consistent with the wider approach to this issue across The Co-operative Group. During 2008, 15 (2007: 12) finance opportunities were referred to the Ethical Policy Unit in connection with PBT chemicals, of which one (2007: two) was declined at a cost of £250,000 (2007: £341,000) in terms of estimated income foregone in 2008.

Chemicals-related business declines 2008

Chemicals-related business declines 2008	Estimated income foregone 2008
Refrigerant manufacturer £7m lending to a business engaged in manufacture and distribution of refrigerant products containing HCFCs and HFCs, which are potent ozone depleters. Ozone depletion is linked to health concerns, including skin cancer, and the Montreal Protocol requires that most HCFCs be phased out by 2010.	£250,000

Ethical procurement

CFS: Green office refurbishments

Since 2000, designated bank supplier contracts have been screened against a range of toxic chemicals, based on the OSPAR List of Chemicals for Priority Action³⁶, together with Bisphenol A and PVC. In 2003, screening was extended to The Co-operative Insurance³⁷. In 2008, work continued on the 'green branch' refurbishment programme, with a further eight corporate banking centres being refurbished according to the 'green branch' specifications. All reactive maintenance – for example, replacement of furniture and painting – carried out in 2008 was required to adhere to the specifications, with no exceptions.

CFS: Bank plastic cards

Virtually all credit and debit cards in the world are made of PVC³⁸. In 2001, the bank sourced an alternative to PVC, based on the plastic glycol-modified polyethylene-terephthalate (PETG), which does not contain chlorine, or use it in its production. All of the bank's credit, debit, electron and savings cards (over 2.4 million) are now based on PETG, following the phase-out of the last PVC electron cards in 2006.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Plan Bee: Campaign to highlight the decline of the honeybee (page 90).
- Support for organics (pages 27 and 89).
- Food additives (page 34).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).
- The Co-operative Food Ethical Policy (page 9).

Membership cards

Since their introduction in 2006, all new-style membership cards have been manufactured from PET, whereas most plastic cards of this type are manufactured from PVC.

Community involvement

The Co-operative Group provided £5,000 in sponsorship for Pesticides Action Network's annual Rachel Carson Memorial Lecture held on 4 December 2008 in London³⁹.

Accompanying notes

- 1 WWF (May 2003) Chemicals and Health in Humans.
- 2 US State of New Jersey, Institute of Occupational Medicine (2000) found minimal toxicity data existed for 66% of pesticides and their supposedly inert ingredients; 84% of cosmetic ingredients; 64% of drugs; 81% of food additives; and 88%–90% of commercial chemicals. The Environmental Defence Fund (1997) Toxic Ignorance identified that even the most basic toxicity testing results cannot be found in the public record for nearly 75% of the top volume chemicals in commercial use. www.edf.org/documents/243_toxicignorance.pdf
- 3 www.ospar.org
- 4 States that if an action or policy might cause severe or irreversible harm to the public, in the absence of a scientific consensus that harm would not ensue, the burden of proof falls on those who would advocate taking the action.
- 5 www.co-operative.coop/corporate/sustainability/chemicals
- 6 RoHS Regulations (2006), Dangerous Substances Marketing and Use Directive.
- 7 ENDS (2004) DuPont to Payout \$100m Over PFOA Pollution, ENDS Report 356 (September 2004) 10.
- 8 Europa (2006) Commission welcomes European Parliament's agreement for strict rules on the use of perfluorooctane sulphonates (PFOS). Brussels.
- 9 ENDS (2009) Fertility Fears Increase Over Non-Stick Chemicals, ENDS Report 409, (February 2009) 28.
- 10 International Agency for Research on Cancer (IARC), IARC Classifies Formaldehyde as Carcinogenic to Humans, press release 153, June 2004.
- 11 Friends of the Earth (2004) Shop till you drop?
- 12 Ibid.
- 13 ENDS (2007) Tackling a Grubby Reputation, ENDS Report 386 (March 2007) pp30–33.
- 14 ENDS (2005) MEP's Confirm Wide-Ranging Phthalate toy ban (July 2005).
- 15 WWF (2000) Bisphenol A: A Known Endocrine Disruptor.
- 16 Women's Environmental Network (WEN) (2003) Getting Lippy: Cosmetics, Toiletries and the Environment.
- 17 Sjödin, A et al (1999) Flame Retardant Exposure: Polybrominated Diphenyl Ethers in Blood from Swedish Workers, Environmental Health Perspectives, 107(8).
- 18 www.oeko-tex.com
- 19 Lukenbach, T and Epal D (2005) Nitromusk and Polycyclic Musk Compounds as Long-term Inhibitors of Cellular Xenobiotic defence systems mediated by multidrug transporters.
- 20 www.eco-label.com/default.htm
- 21 www.buav.org
- 22 Regulation EC 1907/2006. http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm
- 23 REACH regulations require manufacturers, importers and downstream users of chemicals to demonstrate safe product use and disposal for approximately 30,000 of the 100,000 chemical substances in use in the EU.
- 24 www.pesticides.gov.uk/about_pesticides.asp
- 25 Pesticides Action Network (PAN) (2007) Pesticides on a plate, a consumer guide to pesticide issues in the food chain.
- 26 The framework looks for prohibition triggers such as: annual daily intake, OSPAR listing, toxicity, bioaccumulation, soil and persistency, prior informed consent, carcinogenicity and endocrine disruption.
- 27 www.co-operative.coop/food/ethics/Environmental-impact/Chemicals-strategy/
- 28 Acetamiprid, Clothianidin, Dinotefuran, Imidacloprid, Nitenpyram, Thiacloprid, Thiamethoxam and Fipronil.
- 29 Traceability audits are undertaken by The Co-operative Food's Quality Assurance Team, which analyses the Pesticide Application Records relating to an individual product. These detail the number, rate and dates of pesticide application. Assurance is sought that the decision to use pesticides in the growing process has been based on sound information, and that due consideration has been given by the grower to integrated crop management procedures.
- 30 According to the Pesticides Safety Directive (PSD) (www.pesticides.gov.uk), maximum residue limits (MRLs) are established on the basis of highest residues expected when a pesticide product is applied in accordance with instructions for use (Good Agricultural Practice). Under these arrangements, the PSD contends that such residue levels do not pose unacceptable risks for consumers.
- 31 www.pan-uk.org/Projects/Food/supermarkets.html
- 32 Fertilisers are used to promote growth and supplement the three major plant nutrients (nitrogen, phosphorus and potassium), the secondary plant nutrients (calcium, sulphur, magnesium) and sometimes trace elements with a role in plant nutrition (boron, chlorine, manganese, iron, zinc, copper and molybdenum).
- 33 Excessive plant growth and decay that may lead to lack of available oxygen and reduced water quality affecting fish and other animal populations.
- 34 To decrease the use of pesticides, adjuvants are also utilised during application. An adjuvant is a substance, other than water, that is not a pesticide, but which enhances, or is intended to enhance, the effectiveness of the pesticide with which it is used. www.pesticides.gov.uk/appendices.asp?id=744
- 35 Growth regulators are synthetic plant hormones that modify natural growth in cereals and are used in conjunction with pesticides and adjuvants to optimise crop productivity.
- 36 www.ospar.org/content/content.asp?menu=00940304440000_000000_000000
- 37 www.cfs.co.uk/sustainability2003/ecological/persistent.htm
- 38 ICMA (International Card Manufacturers Association). www.icma.com
- 39 www.pan-uk.org/Projects/RCML/index.htm

delivering value **contents**

- 99** Modern co-operation
- 106** Economic impact
- 110** Employees
- 118** Customers
- 123** Public policy

Image: The Co-operative Farms, Tillington

Our **delivering value** priorities range from member democratic participation to corporate reputation, employee engagement to public policy lobbying.

approach to delivering value

Strategy

In its pursuit of sustainable development, The Co-operative Group seeks to deliver value to its stakeholders in an ecologically sustainable and socially responsible manner.

The core objective of The Co-operative Group is to optimise profits from its businesses, where co-operative values provide a positive marketing advantage. This allows the Group to serve its members and to deliver its social goals as a successful co-operative, whilst making a reasonable financial return to its member-owners, both corporate and individual. In working to achieve this objective, the Group considers and responds to the needs of its key stakeholder groups. Most importantly, its very nature as a co-operative business promotes a much higher degree of stakeholder responsiveness than is evident for the majority of businesses, not least through the integral role of members in Group decision-making.

Reporting

The Group's reporting priorities in respect of delivering value have been determined as modern co-operation, economic impact, employees, customers and public policy, and these are set out in the following section. All the Group's employees have a role to play in ensuring the business delivers value to stakeholders.

Developments

2008 saw the completion of the Constitutional Review that was initiated following the merger with United Co-operatives in 2007. The review has resulted in changes, in 2009, to the Board composition and led to the establishment of a two-tier Board structure, with a main Group Board and three subsidiary Boards. In addition, the number of membership regions was reduced from nine to seven (page 100).

2008 also saw the Group progress the biggest rebrand in UK retailing history, with over half of its outlets having been refitted by the end of the year. This was accompanied by the launch, in early 2009, of an extensive brand advertising campaign, focusing on the Group's ethical approach to business, and featuring Bob Dylan's 'Blowin' in the Wind'.



The Co-operative Group's two-and-a-half-minute TV advert, part of its £10m national advertising campaign, focuses on its sustainable development activities including walking buses, tackling climate change and the Group's commitment to Fairtrade.

Recognition

- In February 2008, The Co-operative Bank was ranked the best high street bank for customer satisfaction and smile was second, in the BBC Watchdog consumer satisfaction survey of banks and building societies¹.
- The first annual People's Choice report from Which? Money rated The Co-operative Bank and smile amongst the top three current account, savings account, credit card and mortgage providers for customer satisfaction (page 121)².
- The Co-operative Group is ranked within the UK's 50 Best Workplaces 2009³.
- The Trading Group's management magazine, Mag:ma, won an Award of Excellence 2008 in Europe's biggest communications competition⁴.
- The Co-operative Food was named the Multiple Retailer of the Year and the Overall Produce Trader of the Year at the Fresh Produce Journal's Re:refresh awards 2009⁵.
- At the Grocer Own Label Excellence Awards 2009, The Co-operative Food won awards for its Fairtrade 99 Tea, and its Truly Irresistible Berry Bliss dessert⁶.

Accompanying notes

- 1 www.bbc.co.uk/watchdog
- 2 www.which.co.uk
- 3 www.greatplacetowork.co.uk/best/list-uk.htm

- 4 British Association of Communicators in Business (CIB): www.cib.uk.com/content/events/awards/1212-cib-award-winners-2008.html
- 5 www.refreshconference.com
- 6 www.thegrocerownlabel.co.uk/page/2009_winners.html

delivering value modern co-operation

Indicators

Member economic involvement: share of profits

Member democratic participation

Membership diversity

Member training and education

Co-operation among co-operatives

Targets 2008

- ✔ Grow trading members by 500,000 in 2008 (page 99).
- ✔ Increase the number of members trading with more than one business by 10% (page 99).
- ✔ Agree an appropriate governance structure for the new Society in 2008 (page 100).
- ⓓ Develop accounting systems to ensure elected members' democratic influence can be more fully documented (page 101).

- ✔ target achieved
- ⓓ close to target
- ⓓ target dropped
- ⓖ on track
- ⓖ behind schedule
- ✘ target not achieved

Targets 2009

- Increase the number of members trading with more than one business by 10% in 2009.
- Commence the development of a consolidated membership scheme for the expanded society, following the recent mergers and acquisition.

Background

A co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise¹. There are more than 800 million individual co-operators worldwide², with co-operative businesses involved in everything from food retail, to housing, farming and education. The values that are at the heart of co-operation (inside front cover) are highly relevant to present-day concerns about responsible business practice, and the belief that business has a purpose and responsibilities beyond the sole pursuit of profit. The Co-operative Group is registered under the Industrial and Provident Societies Acts 1965 to 1978, and is owned and democratically controlled by its members.

Unusually for a UK consumer co-operative, the Group has both individual members and corporate members³; the majority of the latter being drawn from the UK co-operative societies to whom it provides services.

Materiality and strategy

The Co-operative Group is jointly owned and democratically controlled by its members. Members of The Co-operative Group enjoy a share of the profits and can exercise their democratic control, with equal rights and benefits. Key performance indicators (KPIs) for both the Trading Group and Co-operative Financial Services (CFS) include the KPI of 'growing and engaging membership'. The Group's strategy is to increase the number of members trading with its businesses, and to increase the amount of trade they do.

The Group seeks to deliver value to the rest of the Co-operative Movement, in line with the sixth co-operative principle, 'Co-operation among co-operatives'⁵. During 2008, the Group's Community and Campaigns Strategy (page 57), which was agreed by its Values & Principles (V&P) Committee (page 8) and which guided the Group's community and campaign activity from 2006 until the end of 2008, stipulated 'modern co-operation' as one of five priorities, with a view to encouraging the consideration and growth of co-operative enterprises across the economy. In the 2008 bank Ethical Policy review (page 39), 97% of customers expressed their wish for the bank to support co-operatives through the provision of financial services. In the Co-operative Insurance Ethical Engagement Policy consultation, 92% of Co-operative Insurance customers expressed their wish for it to promote co-operative enterprises.

Member economic involvement: share of profits

For just £1, anyone who is aged 16 or over, lives in the UK and agrees to the Co-operative Group's values & principles can become a member⁶. Members can participate in the governance (pages 100–102) and earn a share of the profits of the business. The card-based membership scheme records members' transactions and, in most cases, members will receive one point for each pound they spend in the Group's businesses. This, combined with their trade with The Co-operative Bank, The Co-operative Insurance and smile, which is determined separately, allows the Group to make twice-yearly payments based upon transactions across its businesses.

In 2008 over 593,000 new members⁴ joined and there was a 52% increase in the number of members trading with more than one business. During 2009, following the merger of CFS with Britannia (inside front cover), 1.7 million members of Britannia will automatically be included in The Co-operative Membership scheme. The scheme will also be rolled out across the expanded business during 2009, following the recent amalgamation of businesses with the Group (inside front cover). As such, it is not considered appropriate to set a target relating to growing trading member numbers in 2009.

In outlets previously operated by United Co-operatives, the Group's Membership scheme was launched on 13 January 2008. Midcounties Co-operative became the first independent co-operative to adopt the Group's membership branding in 2007, allowing customers from both societies to use their membership cards in both the Group's and Midcounties' stores. Anglia Regional Co-operative Society adopted the Group's membership brand in November 2008. Both Midcounties and Anglia retain control of their respective membership schemes, including share of the profit payments and voting rights.

In respect of 2008, 2.46 million Co-operative Group members earned a dividend⁷. A dividend payment of £102.9m⁸ was approved at the Group's AGM in June 2009.

The Co-operative Group is committed to delivering a return of profits to members who trade with the business. Since the Group's membership scheme was re-launched in 2006 the number of members earning a share of the profits in the business has increased significantly.

Profits for distribution

	In respect of:			
	2005 (£m)	2006 (£m)	2007 (£m)	2008 (£m)
Individual members ⁹	9.9	18.9	44.9	50.3
Corporate members	15	15.1	24.9	19.5
Community dividend	1	2.1 ¹⁰	10	10
Employee dividend	1.7	6.3	19.9	23.1

Members earning a share of profits¹¹

2006	2007	2008
1,952,000	2,167,000	2,491,000

Democratic structure

New democratic structure

The Constitutional Review was established following The Co-operative Group's merger with United Co-operatives in 2007. The Constitutional Review Board was set up by the Board of Directors and comprised four directors from existing Group regions, four from the United Region and two corporate directors¹². The Board was tasked with reviewing the Group's constitution and identifying an appropriate governance structure for the new Society.

Throughout the latter half of 2007 and the first half of 2008, an extensive consultation programme was undertaken with elected and individual members, employees, elected committees and experts in particular fields of governance.

In May 2008, the Constitutional Review consultation document was published, which set out a number of principles. These principles were approved at a Special General Meeting of the Society on 19 July 2008, further to which a new Rule Book (the document that legally provides for the Society's governance) was developed and subsequently approved at a second Special General Meeting on 25 October 2008.

Amongst the key recommendations of the Review, approved by members, are the following:

- A structure of seven democratic regions¹³ (formerly nine) and 45 area committees, with specific provision also made for Northern Ireland;
- A three-tier democratic structure, with area committees, regional boards and the Group Board;
- A reduction in the size of the Group Board from 33 to 20 members (15 regional directors and five corporate members), with the inclusion of up to three independent professional non-executive directors (IPNEDs) on the Group Board;

- The creation of two subsidiary Boards (covering Food and Specialist Businesses) in addition to that already existing for CFS, comprising Group Board Directors, senior management and IPNEDs; and
- The continuation of a delegate-based system for general meetings, with representation from each region, as well as corporate members.

During this period, further consultation with members was undertaken, to help develop regulations and other processes that were required to underpin the formal constitutional arrangements. A separate process was also established to review the level of financial remuneration to be paid to directors and other elected members, with the establishment of an independent panel.

As a result of the changes to the Group's democratic structures and practices, all members of the Group's elected bodies were required to seek re-election if they wished to continue to represent members. Nominations for the area committees closed in December 2008, elections were held during early 2009, and results were declared in February 2009. Elections to regional boards followed, concluding in March 2009, as did elections to regional V&P Committees, concluding in April 2009. The Group Board elections took place during April 2009.

Throughout this transitional period, the existing Group and United democratic bodies continued to meet. Final meetings of area committees, regional councils and member relations committees were held in January 2009, with final meetings of the old regional boards and old regional V&P Committees taking place in February 2009. As part of the merger agreement, it was determined that serving elected members would be entitled to claim compensation for loss of office if they chose not to seek re-election in the new structure or if they were defeated in any elections.

Regional boards and area committees

Regional boards have a broad remit¹⁴, which extends across the Group's regional commercial interests. This includes: reviewing management proposals in respect of regional revenue and capital expenditure budgets; receiving and monitoring the sales and profitability of the region's core trading operations; making recommendations concerning the development of the region in line with core Group Board objectives and strategies; and approving regional capital expenditure proposals. Additionally, the regional boards have a number of key responsibilities in respect of constitutional arrangements and membership. Each regional board has a V&P sub-committee, which is tasked with ensuring that Co-operative principles and social goals are pursued at a local level. Regional board members have the opportunity to seek election to the Group Board and, to this end, it is possible to progress from being a customer of The Co-operative Group to a Board Director through established, democratic channels.

There are 45 area committees, which have similar commercial responsibilities, but at a more local level. They are required to: monitor trading performance in the locality; make recommendations to the regional board and management regarding the development of the business in the area; be consulted regarding intended store closures, store or business disposals and new developments; and provide management and regional boards with local intelligence and knowledge¹⁵. Additionally, area committees allocate Community Fund (pages 60–61) awards in line with national strategy, and work in partnership with local Group employees on membership activity and community initiatives.

Annual general meeting (May 2008) resolutions

Region	Motion	Response
Central & Eastern	Called on the Group to ensure that the Co-operative values & principles are evident in the supply of goods and services in all areas of the Group's business.	A director, on behalf of the Board, indicated support for the motion. It was advised that CFS operates a Sustainable Procurement and Supplier Policy and the Trading Group has a Code of Conduct for Sound Sourcing.
South East	Commended the proposal for the Group to support the development of an eco-town (page 74), as it is in keeping with the Society's longstanding commitment to protect the environment and improve opportunities for society.	The Board thanked the Regional Board and responded that, following the announcement that the Group's land to the south-east of Leicester had been selected for inclusion on the eco-town development shortlist, the Group's property team had been working with the Department of Communities and Local Government and Local Authorities, including Leicester and Harborough, to further develop the proposal.
South East	Called on The Co-operative Food stores to provide access to a wider range of food products.	The Board indicated its support for the motion. It advised that five larger, market town stores have been launched, which provide access to a wider range of products, and have proved to be very successful. A large store strategy has been developed, approved by the Group Board and is being implemented.

Half-yearly meeting (October 2008) resolutions

Region	Motion	Response
South West	Called on the Board to ensure that the Co-operative's ownership of all funeral outlets is clearly stated.	The Board resolved that it was in the interests of customers and in line with its ethics to ensure that its identity was clearly communicated.
Scottish and South East	Asked the Board to increase its efforts to source produce from Palestine, thereby helping Palestinian farmers. The motion also called for the Board to agree that The Co-operative Group will not purchase any products originating, either wholly or partially, from the illegal Israeli settlements on occupied Palestinian territory.	The Board indicated its support for the motion and referred the matter for consideration by the Group V&P Committee. The Committee recommended that an audit process be established to ensure the traceability of produce from the region, so that no produce from illegal Israeli settlements in the Occupied Territories is purchased; produce from illegal Israeli settlements in the Occupied Territories should be delisted; and a Group policy on oppressive regimes should be developed for consideration by the Group V&P Committee and approved by the Group Board. A policy was agreed and adopted in early 2009 (page 19).

Annual and half-yearly general meetings

At the annual general meeting (AGM) and half-yearly general meetings of The Co-operative Group, regional boards have the formal opportunity to table motions and questions. These must be submitted in advance in order that a management response can be provided from the platform. The number of regional delegates is determined by the amount of trade undertaken in the region in the prior year, with at least one representative of each area committee in each delegation.

Corporate members, similarly, can table motions and questions. The voting strength of corporate members at the meetings is determined by the amount of trade their business has conducted with the Group in the preceding year. Voting strength, in turn, determines the number of representatives that each corporate member can send to the AGM. In general, support for AGM motions is determined by a show of hands, with each representative being given one vote; however, for particularly contentious motions or proposed rule changes, block votes may be invoked, with the relative voting strength of a member being taken into account. Motions approved by the AGM are not binding upon management; however, the Board and/or management undertakes to consider the issues raised and provides a response on the day and an update at the next general meeting.

Activism

	2003	2004	2005	2006	2007	2008
Democratically active members ¹⁶	59,000	64,000	90,000	160,000	278,000	310,000
Contested area committee elections ¹⁷	23 (46%)	16 (32%)	27 (55%)	29 (62%)	n/a	26 (57%)

Member democratic participation

The degree to which members are active in the Group's affairs is a key indicator of co-operative well-being. In 2008, a total of 3,044 (2007: 3,390) members attended meetings, and a total of 310,000 (2007: 278,000) members were democratically active through the Members' Network¹⁸. At the elections for the area committees held during early 2009, a total of 638 members sought election to 566 places with contested elections in 26 areas.

It was intended, in 2008, to develop a consolidated accounting system that describes how members influence the direction of the business at all levels. The target has not been progressed as the business considers the current system to adequately serve its intended purpose. From 2007 the Group has reported instances where elected members have initiated ideas, challenged the business to pursue a particular strategy, or pushed the business for progress on a particular issue. A number of examples are presented below:

- At its June 2008 meeting, the Northern Regional Board proposed that The Co-operative Food should consider stocking only Fairtrade standard sugar. The proposal was mindful of the announcement that Tate & Lyle would be converting all its standard sugar supply to Fairtrade in 2008. The Co-operative Food has implemented plans to supply only Co-operative own-brand Fairtrade sugar and Tate & Lyle Fairtrade sugar across all the Food retail stores. All standard sugar sold by the Co-operative Food is Fairtrade as a result, from 2008.
- Throughout 2008 the Central & Eastern Regional Board considered ways in which it could be more proactive in addressing the issues of underperforming stores. A Concern Store Group, made up of elected members, was set up to look at a list of underperforming stores in the region. Initially in excess of 40 stores were listed, but this has been reduced to 25, due to

some closures, but also due to more positive actions, stimulated by discussions, which have resulted in stores returning to profitability and being removed from the list.

Membership communications

A number of online discussions were held on the Group's membership website¹⁹ in 2008, on issues as diverse as standing for election, climate change, The Co-operative Food Ethical Policy, young film-makers, and co-operative schools.

The discussions provided opportunities for membership to communicate directly with senior Group employees, including Moira Lees, Group Secretary; Tim Hurrell, Managing Director of The Co-operative Food; and David Anderson, Chief Executive of CFS. Other online discussions involved specialists from campaign organisations, such as the British Union for the Abolition of Vivisection and the Fairtrade Foundation.

During 2008, seven of the Group's regional AGMs were webcast live. In addition, two national webcasts on the Constitutional Review took place, along with an international webcast on co-operative development. The live webcasts gave online visitors the ability to watch presentations, ask questions directly to the panel, and 'chat' to other members online through message boards. The international webcast was the first webcast to be accessible to co-operators around the world, with contributions from co-operators in North America, Europe, South Africa and beyond. In the run-up to the international co-operative development webcast, a series of podcasts were posted online.

The membership website also includes a log-in area²⁰ where members can check their profit account, join an online discussion, or find out about forthcoming membership events. In spring 2009, an online events system was launched, enabling members to receive meeting information by email. The Group will launch a social networking website, Hive, in 2009, which will allow customers and members to discuss ideas about co-operative-related policies, campaigns and activities.

On the CFS Good with Money website, an external blog²¹ has been created to explain CFS' co-operative difference and to facilitate feedback and debate amongst customers and members.

A membership package was launched in April 2008 comprising Re:act, a national magazine for active members, and Re:action, a bespoke newsletter for each of the regions containing regional news and business performance information. Aimed at approximately 300,000 of the Group's most active members, Re:act focuses on articles that connect with the Group's co-operative values and ethical leadership. The third issue was published in April 2009 and included features on: the practices of financial institutions that helped create the conditions for the credit crunch; The Co-operative Bank's unique Ethical Policy; and children and consumerism.

The Group also produces a mass-membership publication, The Co-operative Magazine. This was relaunched with a new look in the summer of 2008 and is published twice a year. The magazine has a circulation of over one million²². It showcases the Group's products and services, and features member offers.

Membership diversity

Since 2001, a membership Diversity Working Group (DWG), reporting directly to the Group V&P Committee (page 8), has overseen the implementation of diversity initiatives amongst the Group's membership. The Group is tasked with considering

diversity issues in relation to members and their participation in the Group's governance, and is required to provide relevant reports to the Group V&P Committee.

Three networks – the Black, Asian and Minority Ethnic (BAME) network, the Women's Network and the Lesbian, Bisexual, Gay and Transgender (LBGT) network – operate through the Membership website²³ and regional meetings. The BAME network is helping the Group's businesses meet the needs of BAME communities. The BAME network has supported the work of the businesses in reaching out to different communities and, from 2009, is evaluating opportunities for members from BAME communities to become involved in the Group's democratic structure. Despite these efforts, the Group's elected membership is still some way from being considered representative of the communities in which it operates. The Group will develop training, mentoring and engagement opportunities for members from all communities to encourage greater participation in 2009.

Membership diversity

	2003	2004	2005 ²⁴	2006	2007	2008
Total number of area committee members	627	634	630	532	567	579
Female elected members	39%	38%	40%	38%	37%*	36%
Average age of elected members	56	58	56	57	55*	56 ²⁵
Ethnic-minority elected members	2%	2%	2%	2.4%	2%*	2%

*Excludes data from United Region.

Member training and education

Following changes to the Group's committee structures, work began in 2008 to review the current learning framework and required qualifications for office. Proposals for the revised approach will be set out in 2009.

Elected members

In 2002, a learning framework for elected members was developed in partnership with The Co-operative College²⁶. During 2008, this continued to offer an accredited, stepped learning programme to enable members to develop their abilities and knowledge. There are currently three key levels of learning:

- Representatives from regional membership teams facilitate a national induction for newly elected committee members. This introduces new members to the diverse aspects of their role, with the aim of them gaining an understanding of the skills and knowledge required to be effective committee members²⁷.
- Former Group area committee members and committee members of the former United Region are able to pursue the Intermediate Certificate in Co-operation and Mutuality. This requires the successful completion of eight modules, covering subjects such as 'members and member involvement' and 'ideals, principles and structures'. Certification is not mandatory for committee members, but has historically been a requirement for those members wishing to stand for a regional board within The Co-operative Group. However, given different practices between the two societies, this qualification is to be reviewed in

2009. In 2008, a total of 178 members pursued a Certificate in Co-operation and Mutuality.

- The Advanced Diploma in Co-operation and Mutual Directorship enables regional board members to develop a more in-depth level of knowledge and understanding of topics such as 'business and financial decision-making' and 'understanding the governance code'. Until 2008, the Diploma was a mandatory requirement for both re-election to a regional board and election to the Group Board. Given the historically different practices of the former Group and United Regions, this qualification will be reviewed in 2009. In 2008, a total of 103 members pursued the Advanced Diploma in Co-operation and Mutual Directorship.

Wider membership

- **E-learning** A series of six online modules, entitled 'A different kind of business', has been developed by The Co-operative College. The modules provide members with an understanding of the Co-operative Group's heritage, values & principles and the wider Co-operative Movement. Each module is interactive and can be accessed via The Co-operative Group's membership website²⁸. Throughout 2008, online learning web pages received 635 hits.

In advance of elections at the start of 2009, a DVD and web-based learning resource entitled 'your society needs you' were developed to inform and encourage members to consider playing a fuller role in the Group's democracy by standing for election.

- **Training pack** During 2008, work began to develop a DVD-based learning resource pack called 'Being Co-operative', building on the success of previously organised regional training events. The pack includes information about what makes a co-operative different, the businesses of The Co-operative Group, co-operative values & principles and how they are put into action. It also signposts to information on what members can do to become more active.
- **Training events** A number of regional training sessions were also held during 2008.

Co-operation among co-operatives

Through partnerships with other co-operatives, the Group seeks to work for the long-term success of the Co-operative Movement. It seeks to actively promote co-operation – both nationally and internationally – through its support for/involvement with representative bodies, including the International Co-operative Alliance (ICA)²⁹, Co-operatives^{UK}³⁰, Mutuo³¹, European Association of Co-operative Banks (EACB)³², The International Co-operative and Mutual Insurance Federation (ICMIF)³³, Eurocoop³⁴, The International Co-operative Banking Association (ICBA)³⁵ and The Co-operative Party³⁶. Some of the Group's work with such bodies in 2008 is exemplified below, with details of monetary support provided on pages 125–126.

Throughout 2008, The Co-operative has continued to support overseas co-operatives (pages 16 and 22).

International Co-operative Alliance (ICA)

The ICA is the world's largest non-governmental organisation, representing and supporting co-operatives and mutuals worldwide through its regional institutions. For the third consecutive year, the ICA has published the Global 300³⁷ list that benchmarks the most successful 300 co-operatives in the developed world. The Co-operative Group is ranked 15th in the 2008 Global 300 list. In 2008, the Group seconded a member of staff from the

membership team to support the ICA in its Global 300 project, and to develop knowledge of the international movement.

Co-operatives^{UK}

Co-operatives^{UK} promotes the interests of co-operatives, increases awareness and understanding of co-operative values & principles, and supports the growth and development of new and existing co-operatives.

Each year, the Group reports against the Co-operative, Environmental and Social Performance Indicators developed and promoted by Co-operatives^{UK}³⁸. In 2008, seven representatives of the Group served on the Co-operatives^{UK} Board.

International Co-operative & Mutual Insurance Federation (ICMIF)

The Co-operative Insurance is a member of ICMIF. Through ICMIF, the insurance business supports new, or growing, co-operative and mutual insurance companies in the developing world.

The Co-operative Insurance is, additionally, one of over 30 shareholders in ICMIF's Allnations fund³⁹, which provides financial support for new and growing co-operative and mutual insurers around the world.

International representation

The Co-operative Group is generally represented internationally via Co-operatives^{UK}⁴⁰; however, the Group also provides representation on the following bodies.

Institution	Position
ICA	Chair Consumer Co-operatives Worldwide
Eurocoop	Executive Committee
European Association of Co-operative Banks (EACB)	Board
ICMIF	Board
ICMIF	Intelligence Committee
ICMIF	Reinsurance Committee

Additionally, the Group directly progresses a number of initiatives that support co-operatives and their members, as described below. Support for credit unions is outlined on pages 47–48.

UK co-operative buying groups

The Co-operative Retail Trading Group (CRTG) was set up in 1993 to centralise the buying power of member co-operative societies in the UK. The CRTG controls all The Co-operative Food buying in the UK, representing £6.7bn (2007: £6.1bn) of buying power. All products procured on behalf of member societies through CRTG are sourced in line with all relevant Group policies.

In addition, a co-operative buying group operates at a smaller level in the travel industry, whilst Co-operative Funeral, Pharmacy and Property groups meet to discuss legislative issues and best practice.

Financial services

The Co-operative Bank offers a bespoke banking package – Co-operatives Directplus⁴¹ – to member organisations of Co-operatives^{UK}.

Via Business Banking, the bank provided some £128.9m of lending to co-operatives and mutuals during 2008 (2007: £135.2m).

Additionally, the bank offers a bespoke savings account and credit card for Co-operative Group members, further details of which can be found on the membership section of the website⁴².

The Co-operative Fund

The Group's Co-operative Fund⁴³ was established as a grant-making fund, to: provide grants to promote, support and develop co-operative solutions and enterprises; expand the Co-operative Movement; promote the co-operative advantage; and demonstrate its relevance in the UK today.

A Board⁴⁴ oversees the Fund's policies and strategic direction, ratifies grants up to £49,950 and makes decisions on grants over £50,000. In 2008, the Board approved grants totalling £1,233,000 to 45 projects.

The Co-operative Fund: top 10 recipients in 2008

Project/recipient	Theme	Grant amount
Inside Track Regeneration	Diversity	£49,950
Proper Job Ltd	Environment	£49,950
First Question North	Training and development	£49,855
West Whitlawburn Housing Co-operative	General	£49,500
Openspace Co-operative	General	£45,900
Energy 4 All Ltd	Environment	£40,000
Supporters Direct	General	£37,500
Go Co-operative	General	£34,800
Ethics Girls	General	£27,000
Wye Community Farm Ltd	General	£18,000

Support for Openspace

Openspace Co-operative received a grant of £45,900 in 2008 to enable it to set up and run a co-operatively managed workspace and meeting room facility in Manchester.

The Co-operative Loan Fund

The Co-operative Group, Bank and Insurance, together with Midcounties and East of England Co-operative societies, finance The Co-operative Loan Fund⁴⁵, which provides support to co-operatives throughout the UK through the provision of accessible, ethical loan finance. As at 30 September 2008, total funds stood at £1.2m.

Loans are provided to set up new, or expand existing, enterprises; assist employee buyouts or company successions; purchase a property or business; and purchase capital equipment or create working capital. The Fund is managed by Co-operative and Community Finance⁴⁶, which is authorised and regulated by the Financial Services Authority.

A number of Co-operative Loan Fund case studies are available on the Fund's website⁴⁷.

C-change

C-change⁴⁸ offers support to co-operative businesses in the former United Trading Region, by providing funding for advice and support to develop sustainable businesses. From 2009, the programme will be extended into other UK regions. From 2009, co-operatives will be able to apply to receive up to four days of professional advice that includes business planning, financial, legal, succession and

governance advice. In 2008, 36 businesses were supported at a cost of £43,000.

Support for Recycle IT!

Recycle IT! received support through C-change in 2008. The co-operative, not-for-profit IT recycler provides training, paid work experience and real jobs for homeless and other long-term unemployed people. Recycle IT! was awarded five days⁴⁹ support to help produce a business plan and develop a co-operative governance structure.

Co-operative schools and learning

Throughout 2008, The Co-operative Group continued to develop its relationship with the 10 Business and Enterprise Colleges⁵⁰ it sponsors under the Government's specialist schools programme. The Group's sponsorship has supported curriculum development on issues including co-operative enterprise.

During 2008, four of the colleges extended their links with co-operative schools in Spain and with schools linked with the co-operative sector in the Trentino region of Italy. Two also participated in a Youth and Student Co-operatives Forum in Lesotho, in December 2008.



The Youth and Student Co-operatives Forum, Lesotho. Two Business and Enterprise Colleges sponsored by the Group participated in the event in 2008.

With support from The Co-operative Fund, The Co-operative College further developed curriculum materials with the schools network in 2008 and extended the range of resources disseminated through the www.school.coop website.

In 2008, The Co-operative Group worked with the College to develop a distinctive co-operative model for trust schools, and is a partner in the Reddish Vale Community Trust, the first to use the model. The Co-operative Group has supported work by the Co-operative College to develop a national network of co-operative trust schools and hosted a conference in Manchester, organised by the College and attended by representatives of over 30 prospective co-operative trust schools. By the end of the year, over 60 schools were exploring becoming a co-operative trust, many of which would be supported regionally by The Co-operative Group if they were to adopt the model.

Throughout 2008, work progressed towards the development of The Co-operative Academy of Manchester. The Group, led by CFS, in partnership with Manchester City Council and Manchester College, is working to set up the Academy, which will open in Higher Blackley, Manchester, in time for the autumn term 2010. The Academy will offer a broad curriculum, but will specialise in finance and business.

In Scotland, The Co-operative Group supports the Co-operative Educational Trust Scotland (CETS)⁵¹. The Group provides financial support, representation on the board, provision of secretariat support and office space, and other ad hoc support. CETS delivers co-operative enterprise education to schools, runs continuous professional development programmes for teachers and provides schools with access to the Co-operative Movement across Scotland.

Graduate Development Scheme

Throughout 2008, members of the Graduate Development Scheme⁵² worked with pupils from Greater Manchester to provide interview practice for 10- to 15-year-olds. Graduates also visited a number of universities, conducting skills sessions with students on subjects such as commercial awareness and the completion of application forms, in order to help build students' confidence and employability.

Members of the Graduate Development Scheme also run and manage The Community Youth Fund, which feeds into The Community Foundation for Greater Manchester⁵³. The Fund supports projects at the Manchester Careers centre that facilitate local students in learning organisational skills. The Community Youth Fund also raises funds that are granted to youth projects in the Greater Manchester area. In 2008, £4,000 was donated to local projects.

Member involvement

Robert Owen commemoration

Robert Owen has been credited as the founder of the Co-operative Movement, and 2008 was the 150th anniversary of his death. To mark this historic occasion the Wales & Borders Membership team organised a year-long commemorative programme, which included a Gala Concert, a commemorative lecture and a tomb-side commemoration.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Co-operative values & principles (inside front cover).
- Support for overseas co-operatives (page 22).
- Support for credit unions (pages 47–48).
- Member involvement:
 - International development (pages 22–23).
 - Diet and health (page 38).
 - Climate change (page 74).
 - Biodiversity (page 90).
 - Other examples of member involvement: Online report (www.co-operative.coop/sustainabilityreport).
- The Co-operative Membership Community Fund (pages 60–61).
- Work with the Co-operative College on Fairtrade education in schools, and capacity building amongst co-operatives in the developing world (page 23).
- Employee member benefits (page 114).

Accompanying notes

1 International Co-operative Alliance Statement on the Co-operative Identity, Manchester 1995.

2 www.ica.coop/al-ica

3 The Co-operative Group has 122 corporate members, who represent other co-operative societies to whom the Group

provides services. These range from small workers' co-operatives to farming co-operatives and other major retailers. Corporate members must demonstrate a commitment to co-operative values in their business practice and buy at least one share (costing £5) in the Group. This confers on them the right to participate in the Group's democratic affairs – a right that can be exercised at the AGM and in the nomination and election of corporate members to the Group Board. Corporate Board members are elected from, and by, the corporate membership. To that end, and most unusually, the interests of the co-operative businesses with whom the Group trades are represented on its Board.

- 4 The number of new members is taken to be the number of new card issues less replacement cards issued in 2008.
- 5 www.ica.coop/coop/principles.html
- 6 There are two sets of members who carry equal status: a 'paid-up' member is someone who has signed up to the Co-operative values & principles and has paid £1; new members are those who have signed up to the Co-operative values & principles, but are not 'paid-up' members until they have earned £1 in dividend, which is deducted from their first share of the profits payment.
- 7 In 2008, 100 points were required by a member to achieve a final payment.
- 8 Includes a £7m interim dividend paid in November 2008.
- 9 Cash that has been earned by members during the trading period. Includes costs relating to supporting membership and community activity and the Co-operative Movement, which, prior to 2008, were included in operating profit.
- 10 Includes costs of £0.1m associated with support for United Region's membership programme.
- 11 The number of members earning a share of profits includes those members that do not accrue sufficient points during the year to receive a dividend payment that year, and so their points are rolled over to the following year.
- 12 www.co-operative.coop/membership/yourrepresentatives/constitutionalreview/The-Constitutional-Review-board/
- 13 Details on each of the seven regions is available at: www.co-operative.coop/membership/yourrepresentatives/ourregions/
- 14 The full responsibilities of the regional boards are detailed at: www.co-operative.coop/corporate/sustainability/regionalboards
- 15 The full responsibilities of the area committees are detailed at: www.co-operative.coop/membership/yourrepresentatives/areacommittees
- 16 The Members' Network is the basis for the Group's accounting for democratically active members, and is defined as those members who actively make a request to receive information. There has been a large increase in democratically active members, reflecting the growth in the Co-operative membership base. Data is based on figures as at September 2008.
- 17 A contested election is where more candidates stand for an area committee than places available on the committee.
- 18 See footnote 16.
- 19 www.co-operativemembership.coop/en
- 20 www.co-operative.coop/yourmembership
- 21 <http://blog.goodwithmoney.co.uk>
- 22 The exact circulation figure changes with each issue, and is linked to the membership dividend.
- 23 www.co-operative.coop/yourmembership/

- 24 A one-off survey conducted amongst elected members in 2005 generated additional diversity information as follows: 24% declared a disability, 8% described themselves as lesbian, gay or bisexual, and 26% said they were carers. Excludes United Region members.
- 25 This figure is estimated as data is now collected on percentages of people in different age groups rather than their actual age.
- 26 www.co-op.ac.uk
- 27 In 2008, however, there were no elections, pending the outcomes of the post-merger Constitutional Review. Terms of office were extended until the end of the year and induction events were rescheduled to follow elections in March 2009.
- 28 www.co-operative.coop/membership/
- 29 www.ica.coop
- 30 www.cooperatives-uk.coop
- 31 www.mutuo.co.uk
- 32 www.eurocoopbanks.coop
- 33 www.icmf.org/
- 34 www.eurocoop.org
- 35 www.ica.coop/icba
- 36 www.party.coop
- 37 www.global300.coop
- 38 www.cooperatives-uk.coop/Home/miniswebs/miniswebsA-z/cespis
- 39 www.allnations.coop
- 40 The Co-operative Group provides the following members for the Co-operatives^{UK} Board: Marilynne Burbage, Michael Main, Robin Stewart, Hilary Justin, Frank Jones, Kathryn Smith, Dave Pownall, John Macbeth (non-voting), Brian Rees (non-voting).
- 41 www.co-operativebank.co.uk/co-operativesdirectplus
- 42 www.co-operativemembership.coop/
- 43 The aim of the Fund is to promote and expand the co-operative sector with the funding of projects considered under four streams: start-up; co-operative solutions; promotion of co-operation; and co-operative support structures. The Co-operative Fund Board comprises four Co-operative Group representatives (two of which are non-executive directors) and representatives from each of the Group's nine democratic regions (seven regions from 2009). The Board determines the strategic direction and policy of the Fund. For more information see: www.co-operative.coop/membership/Community-Fund/
- 44 www.co-operativemembership.coop/en/fund/boardandstrategy/#board
- 45 www.co-operativeloanfund.co.uk
- 46 www.icof.co.uk
- 47 www.co-operativeloanfund.co.uk/casestudies.htm
- 48 www.co-operative.coop/Enterprisehub/Advice-and-training/
- 49 In 2008, projects were awarded up to five days of support. In 2009, as the programme is extended into other regions, support of up to four days will be available.
- 50 Andrew Marvell School, Humberside; Castle Manor Community Upper School, Suffolk; Cullompton Community School, Devon; Epinay Special School, Tyne & Wear; Forest Gate Community School, London; Fulston Manor School, Kent; St Benet Bishop Catholic High School, Northumberland; St Peter's Roman Catholic High School, Manchester; Sir Thomas Boughay High School, Staffordshire; and Whalley Range High School, Manchester.
- 51 www.cets.coop
- 52 www.altogetherdifferent.com
- 53 www.communityfoundation.co.uk

delivering value economic impact

Indicators

Underlying profit from operations: Trading Group

Return on Capital Employed: Trading Group

Profit generation: CFS

Market share

Local sourcing

Sales and profit by region

Tax

Value added

Targets 2008

✓ Achieve a Group Return on Capital Employed of 12% by 2009 (page 107).

✓ target achieved = on track ✗ target not achieved
 ⚠ close to target ⬅ behind schedule

Targets 2009

Achieve a Group Return on Capital Employed of 10% in 2009.

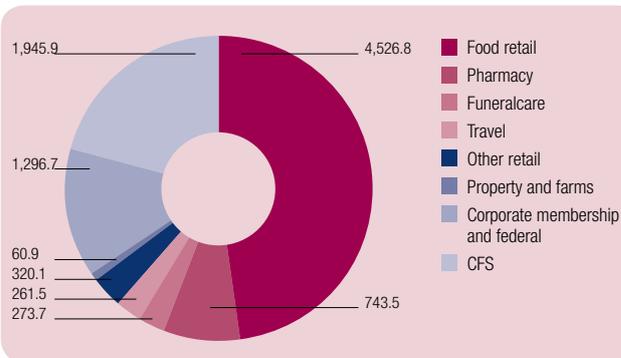
Materiality and strategy

'Growing profit' and 'growing business' are two of six objectives that support the Trading Group's vision 'to be the best co-operative in the world' (inside front cover). 'Profit generation to create a sustainable model' is one of five indicators of progress towards CFS' vision, which is 'to be the UK's most admired financial services business'. Increased and sustainable profitability enables the Group to deliver value to its various stakeholders in a number of ways, for example: member dividend payments (pages 99–100); employment and remuneration (pages 111 and 114); and community contributions (page 58).

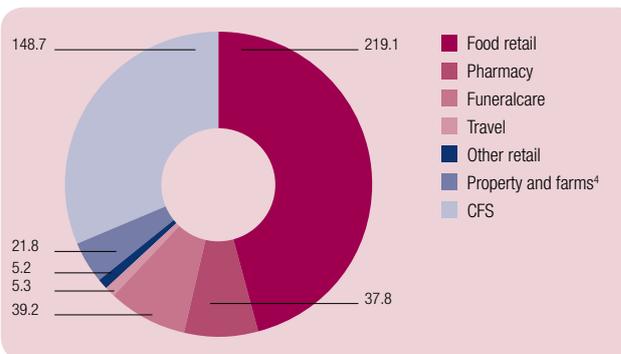
A detailed account of the Group's financial performance is presented in the Annual Report and Accounts 2008 and a summary presented in the Annual Review 2008¹.

Group financial summary

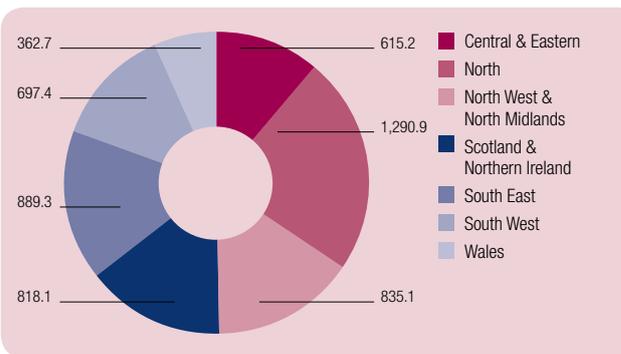
Revenue² 2008: Total £9,399m



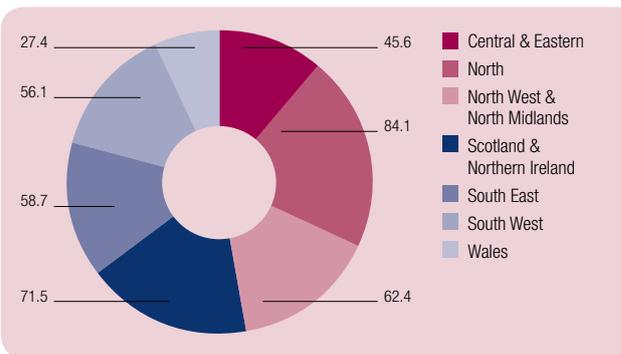
Operating profit³ 2008: Total £393m



Sales from regional business activities 2008: Trading Group⁵



Profit from regional business activities 2008: Trading Group



Trading Group – underlying profit

Group underlying profit from operations is one of the two key internal measures of financial performance for the Trading Group, which underpin the business objective of ‘growing profit’. The measure tracks the underlying financial performance from trading operations, but excludes the impact of significant items, property disposals, investment property growth and items relating to the performance of the Group pension scheme.

A Group underlying profit for 2008 of £267m represents an improvement of 47% on 2007 and is 4.6% above the target set in the 2008 budget.

Underlying profit

	2006 (£m)	2007 (£m)	2008 (£m)
Trading Group operating profit before significant items	284	305	274
Less:			
Property disposal gains	(46)	(50)	(58)
Investment property revaluation	(45)	16	62
Pension scheme adjustments	(74)	(89)	(11)
Underlying profit from operations	119	182	267

Trading Group – Return on Capital Employed

Return on Capital Employed (ROCE) is the second key measure of growing profit and commercial success. This provides a measure of how effective the Trading Group is at earning a return on members’ funds that are invested in its business. The measure is calculated by expressing the trading profit of the Group as a percentage of the average capital employed in the business over the year. The Group has set itself a target of achieving a minimum 10% ROCE in 2009. The result achieved for 2008 was 14.2% (2007: 11.6%), and 2.2 percentage points higher than the financial target approved by the Board under the business plans for 2008⁶.

CFS – profit generation

The three key financial performance measures for CFS are: Shareholder profitability, Life and Savings new business profit, and Life and Savings maintenance expenses. In 2008, profit for incentive purposes⁷, of £139.4m, was below CFS’ target level of £160m, primarily because of investment write-downs.

New business profit is the value of new Life and Savings business written during the year, allowing for the cost of capital. CFS’ Life and Savings business is written solely for the benefit of its Life and Savings customers. CFS’ aim, therefore, is to provide products and services at a price that passes the benefits of writing the business back to customers. In these circumstances, CFS’ target for 2008 was broadly to break even. The 2008 performance was slightly better than the target.

Maintenance expenses are the costs of servicing activities for the in-force Life and Savings business⁸. In 2008, CFS’ costs of £69.5m were better than the target of £72.2m.

Market share

Market share is one of the two key internal measures that underpin the Trading Group’s objective of ‘growing business’. The Trading Group aims to increase its share of customers’ spend year-on-year, such that it takes an increasing share of the markets across which it operates.

The market shares of businesses across the Group vary from less than 1% for certain CFS products to over 6% for the pharmacy business.

Market share

	Market share ⁹ 2007	Market share ¹⁰ 2008
The Co-operative Food ¹¹	3.83%	3.88%
The Co-operative Funeralcare	21.91%	n/a ¹²
The Co-operative Pharmacy ¹³	7.36%	6.52%
CFS ¹⁴ : Current accounts – Co-operative Bank	1.7%	1.9%
CFS: Current accounts – smile	0.33%	0.55%
CFS: Motor insurance	2.3%	1.7%
CFS: Investments – Co-operative Insurance	1.62%	1.33%
CFS: Investments – Co-operative Bank	0.52%	0.51%
CFS: Pensions	3.94%	3.23%

Local sourcing

Local sourcing can have a range of positive impacts; from supporting local economies, to meeting increasing customer demand for seasonal and locally supplied products. The related subjects of food miles and ‘considered carbon’ are discussed separately on pages 70–71.

The Co-operative Food has a Local Sourcing team that meets and works alongside small local suppliers and food agencies to source local produce¹⁵. The Co-operative is one of the UK’s largest farmers and grows and sells a range of products in the ‘Grown by us’ range¹⁶.

In relation to local sourcing of protein, 100% of Co-operative own-brand fresh beef, pork, duck, turkey and plain chicken continued to be British-sourced during 2008 (pages 28–30). Furthermore, all beef products sold in England, Scotland, Wales and Northern Ireland were sourced from the respective countries. In addition, in 2008, 100% of frozen turkey, pork, sausage, beef and lamb, and 100% of fresh sausages, were British sourced. From March 2009, The Co-operative Food committed to support British Pig Farmers by converting all its own-brand pre-packed ham¹⁷ to 100% British. From February 2009, own-brand bacon and gammon were also British sourced.

100% of milk sold in stores in 2008 continued to be British sourced (page 27). All own-brand milk is labelled to indicate origin¹⁸ and 30% of own-brand cheese is similarly marked. 100% of eggs sold in The Co-operative Food stores continued to be British sourced during 2008 (page 27), and all own-brand eggs are labelled to indicate the region of origin.



The Co-operative's 'Grown by us' range, Tillington Hills apple crush. The Group's approach to local sourcing includes sourcing products for sale in its food stores that are grown on The Co-operative Farms.

Tax

The Group operates within a clearly defined Tax Strategy and Policy that has been approved by the Board and which is central to tax governance within the Group. The policy covers the Group's approach to tax compliance, planning and the management of risks associated with tax. The Group does not enter into what it considers to be aggressive tax planning and is particularly mindful of the reputational risks associated with undertaking such planning¹⁹.

The Group's 2008 tax payments and credits are detailed in the Group's Annual Report and Accounts²⁰. The Group's 2008 corporation tax credit on continuing businesses of £55m (2007: £39.3m charge) includes £52.1m credit (2007: £14m charge) relating to tax attributable to Co-operative Insurance policyholders' returns. The credit excluding tax relating to policyholders is £2.9m (2007: £25.3m charge). The effective tax rate is 5.2% compared with a standard rate of 28.4%²¹.

A revised Co-operative Bank Ethical Policy²², launched at the beginning of 2009, following extensive consultation with customers (page 39), contains a new policy position on corporate payment of tax. As such, from 2009, The Co-operative Bank will not finance organisations that take an irresponsible approach to the payment of tax in the least developed countries.

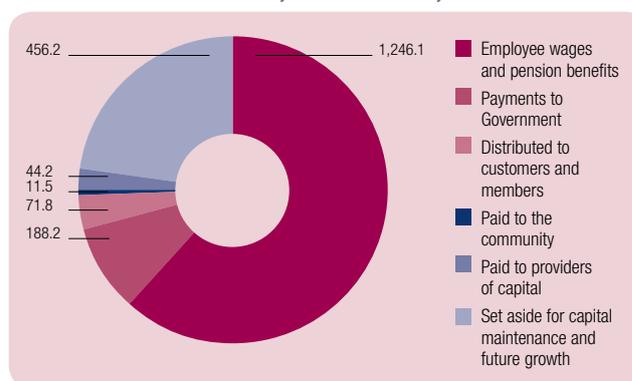
Value added

Economic value added expresses the contribution to national wealth made by a commercial organisation, and seeks to illustrate how a range of stakeholders can benefit from such wealth creation. For example, economic value can be dispersed to: employees in the form of salaries; the State in the form of taxes; charitable causes in the form of donations; and owners in the form of profit, dividend and reserves.

Value added²³

	2007 (£m)	2008 (£m)
Operating profit = Profit before tax ²⁴ + gross interest cost less gains (or plus losses) arising from sale/disposal of businesses or assets.	174.0	293.3
Employee costs = Total employment costs (wages and salaries, social security and pension costs).	1,246.4	1,313.5
Depreciation and amortisation = Depreciation on owned assets and assets held under financial leases + amortisation of intangible assets + impairment of property; plant and equipment; goodwill and intangible assets.	259.0	298.2
Significant items	142.6	113
Value added	1,822.0	2,018.0

Distribution of value added, 2008: Total £2,018.0m²⁵



In order to demonstrate the productivity/efficiency of business operations and enable benchmarking against competitors in these areas, regardless of company size, two further measures can be calculated based on value added information: Labour Productivity (P₁)²⁶; and Wealth Creation Efficiency (P₂)²⁷.

Performance benchmark

The Co-operative Group's P₁ was £24,600 in 2008 (2007: £22,300), and its P₂ was 135% (2007: 129.9%). The Department for Innovation, Universities and Skills' Value Added Scoreboard presents results for the UK's top 800 companies by value added²⁸. Of the food and drug retailers listed, the average P₁ is £20,387 and average P₂ is 134.2%. Banks score significantly higher on both measures, due to the nature of their business, with an average P₁ of £109,744 and an average P₂ of 204.6%²⁹.

Supplier payment policy and practice

The Group does not impose standard payment terms on its suppliers, but agrees terms separately with each of them. Every effort is made to pay suppliers in accordance with the terms that have been agreed. At 10 January 2009, trade creditors expressed as number of days outstanding was 38 days (2007: 36 days).

Influence and action

Banking sector liberalisation in developing countries

In March 2008, the World Development Movement (WDM) wrote to The Co-operative Bank regarding EU trade negotiations and its pursuit of banking sector liberalisation in developing countries. WDM highlighted the involvement of the European Services Forum (ESF) in lobbying for liberalisation and the European Association of Co-operative Banks (EACB) membership of the ESF. The Co-operative Bank as a member of the EACB raised WDM's concerns with the organisation and received assurance that its input into the ESF regarding international trade negotiations was limited to seeking the removal of obstacles to creating local co-operative banks in developing countries, and that the EACB views the ESF as a valid space to be championing co-operative values.

Read more in this Report

Subjects covered elsewhere in the Report include:

- Profits for distribution and membership dividend payments (pages 99–100).
- Community investment (pages 57–61).
- Sound sourcing: improving working conditions in the supply chain (pages 17–19).
- Support for Fairtrade (pages 15–16).
- Food miles and considered carbon: impacts on international development (pages 70–71).
- Green electricity procurement (page 67).
- Carbon offset: products and operations (page 71).
- Charity credit cards (pages 22, 31, 47, 55–56, 89).
- Colleague salaries and benefits (pages 114–115).
- Trade and business association membership fees and donations (pages 125–126).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).
- The Co-operative Food Ethical Policy (pages 9).

Accompanying notes

- 1 Data presented in the Economic impact section has been drawn from The Co-operative Group Annual Report and Accounts 2008, which have been independently audited and prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, and applicable International Financial Reporting Standards, as endorsed by the EU (IFRS) for the year ended 10 January 2009. www.co-operative.coop/corporate/corporatepublications
- 2 Total revenue of £9,399m is after deducting Group costs and eliminations of £30.1m.
- 3 Total operating profit of £393m (before significant items and includes corporate membership and federal costs of £54.6m and Group costs and eliminations of £29.7m).
- 4 2008 saw a £62.3m decrease in investment value compared with a significantly smaller decrease of £18.3m in 2007.
- 5 Regional businesses are The Co-operative Food, The Co-operative Funeralcare, The Co-operative Travel and The Co-operative

- Pharmacy. The regional profits are before central administration costs, significant items, profits of associated undertakings and after central charges in respect of internal rents, which are designed to reflect the use of Trading Group property by the businesses at a commercial rate.
- 6 The target for 2009 is lower than 2008 due to the recent purchase of Somerfield for £1.6bn and the fact that the business will be in the first year of acquisition. Whilst the business is being integrated, the ROCE is expected to be temporarily lower. However, going forward, the benefits of the acquisition are expected to see the ROCE increase beyond the levels achieved in 2008.
 - 7 This is the profit measure used for incentive schemes; achievement of this profit measure determines whether bonuses are received.
 - 8 The in-force Life and Savings business comprises life insurance policies where the policyholder is still paying premiums into the policy.
 - 9 Figures for The Co-operative Food, The Co-operative Funeralcare and The Co-operative Pharmacy are based on market share in December 2007; figures for CFS are based on market share in

- November 2007. Information is not available for The Co-operative Travel.
- 10 Figures for The Co-operative Food are based on market share in December 2008; figures for CFS are based on market share in November 2008. Figures for The Co-operative Pharmacy are based on an average for the full financial year, April 2008 to March 2009. Information is not available for The Co-operative Travel.
- 11 AC Nielsen supermarket share data for Q4.
- 12 The market share figure for The Co-operative Funeralcare was not available at the time of reporting as The Office for National Statistics has stopped supplying Funeral Directors with death registration information by postcode district in England and Wales following a change in the law.
- 13 The Co-operative Pharmacy market share information relates to England and Wales only (figures exclude Scotland and Northern Ireland). The data source is the Prescription Pricing Authority.
- 14 Market share information is available by product rather than on a business-wide basis for CFS. Figures for a number of core products are provided (figures exclude Scotland and Northern Ireland). Data source is GfK NOP stock market share.
- 15 During 2008, focus was given to a review of current local produce ranges, in light of the acquisition of Somerfield. Going forward, local ranges will be aligned and developed.
- 16 The 'Grown by us' range includes potatoes, onions, strawberries, peas, broccoli, honey, and products made using ingredients grown by Co-operative Farms, such as apple juice, cider and beer.
- 17 Excludes continental hams.
- 18 Labelling indicates where milk is sourced from: British, Scotland; Wales; Southwest England; Northern Ireland.
- 19 Level of aggression is considered as one of the risk factors within The Co-operative Group Tax Strategy and Policy.
- 20 See footnote 1.
- 21 A reconciliation of the standard rate of tax is presented in The Co-operative Group Annual Report and Accounts 2008, pages 71–72.
- 22 www.goodwithmoney.co.uk
- 23 Value added = Operating profit + Employee costs + Depreciation + Amortisation + Impairment of property, plant and equipment; goodwill and intangible assets + significant items (excluding impairment, because already included).
- 24 Profit before tax excludes: net interest charge; losses on termination of activities (pre-tax); net profits on disposal of property; plant and equipment; change in the value of investment properties; payments to, and on behalf of, members; and net pensions finance income.
- 25 Based on GRI G3 Indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
- 26 Labour productivity = P₁ (£K) = Value added per employee (£K). Based on employee headcount, not full-time equivalent.
- 27 Wealth creation efficiency = P₂ (%) = Value Added / (Employee costs + depreciation). A P₂ of less than 100% means that less than £1 of wealth is created for every £1 of employee costs and depreciation. Based on UK Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
- 28 Department for Innovation, Universities and Skills' Value Added Scoreboard, 2009, www.innovation.gov.uk/value_added
- 29 The Trading Group accounts for the bulk of the Group's revenue (79.4%, as detailed in The Co-operative Group Annual Report and Accounts 2008, p62). The Group performs above or in line with averages for the Food and Drug Retail sector benchmarks, which are the most relevant for the Trading Group's business area. Likely differences in wealth creation and labour productivity between the Trading Group and CFS need to be considered when benchmarking the Group against sector averages.

delivering value employees

Indicators

Employee engagement

Organisational change

Employee turnover

Trades union recognition

Personal development and training

Salary and benefits

Health, safety and well-being

Work / life balance

Targets 2008

- ✔ Achieve a Trading Group Employee Engagement score of 76 in 2008¹ (page 111).
- ✔ Achieve a CFS Employee Engagement score of 58% in 2008¹ (page 111).
- ✔ Within CFS, reduce the number of employees who are 'work-disengaged, but not looking to leave the organisation', to 18% by the end of 2008 (page 111).
- ✔ Fully launch the Trading Group's 'Flexibility Works' programme by the end of 2008 (page 116).

- ✔ target achieved
- ⊞ on track
- ✘ target not achieved
- ✔ close to target
- ⬅ behind schedule

Targets 2009

Roll out the Trading Group employee survey to former Somerfield employees, to determine a baseline employee engagement score for the enlarged business in 2010.

Complete a minimum of three self-sustaining pilot exercises across the Trading Group to progress a flexible working environment by the end of 2009.

By the end of 2009, develop a people measurement strategy for CFS following its merger with Britannia.

Review and promote guidance on flexible working at CFS during 2009.

Background

People are vital to business success. A work environment that is safe and healthy, where everyone's contribution is recognised and valued, and where colleagues feel supported, developed and motivated, is considered key to increasing job satisfaction, performance and creativity.

Evidence shows that highly engaged staff are more likely to offer higher levels of discretionary effort, voluntarily act as advocates for the Group and its products and services, and deliver high levels of service to customers, of their own free will. At the same time, highly engaged colleagues are more likely to feel satisfaction and enjoyment in their work, and feel that the Group values their contribution and is committed to their development.

Materiality and strategy

Employees are one of the Group's key stakeholders. Issues and impacts that relate to them are, therefore, important in the Group's identification of, and reporting on, material issues.

Colleague engagement and satisfaction measures are included in the key performance indicators (KPIs) of the Trading Group and CFS (page 6). The Trading Group's vision is 'to be the best co-operative in the world' and 'growing employee engagement' is one of six objectives supporting attainment of this vision. A performance indicator of employee engagement (based on questions within the annual Talkback employee attitude survey) measures progress in relation to this objective. In 2005, CFS developed a 10-year vision²: 'to be the UK's most admired financial services provider'. The pursuit of 'market-leading colleague satisfaction' is one of five key objectives supporting attainment of this vision, and the CFS strategic plan (2006–08 and 2009–12) identifies a KPI and target for colleague satisfaction, based on responses to a set of questions within the annual employee survey. Since 2006, the remuneration of members of the Executive within both the Trading Group and CFS has been partly linked to performance in this area. Health and Safety policies exist for both the Trading Group and CFS. The policies describe the commitment of the businesses to safeguarding employee health, safety and well-being at work; and protecting non-employees from any hazard created by the businesses' operations. In addition, and in line with external reporting standards, the Group reports publicly on a number of other employee KPIs covering employment; labour/management relations; health and safety; and training and education³.

People management

The Trading Group and CFS each has a human resources function, and each undertakes regular employee attitude surveys (described below). In recognition of the centrality of employees to business success, a Trading Group Human Resources Leadership Team is charged with the effective monitoring of employee conditions⁴.

Within CFS, a new Oracle human resources (HR) system will be introduced in 2009. The first phase of implementation aims to replace the separate administration and payroll systems presently operating, with a single HR system, which will enable the HR department to fully service and support all business areas.

Total employees by business⁵

	2004 (excludes former United)	2005	2006	2007 ⁶ (former Group in brackets)	2008
The Co-operative Food ⁷	45,697	43,999	44,476	56,561 (44,603)	56,619
Specialist Commercial Businesses ⁸	n/a	n/a	n/a	962 (83)	1,118
Specialist Retail Businesses ⁹	2,235	2,038	1,859	3,344 (1,931)	3,315
The Co-operative Funeralcare	2,961	2,871	2,753	3,633 (2,735)	3,608
The Co-operative Pharmacy	2,782	2,893	3,064	6,252 (3,881)	6,606
Property Division ¹⁰	n/a	n/a	231	1,034 (1,011)	732
Corporate Functions ¹¹	877	1,027	1,968	1,233 (903)	1,637
Other Businesses ¹²	2,121	1,981	868	603 (123)	659
CFS	12,938	10,303	9,778	7,989 (7,989)	7,738
Total	69,611	65,112	64,997	81,611 (63,259)	82,032

Total employees by contract type

Contract types	Trading Group		CFS	
	2007	2008	2007	2008
Permanent	69,783 (96.2%)	70,955 (95.5%)	7,950 (99.5%)	7,668 (99%)
Temporary	1,603 (2.2%)	1,716 (2.3%)	39 (0.5%)	70 (1%)
Casual	1,159 (1.6%)	1,623 (2.2%)	0 (0%)	0 (0%)

Accounting

Employee engagement is a broad measure of how committed and motivated people are to do their best at work and generate strong business performance for the benefit of The Co-operative Group. Employee engagement is measured via an employee attitude survey, which determines an 'engagement index' score. Engagement scores are calculated differently for the Trading Group and CFS and are, therefore, not directly comparable.

In the Trading Group, engagement is measured as an average score across 17 questions, which focus on three key elements: rational understanding about the aims of the Group and people's role in its success; emotional attachment, such as how people feel about working for the Group and the extent to which they are proud to work for The Co-operative; and a behavioural element, which measures people's willingness to deliver discretionary effort, advocate the Group (both as an employer and its products and services) and remain employed by the Group.

For CFS, the score is based on seven survey questions that measure three key elements of colleague opinion: emotional attachment to the organisation; willingness to stay with the organisation; and discretionary effort – how much colleagues are motivated to go beyond their normal duties to help the organisation achieve its aims. Since the approach measures outcomes, such as pride and advocacy, the score is very difficult to influence by specific or short-term activities.

Employee engagement

Engagement index¹³

	2005 (excludes former United)	2006	2007 (former Group in brackets)	2008
Trading Group (mean average; scale 0–100)	69	74	74 (74)	77
CFS	n/a	53%	53%	64%

The Trading Group carries out a full annual employee survey¹⁴ in October each year, to which 82% of employees responded in 2008. Response rates have improved year-on-year since employees were first consulted in 2003, when only 19% of staff participated¹⁵, demonstrating the growing value that employees place on the opportunity to express their views. Participation levels are considered to constitute a creditable achievement, particularly given that the majority of employees are distributed in teams across over 4,000 UK locations, and that, due to this, a paper-based survey is the main method used. However, online completion was offered for the first time in 2008 in The Co-operative Travel, IT Services and some other teams.

An interim measure of employee engagement was also undertaken in the Trading Group. The interim survey was conducted in May 2008, with more than 49% of employees responding and providing an engagement score of 75.

For the Trading Group, of the 58 questions in the survey that can be directly compared with 2007, all scores increased. The highest scoring questions, in the main 2008 annual survey results were in perceptions that: colleagues know what is expected of them in their jobs; and colleagues understand how their job relates to satisfying customers. The biggest improvements have been in optimism, customer focus, brand awareness and employer quality, which may reflect, to some extent, the store and branch rebrand programme that was progressed during 2008 (page 119)¹⁶.

A full CFS employee survey was carried out in September 2008, with a response rate of 92%¹⁷. The CFS engagement index (EI) score for the survey was 64%, an increase of 11 percentage points from the previous year's score (2007: 53%). This suggests that strategies undertaken to increase engagement have proved successful; these included:

- The Leadership Challenge – an in-depth development programme for more than 1,100 people managers across the organisation to develop understanding of best practice around the behavioural aspects of leadership; and
- A one-day 'Good with Money' workshop, run for all colleagues, to develop their understanding of the brand and their role in delivering it (page 113).

In 2009, CFS will work to further improve its EI, and will also look at how, as an organisation, CFS can make the most of its high level of employee engagement, by ensuring its processes and support allow engaged colleagues to be as effective as possible in providing products and services to customers and members. The 2008 survey revealed that 19% (2007: 20%) of CFS employees were 'work-disengaged' – having low levels of emotional attachment to the organisation and low levels of discretionary effort, but not looking to leave. Whilst at 19%, movement is in the right direction, the target to reduce this figure to 18% by the end of 2008 was not met.

At CFS, the biggest improvements in the survey results since 2007 were the ratings of CFS being customer focused; a business that customers can trust; being responsive to customer needs; and the overall quality of service provided to customers.

The response from the latest Trading Group employee survey indicates that 83% (2006/07: 84%) of employees were satisfied overall with their job. Questions included within the CFS survey are worded slightly differently, with 60% (2007: 50%) of CFS employees satisfied with working at CFS.

Around 4,500 managers across the Trading Group and 600 across CFS were provided with the survey results and EI scores for their team(s) following the full employee surveys carried out in 2008. Following dissemination of the results to managers, action-planning sessions are held, during which teams explore ways to improve their working experience. This approach aims to ensure that the Group responds to colleagues' needs and concerns at the local, as well as the strategic, level. Given their importance, high level targets to improve engagement index scores have been set and incorporated into the performance management process for all senior managers.

Trades union recognition

The Group appreciates that trades unions make an important contribution to business and society as a whole. During 2008, four trades unions were recognised by the Group, covering the range of employee roles across the business (four by the Trading Group¹⁸ and three by CFS¹⁹). Of Trading Group employees, 34%²⁰ (2007: 33%) are union members, as are 61%²¹ (2007: 63%) of CFS employees.

During 2008, CFS agreed a new Consultative Framework with the trades unions that outlines the way in which they will work together collaboratively. It also details a framework of meetings to support negotiation on pay and terms and conditions of employment, and supports a joint problem-solving approach to strategic issues, such as business performance and health and safety. As part of this collaborative approach, CFS and the unions have also agreed:

- **Outsourcing Principles Agreement** – a set of best practice principles to support organisational change that results in outsourcing CFS activity to third parties; and
- **Principles to Effect Business Change** – a set of principles to provide a flexible and pragmatic approach to support ongoing organisational change. In particular, this makes provision for the proactive redeployment of colleagues displaced during business change.

Organisational change

In 2008, structural integration following the merger of The Co-operative Group and United Co-operatives²² was completed. The merger of two successful and complementary businesses meant that redundancies arising from the integration process, 'Stronger Together', were minimal²³. The programme contained redundancy provision and outplacement services for displaced staff, whilst also focusing on the harmonisation of terms and conditions of employment.

The Group worked in close consultation with the trades unions, NACO and Usdaw, throughout the integration process to ensure the effective application of the 'Stronger Together' programme.

The experience gained, and the processes and practices adopted, are serving to successfully facilitate the integration with The Co-operative Group of Lothian Borders and Angus Society, which will take place during 2009. The Group's acquisition of Somerfield, which took place in March 2009, will also result in further structural changes, and these too will be subject to the policies and practices adopted in the 'Stronger Together' programme.

During 2008, organisational change was necessary in a number of areas within CFS, to support development across the business. CFS and the trades unions worked together to embed the new agreements signed during 2008, as outlined above. Since the agreements were signed, approximately 400 CFS colleagues have been affected by organisational change. The majority of colleagues were either matched into similar roles or redeployed (89%); only 27 colleagues (7%) were made redundant. This approach has ensured that valuable skills and experience have been retained within CFS, and redundancy minimised.

During November 2008, CFS commenced the phased outsourcing of its commercial insurance portfolio to Aviva. A total of 39 roles were impacted by the transfer, with seven roles being transferred under the TUPE²⁴ legislation to Aviva's offices in Manchester.

Consultation with the trades unions commenced and continues in respect of the Field Sales Transformation (FST) programme. The aim of the programme is to further develop the viability and profitability of the insurance field sales channel. To support the changes required, various initiatives designed to grow sales, improve efficiency and develop a high-performance culture have been implemented. These include the introduction of a coaching role for new Financial Advisers, interim changes to remuneration, and a flatter senior management structure.

CFS' merger with Britannia Building Society on 1 August 2009 (inside front cover) will result in further structural changes.

Employee turnover

The Trading Group monitors 'avoidable' employee turnover²⁵ by business area, but does not report on turnover in relation to all leavers, nor does it determine a Trading Group average. CFS monitors both avoidable employee turnover and turnover in relation to all leavers²⁶. In relation to avoidable labour turnover, figures vary considerably for different business areas. Within the Trading Group, avoidable turnover was highest in 'Other Businesses' and Food Retail, standing at 30% and 28% respectively. Within CFS, the highest level of avoidable turnover, at 29%, was the Sales Business Area, which contains call centres and field sales. However, due to a number of factors, overall turnover at CFS decreased to 26% (2007: 44%) and avoidable turnover to 20% (2007: 26%). A major external factor in the fall in avoidable turnover is the uncertain economic climate, in which it is considered that employees feel less secure about their financial future and are less likely to leave for a new job.

Performance benchmark

Avoidable labour turnover in many parts of the business is higher than the 2008 national average of 13.4% for private sector services²⁷. Rates for The Co-operative Food, Specialist Commercial Businesses and Property Division were more than twice the national average.

Avoidable employee turnover²⁸

	2007	2008
The Co-operative Food	32%	28%
Specialist Commercial Businesses	33%	21%
Specialist Retail Businesses	25%	20%
The Co-operative Funeralcare	11%	8%
The Co-operative Pharmacy	17%	21%
Property Division	29%	3%
Corporate Functions	11%	8%
Other Businesses	n/a	30%
CFS	26%	20%

Personal development and training

The Co-operative Group believes the way to build a successful and co-operative business is to train and develop its employees. To achieve this, it is committed to ensuring, amongst other things, that all employees receive: induction training; an introduction to the co-operative values; the knowledge and skills training to meet the requirements of their job; financial support for developmental training as appropriate; and entitlement to performance reviews.

Trading Group employee survey question:

'At work, I am able to learn and develop as a person.'

	2005 (excludes former United)	2006 (former Group in brackets)	2007 (former Group in brackets)	2008
Agree	63%	70%	74% (75%)	77%
Neither agree nor disagree	25%	21%	19% (18%)	16%
Disagree	12%	9%	7% (7%)	7%

CFS employee survey question:

'Rating of the availability of training to help you do your job effectively.'²⁹

	2007	2008
Very good/good	42%	47%
Neither good nor poor	32%	30%
Poor/very poor	26%	23%

CFS encourages staff to undertake courses of training and education and achieve professional or higher qualifications that are relevant to their role. A CFS 'university for all' was established in January 2008, bringing all the training, development and learning activities together from across CFS into one centre of excellence. The university, which has a full-time equivalent staff of 96, directly provides, or sources, all training and development activities for CFS colleagues. This includes induction training³⁰, specific skills training including communication and presentation skills, and professional development, which includes support for exam fees, and learning materials. The university has a dedicated site on the CFS intranet to provide access to learning materials and a facility for colleagues to book places on certain training courses.

A small proportion of training provided for Trading Group employees is organised centrally, with the remainder organised on a business-by-business basis; in 2008, centrally provided training was delivered to 1,125 employees, totalling an investment of just over £118,000 (2007: £191,000). The centrally organised training is excluded from the benchmark figures below.

Training provided by individual businesses	Average number of training days per employee ³¹		Average investment per employee ³²	
	2007	2008	2007	2008
The Co-operative Food	0.8 ³³	n/a ³⁴	£7 ³³	n/a ³⁴
The Co-operative Travel	0.6 ³⁵	1.06	£59	£45
The Co-operative Pharmacy	2.1 ³⁶	0.3 ³⁷	£151	£162
The Co-operative Funeralcare	0.6	1	£90	n/a
CFS ³⁸	n/a	3.58	£1,248	£1,276 ³⁹

Performance benchmark

Training provision within individual businesses across the Trading Group varies; for example, expenditure on external training is £45 per employee in The Co-operative Travel, and £162 per employee in the Pharmacy business. The Learning and Skills Council⁴⁰ reports an average retail sector training expenditure of £1,225 per employee, of which approximately 71%, or £86, relates to external training course costs.

The establishment of the CFS university for all in January 2008 has led to a radical change in the way colleagues are supported in their development. During 2008, CFS established good links with several accrediting bodies, including the Financial Services Skills Council. These relationships will allow CFS to use accreditation linked to specific areas of its business during 2009 and, in so doing, enhance colleague development and capability.

The Trading Group continues to maintain its Investors in People (IIP)⁴¹ accreditation. This national quality award recognises organisations that aim to improve performance by developing their employees.

CFS has not renewed its IIP accreditation. Overall business priorities are being delivered through the CFS' people change programme, which is felt to deliver greater value to CFS than IIP accreditation.

Graduate scheme and work placements

The Co-operative Group graduate scheme⁴² offers two routes: an 18-month Business Management Programme and a three-year Chartered Institute of Management Accountants (CIMA) Finance Programme. Both are structured around a series of business placements providing the tools and exposure for graduates to drive their career paths. The Graduate Recruitment team maintained a strong presence in universities during 2008, running talks and skills sessions and attending careers fairs across the UK. Applications for the graduate schemes increased by 68% in 2008 compared with the previous year. The Group also offers students opportunities to undertake one-year work placements and The Co-operative Group was an awards finalist at the National Council for Work Experience 2008/09 awards⁴³.

Performance benchmark

In the 2008 Times Top 100 Graduate Employers index, The Co-operative Group moved up 39 places from its 2007 position, to number 61, a greater increase than any other graduate employer⁴⁴.

Salary and benefits

Salary patterns differ across the Group businesses, with a larger proportion of CFS employees earning wages in higher salary bands than Trading Group employees. 86% of Trading Group employees earn up to £20,000 compared with 49% of CFS employees, and, whilst only 1% of Trading Group employees earn over £40,000, this is true of 10% of CFS employees. Variations reflect, in part, the differing types of business.

Proportion of staff in each basic salary band⁴⁵

	CFS ⁴⁶		Trading Group ⁴⁷	
	2007	2008	2007	2008
Up to £15,000	29%	25%	75%	75%
£15,001 to £20,000	20%	24%	11%	11%
£20,001 to £30,000	17%	17%	9%	10%
£30,001 to £40,000	11%	10%	3%	3%
£40,001 plus	9%	10%	2%	1%

Trading Group employee survey question:

'My pay is equal to, or better than it would be for, similar jobs in other companies.'⁴⁸

	2007	2008
Agree	38%	45%
Neither agree nor disagree	22%	21%
Disagree	40%	34%

CFS employee survey question:

'Rating of pay/total compensation.'⁴⁹

	2008
Very good/good	39%
Neither good nor poor	31%
Poor/very poor	30%

All part-time employees are entitled to the same benefits as their full-time equivalents; however, some benefits, for example, holiday entitlement, are pro rata to the number of hours worked, whilst a certain length of service is required before an employee is eligible to receive a number of others. The majority of benefits that are available to permanent employees are also available to temporary employees⁵⁰.

In CFS, the majority of employees participate in a company-wide bonus plan that is designed to focus all employees on delivering financial performance and customer satisfaction. Bonus payments will only be made if an individual meets or exceeds the required level of performance. Under the 2008 structure, around 7,000 employees benefited from a bonus. Employee members of The

Employee benefits

Benefits effective from commencement of employment for all employees⁵¹

Bonus and incentive scheme(s)⁵², childcare vouchers, death-in-service benefit, Employee Assistance Programme, The Co-operative Family Credit Union, Give As You Earn scheme, holidays (over the statutory entitlement), public transport season ticket loan, Sports & Social Club, recognition awards, personal accident insurance scheme, BUPA Care discount.

Benefits subject to a qualifying period for all employees

Defined benefit pension scheme, sick leave, enhanced maternity/adoption benefits⁵³.

Benefits available to permanent employees that are not available to temporary employees

Long-service awards.

Co-operative Group are entitled to a range of discounts from across the family of businesses, including 10% discount at The Co-operative Food. Subject to business performance, employee members receive an Employee Member Dividend to reflect their support and contribution to the business. In 2008, this Dividend was £500.

Trading Group employee survey question:

'The benefits I receive (pensions, holidays, etc) are fair for the work I do.'⁵⁴

	2004 (excludes former United)	2005	2006	2007 (former Group in brackets)	2008
Agree	32%	34%	n/a	65% (65%) ⁵⁵	72%
Neither agree nor disagree	19%	19%	n/a	21% (21%)	18%
Disagree	49%	47%	n/a	14% (14%)	10%

CFS employee survey question:

'My bonus/incentive scheme motivates me to improve my performance.'⁵⁶

	2008
Agree	56%
Neither agree nor disagree	22%
Disagree	22%

The Group offers defined benefit pension arrangements to all employees. These are provided mainly through The Co-operative Group Pension (Average Career Earnings) scheme (the PACE scheme), which provides members with a defined benefit pension based on average salary during the course of their employment from April 2006, when the scheme commenced. Benefits built up in former schemes before April 2006, which transferred into PACE, are protected by remaining linked to final salary. Following the merger with United Co-operatives on 29 July 2007, employees who, at that date, were members of one of the former United Co-operatives final salary pension schemes⁵⁷, continue in membership of the relevant scheme.

In 2008, contributing members to the pension schemes totalled 17,375⁵⁸ (2007: 18,596), with 47,520 deferred pensioners and 42,134 pensioners. The relatively low proportion of staff in the pension schemes (21%) is partly attributable to the high proportion of part-time staff and high turnover levels in the Food business.

% of staff who are members of the pension scheme (percentage of total headcount)

	2006 (excludes former United)	2007 (former Group in brackets)	2008
Trading Group	n/a	18% ⁵⁹ (17%)	16%
CFS	n/a	67%	68%
Group total	27%	23% (23%)	21%

Performance benchmark
 Caravan, the National Grocers' Benevolent Fund charity, helps people who have worked in the grocery industry and need extra support to get by. In 2008, The Co-operative Group was awarded the Caravan Gold Award⁶⁰, one of only eight given in the UK, in recognition of its support.

Employee communications

Internal communications play a key role in the drive to improve the commitment and engagement of employees and to ensure employees are well informed about the business. Across the Trading Group, these include The Co-operative intranet; an award-winning staff magazine, us⁶¹, produced five times a year; and award-winning management magazine, Mag:ma, produced three times a year. In 2008, Mag:ma won a prestigious national award from CiB, Europe's leading communications competition⁶². Regular e-briefings are also circulated to employees, and Leadership Briefings are circulated to the senior management community for onward cascade to their teams and direct reports. In addition, communications are produced for specific functions within the business (for example, Vision, a magazine for the logistics function; FT for the finance function; and Status for the Estates function). Face-to-face events are also held across the Group and a culture of regular team meetings by line managers is strongly encouraged. Annual employee survey results reveal that 79% of Trading Group employees agree that their manager regularly briefs them on information about the business (2007: 75%).

Across CFS, employee communications include Open Talk, a monthly face-to-face briefing for all colleagues; Open magazine, which is published six times a year; and Open World, an employee intranet. There are also a number of leadership communication channels; these have been implemented in order to communicate additional information to managers about the business, with a view to supporting progress towards CFS' vision. They include a quarterly dial-in conference hosted by members of the Executive and senior leadership team; quarterly leadership team meetings; quarterly face-to-face briefings and monthly podcasts for the top 180 managers. Annual employee survey results reveal that 58% of CFS employees agree that communication at CFS is open and honest.

Whistle-blowing

The Trading Group has developed a new whistle-blowing policy and procedure called 'Speak Up', to provide employees with a confidential route for raising complaints (whistle-blowing) in relation to any business conduct issues or malpractice. 'Speak Up' was piloted in The Co-operative Food business for three months before being approved by the Risk & Audit Committee in April 2009, and incorporated into the Code of Business Conduct. The service was formally launched across the Group in June 2009. 'Speak Up' provides trained internal contacts, along with an external whistle-blowing helpline, to ensure impartiality. All calls

received through both internal and external routes are reported to the Risk & Audit Committee. During 2008, five calls (2007: 10 calls) were received through this process, the majority of which were of a low level of concern, but which were, or are, being investigated and resolved internally.

Health, safety and well-being

Health and safety

The health and safety objectives of the Group are to safeguard the health, safety and welfare of all employees when they are at work and to protect non-employees from any hazard created by the business' operations. Within the Trading Group, there has been a significant increase in both reportable and non-reportable accidents in 2008. This is attributable to improved health and safety reporting, and a wider emphasis on health and safety culture.

	2007		2008	
	Reportable accidents per 100,000 employees ⁶³	Non-reportable accidents per 100,000 employees	Reportable accidents per 100,000 employees	Non-reportable accidents per 100,000 employees
Trading Group employees	845 ⁶⁴	8,815 ⁶⁵	1,395	9,739
CFS employees	133	1,900	62	1,585

Performance benchmark
 Reportable accident rates across CFS are lower than national data for the finance sector (the Health and Safety Executive reports 149 per 100,000 employees in 2007/08), whilst Trading Group rates are higher than national data for retail⁶⁶ (the Health and Safety Executive reports 424 per 100,000 employees in 2007/08). Neither the Trading Group nor CFS reported any employee fatalities during 2008.

Well-being

The Employee Assistance Programme (EAP) is a 24-hour service operated by ICAS for The Co-operative Group, which provides access to a range of specialist services. This includes a free 24-hour helpline, available 365 days per year, which is staffed by fully trained and qualified telephone counsellors; face-to-face counselling; an online information portal to ICASxtra⁶⁷, available through the intranet; and a 'LifeManagement' practical advice line, which offers quick, confidential information on a range of everyday issues, such as financial services, family care and legal advice. The service is available to all employees and their immediate family members if they live in the same household. During 2008, 4% (2007: 3%) of employees across CFS and 1%⁶⁸ (2007: 1%) of employees from the Trading Group used these services.

Trading Group employee survey question:

'The leaders of this business have a sincere interest in employee well-being.'⁶⁹

	2008
Agree	60%
Neither agree nor disagree	25%
Disagree	15%

CFS employee survey question:

'The leadership at CFS takes a genuine interest in the well-being of employees.'

	2006	2007	2007 (mini survey)	2008
Agree	n/a	46%	42%	51%
Neither agree nor disagree	n/a	28%	28%	27%
Disagree	n/a	26%	30%	22%

Work / life balance

Given that the majority (61%) of the Trading Group's employees work part-time, it is important that flexible working is effectively managed. A flexible working guide was published and distributed to all employees of the Trading Group at the start of 2009. It includes information on flexible working options, the process for employees to make flexible working requests and a guide for managers⁷⁰. A flexible working question-and-answer event was held at the Trading Group's head office premises in Manchester to support the launch of the guide, and several more question-and-answer sessions are planned for 2009.

During 2008, CFS also began to strengthen provisions for flexible working. Several pilots took place throughout 2008 to look at working arrangements and, where these have been successful, CFS plans to make the arrangements more permanent and to communicate flexible working options to colleagues. A new CFS intranet site is being created for flexible working, which will comprise line manager and colleague information, such as a flexible working framework, forthcoming legislation, management guidance and information on job sharing.

Part- and full-time employees

	Trading Group ⁷²			CFS ⁷³		
	2006 ⁷⁴	2007	2008	2006	2007	2008
Full-time	37%	38.5%	36%	86%	83.5%	83%
Part-time	60%	60.0%	62%	14%	16.5%	17%
Casual	2%	1.5%	2%	0%	0%	0%

Trading Group employee survey question:

'My work and personal life are reasonably well balanced.'

	2005 (excludes former United)	2006	2007 (former Group in brackets)	2008
Agree	69%	73%	73% (72%)	76%
Neither agree nor disagree	15%	16%	16% (17%)	14%
Disagree	16%	11%	11% (11%)	10%

CFS employee survey question:

'My work and personal life are reasonably well balanced.'⁷¹

	2007	2008
Agree	55%	71%
Neither agree nor disagree	25%	12%
Disagree	20%	17%

Carers

In February 2009, a Carers Awareness Week was run at the Trading Group head office, providing useful information to carers, their line managers and any other interested employees. Eight talks and information sessions were held, involving various experts representing organisations and charities with a care focus, as well as people from the Trading Group who provided information on provisions such as the EAP and the childcare vouchers scheme.

Absence

Employee absence across the business ranged from 1.6% in Specialist Commercial Businesses to 4% in CFS during 2008. Across the Trading Group⁷⁵ the most common causes cited for absence were stomach upsets (11%) and colds (10%). Records are incomplete, with 12% of records not citing a reason. Across CFS, the main cause cited for absence was 'Sickness – other' (75%). Following the implementation of the new Oracle HR system in 2009, there will be greater recorded detail regarding reasons for sickness absence within CFS.

Absence as a proportion of employee time⁷⁶

	2007	2008
The Co-operative Food	4.2%	3.6%
Specialist Commercial Businesses	1.8%	1.6%
Specialist Retail Businesses	2.9%	1.8%
Funeralcare	3.7%	3.9%
Pharmacy	2.4%	2.5%
Property Division	3.3%	3.2%
Corporate Functions	2.5%	2.4%
Other Businesses	2.8%	1.8%
CFS	4.5%	4%

Performance benchmark

According to the Chartered Institute of Personnel and Development⁷⁷, the average overall absence rate for retail and wholesale is 3.7%, or an average of 8.5 days lost per employee per year. This is broadly comparable with absence rates within The Co-operative Food business (3.6%), and higher than the rates across many other parts of the business. The average overall absence rate for financial services, insurance and real estate is 2.9%, or an average of 6.7 days lost per employee per year, lower than the rate recorded across CFS (4%).

Read more in this Report

Subjects covered elsewhere in the Report include:

- Employee volunteering (page 60).
- Employee diversity policies (page 51).
- Workforce composition: gender, ethnicity, disability, sexual orientation and age (pages 51–54).
- Employee dividend (page 100).
- Graduate Development Scheme, community involvement and work with young people (page 105).

Accompanying notes

- 1 As a result of the merger with Britannia Building Society and the acquisition of Somerfield, processes for measuring engagement are being reviewed. As such, engagement targets have not been set for 2009.
- 2 The vision will be reviewed going forward as a result of the Britannia merger.
- 3 A number of GRI indicators relating to Labour Practices and Decent Work are reported, as detailed on pages 132–133. The following Co-operativesSM key Co-operative, Environmental and Social performance indicators are reported on: Indicator 3 Participation of employees and members in training and education (employee element: page 113); Indicator 4 Staff injury and absentee rates (page 115).
- 4 The Trading Group Human Resources Leadership Team meets monthly and reports to The Co-operative Group Board on a quarterly basis. See pages 8–9 for further details of sustainability governance.
- 5 Figures show headcount, not full-time equivalent, as at the end of December 2008. Categorisation of businesses has changed over the period shown in the table as detailed in footnotes 6–12, so direct comparison of certain categories is not possible. Figures for the Trading Group exclude staff on career breaks.
- 6 2007 figures include former United Co-operatives employees.
- 7 Comprises Food Retail Stores, head office and Logistics (2004–6 data excludes head office).
- 8 Comprises Sunwin Motors, Sunwin Services, The Co-operative Clothing and Co-operative Electrical.
- 9 2004–6 figure comprises The Co-operative Travel only; 2007–08 includes The Co-operative Travel, The Co-operative Legal Services and End-of-Life Planning.
- 10 2006 figure comprises The Co-operative Farms and Property; 2007–08 comprises Former Group services (including Aegis), Operational Compliance, Loss Prevention, Procurement & Farms.
- 11 Comprises all head office functions – HR, Marketing, Information Systems, Finance, Executive, Secretarial.
- 12 2004 figures include Department and Home Stores, The Co-operative Farms, Priory Motor Group and Property; 2005 comprises Department and Home Stores, The Co-operative Farms, Priory Motor Group, Property, The Co-operative Clothing and Hotels; 2006 comprises Department and Home Stores, Priory Motor Group, The Co-operative Clothing and Hotels; 2007 comprises Hotels, Cash In Transit, Catering (Former United); and 2008 comprises Hotels, Cash In Transit.
- 13 Engagement index methodologies differ between CFS and the Trading Group, so scores are not comparable.
- 14 22 new questions were added in 2008 and 16 existing questions removed.
- 15 Response rates were 53% in 2004, 69% in 2005, and 76% in 2006. In 2007, the response rate was 74%, but inclusion, for the first time, of former United employees in the 2007 Trading Group survey onwards means that direct comparison to previous surveys cannot be drawn.
- 16 The Trading Group uses two scoring methodologies to measure responses to the employee survey – the mean average, where each answer is allocated a point on the five-point Likert scale, 100 (strongly agree), 75, 50, 25 or 0 (strongly disagree). The points are accumulated and averaged to produce a Trading Group total for each question; and the 'percentage agree' – which looks at the percentage of people who either strongly agree or agree with a question.
- 17 Only one main survey was carried out in 2008. In 2007, a main survey and a mini survey were carried out.
- 18 NACO (National Association of Co-operative Officials), which represents managers; Usdaw (Union of Shop, Distributive and Allied Workers), which represents junior managers and non-managerial employees; UCATT (Union of Construction Allied Trades and Technicians), which represents stonemasons in The Co-operative Funeralcare; and Unite, which represents non-managerial employees.
- 19 Unite, which represents colleagues in organisation contribution levels up to, and including Delivering Business Plans, Field Sales Area Managers and Regional Sales Office support staff; NACO, which represents managers and Usdaw, which represents Field Sales Financial Advisers.
- 20 Based on percentage of those employees who paid subscriptions by payroll deduction in December 2008.
- 21 Based on figures from Trades Union membership reports. Calculated as a percentage of total active headcount (7,738), career break headcount (100), and maternity headcount (187).
- 22 The Co-operative Group Sustainability Report 2006/07, www.co-operative.coop/sustainabilityreport
- 23 The number of redundancies in the 2008 financial year attributable to the integration of The Co-operative Group and United Co-operatives amounted to 751.
- 24 Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 25 Excludes employee departures for the following reasons: end of fixed-term contract; transfer of undertaking; retirements – early and normal; resignations – return to studies, end of studies; failed to start; redundancy: voluntary and compulsory; end of seasonal/temporary work; end of apprenticeship; and death in service. Figures are calculated over 13 four-week periods using the total controllable labour turnover and the average headcount over the 13 periods.
- 26 'All leavers' includes voluntary and compulsory redundancies.
- 27 CIPD (2008), Recruitment, retention and turnover annual survey report, www.cipd.co.uk
- 28 Both 2007 and 2008 figures include former United Co-operatives employees.
- 29 No comparable questions prior to 2007.
- 30 'Good with Money' training was rolled out across CFS in 2008. The training is designed to provide new colleagues with an insight into CFS, including the Co-operative heritage, products and services, and what it means to be a co-operative.
- 31 Excludes online and on-the-job training.
- 32 Includes costs for external courses, internal courses and related costs, such as room hire. Excludes staff costs.
- 33 Excludes training data for Food management staff, which focused on management development activity through a series of three-day development programmes, other training and one-to-one support.
- 34 Excludes data for The Co-operative Food for 2008, as data collection processes in 2008 did not capture the required information, following the merger of The Co-operative Group and United Co-operatives.
- 35 Data for former Travelcare is incomplete, so data presented is likely to be lower than actual figures.
- 36 Excludes former Group employees.
- 37 Training was disrupted whilst the merger of United Co-operatives with The Co-operative Group was completed.
- 38 CFS training time and expenditure is higher than that across the Trading Group due to complex and lengthy training requirements for many CFS roles, particularly in areas with high staff turnover.

- 39 Figure relates only to training provided through the university for all. Certain divisions of CFS co-ordinate their own training and all first aid training is organised and paid for at a divisional level, and these are not captured in the figures. At present, there is no central repository to capture training data, but the new CFS HR system (page 110) will allow the central collection of training data in the future.
- 40 Learning and Skills Council (2008), National Employers Skills Survey.
- 41 www.investorsinpeople.co.uk
- 42 www.altogetherdifferent.com
- 43 www.work-experience.org
- 44 More than 15,000 final-year students from leading universities were interviewed for the survey and asked: 'Which employer do you think offers the best opportunities for graduates?' (2007: 100th place **1**).
- 45 Based on full-time salaries.
- 46 Financial advisors, representing 14% of total employees in both 2007 and in 2008, have been excluded, as their pay is biased towards earnings on a commission basis. Employees on career breaks and those on maternity leave are included. Percentages are based on employee headcount and relate to full-time equivalent salaries.
- 47 Excludes casual staff and those on 0-hour contracts. Percentages are based on employee headcount and relate to full-time equivalent salaries.
- 48 Question in previous years: 'The pay I receive is fair for the work I do.'

	2005	2006
Agree	34%	40%
Neither agree nor disagree	19%	20%
Disagree	47%	40%

- 49 Question in 2007: 'How do you rate your total pay, in comparison with pay for doing the same job in other similar companies?'

Very good/good	24%
Neither good nor poor	30%
Poor/very poor	46%

- Question in 2006: 'My overall pay is good.'

Agree	31%
Neither agree nor disagree	22%
Disagree	47%

- 50 Temporary employees refer to those employees who are on fixed-term contracts and directly employed by the Trading Group or CFS.
- 51 Relates to employees directly employed by the Trading Group or CFS.
- 52 Applies to all CFS employees, but not all Trading Group employees.
- 53 Applies to all CFS employees, but not Trading Group employees.
- 54 Question in 2006: 'I believe that this business provides a competitive pension scheme.'

Agree	61%
Neither agree nor disagree	33%
Disagree	6%

- 55 The significant increase in positive responses between 2005 and 2007 was largely as a result of improvements in, and increased awareness of, benefits that are available.
- 56 Question in 2007: 'How do you rate your overall benefits at CFS, in comparison with those provided by other similar companies?'

Very good/good	38%
Neither good nor poor	30%
Poor/very poor	32%

- Question in 2005/06: 'My overall benefits are good.'

Agree	35%
Neither agree nor disagree	25%
Disagree	40%

- 57 United Co-operatives Schemes provide pensions of broadly two-thirds of final pensionable salary after 40 years' pensionable service. They are closed to new members. The schemes are: the Leeds Co-operative Society Limited Employees' Pension Fund; the Sheffield Co-operative Society Limited Employees' Superannuation Fund; the United Norwest Co-operatives Employees' Pension Fund; and the Yorkshire Co-operatives Limited Employees' Superannuation Fund.
- 58 Includes members of the former United pension schemes.
- 59 Ibid.
- 60 Caravan Gold award http://www.caravan-charity.org.uk/Achievement_Awards/CAA/Award_Definitions.htm
- 61 Two versions – one specifically for the Food business (including six regional variations to match the Food operating areas) and one for the rest of the Trading Group businesses.
- 62 British Association of Communicators in Business (CiB): www.cib.uk.com/content/events/awards/1212-cib-award-winners-2008.html
- 63 A reportable accident is defined under the RIDDOR regulations as an injury that is not 'major' but results in the injured person being away from work or unable to do their full range of normal duties for more than three consecutive days; or major injuries or fatalities.
- 64 Figure has been restated to include former United Co-operatives data.
- 65 Ibid.
- 66 Health and Safety Executive: www.hse.gov.uk/statistics/tables/ind1.htm
- 67 www.ICASxtra.com
- 68 Based on figures for January to September 2008.
- 69 No comparable questions in previous years.
- 70 Information is also available on dedicated pages of the Trading Group's intranet.
- 71 Question in 2007: 'CFS is sensitive to the relationship between my work life and my personal life.'

Agree	55%
Neither agree nor disagree	25%
Disagree	20%

- Question in 2004/05 and 2005/06: 'I am able to achieve a satisfactory balance between work and my personal life.'

	2004/05	2005/06
Agree	26%	60%
Neither agree nor disagree	16%	19%
Disagree	58%	21%

- 72 Employees working over 37.5 hours are classed as full-time.
- 73 Employees working over 35 hours are classed as full-time.
- 74 A further 1% of employees were unclassified. Excludes former United employees.
- 75 Figures for causes cited for absence do not include former United Co-operatives absence data.
- 76 All absence over 13 rolling four-week periods. Trading Group absence is based on all absences for 2008. CFS absence is based on all sickness absence for 2008, but not 'planned' absence, such as career breaks, maternity and paternity leave, parental and compassionate leave.
- 77 www.cipd.co.uk/subjects/hrpract/absence/absmagmt.htm?lsRchRes=1

delivering value customers

Indicators

Corporate reputation: Group-wide

Customer satisfaction: Food, Pharmacy, Travel and Financial Services

Complaints: Food, Pharmacy, Travel and Financial Services

Targets 2008

- ⬅️ Review processes for generating competitor customer satisfaction scores, with a view to ensuring that benchmarks and measurable targets are in place for Food, Pharmacy and Travel businesses for 2009 (page 118).
- ✅ Achieve a Group Corporate Reputation Index figure of at least +12 (page 119).
- ✅ Ensure that at least 2,500 outlets have been rebranded by the end of 2008 (page 119).
- ✅ Ensure that at least 64.6% of CFS customers are either 'extremely satisfied' or 'very satisfied' with CFS (page 120).
- ✅ Ensure that systems are in place to enable CFS to demonstrate that it is consistently treating customers fairly (page 121).

- ✅ target achieved
- ⚖️ on track
- ❌ target not achieved
- ⬅️ close to target
- ⬅️ behind schedule

Targets 2009

- Ensure that at least 3,700 outlets have been rebranded by the end of 2009.
- Review processes for generating competitor customer satisfaction scores, with a view to ensuring that benchmarks and measurable targets are in place for Food, Pharmacy and Travel businesses for 2009.

Materiality and strategy

Both the Trading Group and CFS share common strategic priorities that focus on corporate reputation and customer satisfaction.

The Trading Group's vision is 'to be the best co-operative in the world'. 'Growing customer loyalty' and 'Growing corporate reputation' are two of six objectives that support attainment of this vision. Two key performance indicators (KPIs) underpin the Group's satisfaction measure: overall customer satisfaction (based on a survey of Food, Travel, Pharmacy and Legal Services customers) and the number of customers cross-trading. A further KPI (Corporate Reputation Index

score) underpinned the Group's corporate reputation targets in 2008, although this will cease to be a KPI for 2009.

In 2005, CFS developed a 10-year vision: 'to be the UK's most admired financial services provider'. The pursuit of 'market-leading customer satisfaction' is one of five key objectives supporting attainment of this vision, and the CFS strategic plan identifies a KPI and target for customer satisfaction. Significantly, performance against this KPI links to the performance criteria in staff and Executive incentive schemes¹.

Accounting

Corporate Reputation Index

In partnership with Millward Brown², the Group has created a Corporate Reputation Index (CRI) model to measure how brand perception drives sales across the business³. Between April 2008 and June 2008, more than 3,000 face-to-face interviews were carried out, all of which were with members of the public who had heard of 'the Co-op' or 'The Co-operative'. Respondents were asked 14 questions, exploring the issues of leadership and reliability, caring company and public responsibility. Each of these three areas is weighted according to its propensity to drive sales; significantly, leadership and reliability scores make up 60% of the final CRI score.

Customer Satisfaction Tracker

In late 2006, the Group introduced a Customer Satisfaction Tracker: a measure of customer satisfaction for the Food, Pharmacy and Travel businesses. In 2008, the tracker was extended to include Legal Services and a trial was conducted for the Funeralcare and End of Life Planning businesses, with a view to rolling it out to those businesses in 2009. Surveys are now undertaken on a monthly basis and involve 500–600 telephone (Food, Travel and End of Life Planning) or exit (Pharmacy, Legal Services and Funeralcare) interviews with customers, who are asked to register satisfaction levels with The Co-operative and other retailers using a 10-point scale. Benchmarking has not yet proved possible, as the data obtained for competitors was not considered sufficiently robust. Consequently, an option for generating accurate competitor satisfaction data has been identified and is currently under evaluation by the business.

For personal customers, CFS utilises a rolling monthly Customer Satisfaction Tracker. This is derived from a combination of GfK NOP's syndicated Financial Research Survey (FRS)⁴ of 60,000 general financial services customers (for Retail Bank and General Insurance Products) and a survey of Life and Savings customers re-contacting their service providers, again conducted by GfK NOP. Customers register satisfaction levels with their providers at product level on a seven-point scale. Product scores are then weighted by CFS customer numbers to generate overall and business sector-level customer satisfaction scores for CFS, along with the industry benchmarks.

Satisfaction surveys were also conducted amongst corporate and business customers during 2008. The CFS Corporate Satisfaction Survey was conducted in May 2008, with Business banking customers surveyed during October and November 2008. The surveys focused on a wider series of criteria than asked in previous years, and index scores are weighted according to materiality.

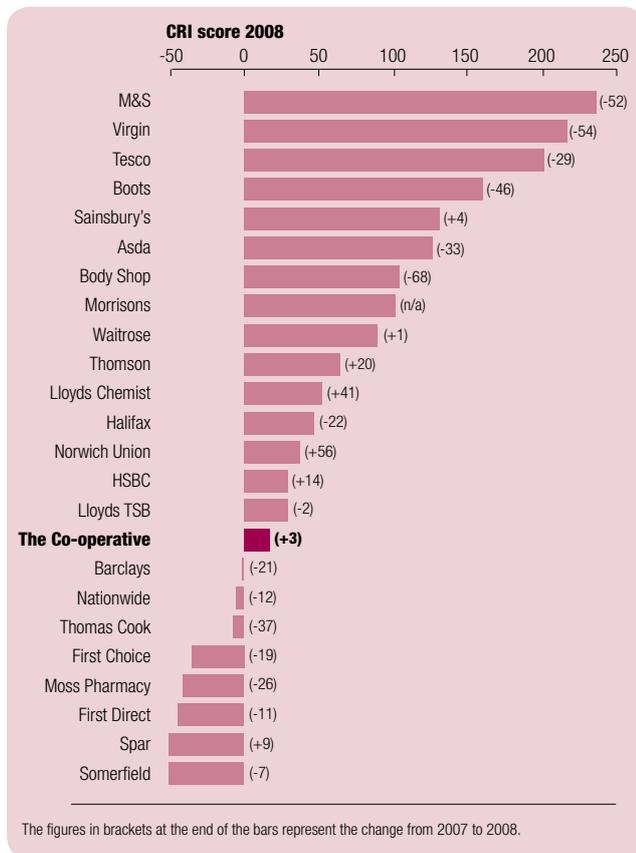
Corporate reputation and brand

The Co-operative Group achieved a Corporate Reputation Index (CRI) score 17 points above the market average for 2008⁵ (2007: 14) and scored particularly well in the public responsibility domain, with a score of +55. Although, at -17, the Group's leadership and reliability score is still below the market average, an increase in its 'caring company' category had a notable positive effect on the overall CRI score.

Performance benchmark

As displayed in the graph below, at +236, Marks & Spencer was the highest scoring competitor across food retail, banking, pharmacy and travel sectors, whilst, at -50, Spar and Somerfield were the lowest, compared with the Co-operative Group's score of +17.

Competitor performance: Corporate Reputation Index



The Co-operative Group: Corporate Reputation Index

	2006	2007	2008
Corporate reputation	+4 ⁶	+14	+17

In 2006, The Co-operative Group began an extensive rebrand, designed to unify its different businesses and a number of other co-operative societies under one recognisable brand identity. New brand standards across the Group are designed to deliver a better customer experience and a higher level of customer satisfaction. The rebranding programme continued throughout 2008, and by December 2008, a total of 2,840 outlets had been rebranded, including over half of The Co-operative Group's outlets⁷.

In addition, all own-brand products and packaging were unified under The Co-operative brand by the close of 2008.

The Co-operative Food

Customer satisfaction tracker

	2006	2007	2008
Percentage of very satisfied customers	31%	33%	44%

In 2008, The Co-operative Food invested £200m in 719 refits, bringing over 60% of the Food estate up to the new brand standard and format.



Rebranded Co-operative Food store. Rebranded stores, on average, have generated sales uplifts of 13%.

A trial of self-service checkouts was extended to a further 12 stores in 2008, bringing the total to 14. Following the introduction of self-service checkouts, large stores have shown improvements in customer perceptions of customer service and queues⁸. Further roll-out of self-service checkouts is planned as part of the refit programme to relevant stores. The trial will continue for smaller stores.

Following a successful trial during 2007, the use of 'Smart Coupons' was extended across the whole store estate in 2008. Smart Coupons allow the Food business to target individual members with relevant offers, based on previous behaviour. The coupons are printed out after the till receipt and can be used on the customer's next visit to the store. A Smart Coupon 'Christmas Basket Builder' campaign was run for four weeks in November and December 2008. The campaign targeted over 1.2 million members over this period and results suggest that over £8.5m of sales could be attributed to the campaign. The use of Smart Coupons will be extended in 2009.

The technology that enables customer feedback at the point of sale, using chip and pin devices, was awarded the Best Customer Facing Technology Award at the European Retail Solutions Awards, 2008. Called 'Insight', this technology provides many areas of the business with large volumes of responses to specific questions, which, in 2008, ranged from broad issues, such as 'should we ban carrier bags?' to store-specific issues, such as 'could you find everything you need in store today?'

The Co-operative Pharmacy

Customer satisfaction tracker

	2006	2007	2008
Percentage of very satisfied customers	72%	66%	77%

The Co-operative Pharmacy's vision is to be the 'First choice for community pharmacy', by offering well-located, professional stores, and ensuring customers have good access to medicines and health and lifestyle advice. After a major acquisition programme in 2007, The Co-operative Pharmacy became the third largest pharmacy chain in the UK, with 791 outlets at the end of 2008, and some 62.2m prescriptions being dispensed during 2008. Rebranding continued across the branch network, with 387 (49%) branches rebranded at the end of 2008. £15m was invested in the construction of a new National Distribution Centre in Stoke on Trent. Once fully operational in late summer 2009, it will provide the business with a more efficient automated order-processing warehouse.



The rebranded Peacehaven Co-operative store, East Sussex. The store incorporates The Co-operative Food, The Co-operative Pharmacy, The Co-operative Travel, and The Co-operative Bank, along with a new Fairtrade espresso bar.

The Co-operative Travel

Customer satisfaction tracker⁹

	2006	2007	2008
Percentage of very satisfied customers	75%	73%	75%

The Co-operative Travel is the UK's largest independent travel agency and is committed to providing open, honest and responsible advice to help customers make an informed choice on holidays. 2008 saw the launch of a new sales programme, 'The WOW Factor'. This enables branch managers to better meet the changing needs of the customer and the local market. It also includes a focus on The Co-operative brand and membership. This programme will continue in 2009 with training and support for assistant managers and travel advisors and will be evaluated, in part, by mystery shopping exercises. More broadly, staff training was a focus for the business during 2008.

Legal Services

Customer satisfaction tracker¹⁰

	2006	2007	2008
Percentage of very satisfied customers	N/A	N/A	72%

Since its inception in 2006, The Co-operative Legal Services has helped over 240,000 people and has become one of the largest providers of personal legal advice in the UK.

CFS

Percentage of customers 'extremely' or 'very' satisfied¹¹

	2006	2007	2008	Performance benchmark 2008 market
General Insurance	71.2%	75.4%	78.5%	68.7%
Retail Bank	73.0%	79.4%	76.5%	63.3%
Life and Savings	n/a	n/a	69.7%	n/a
Overall CFS customer satisfaction	n/a	n/a	74.3%	n/a

A new methodology for the calculation of the Life and Savings customer satisfaction score was adopted in 2008. Since this contributes to the overall CFS score, CFS' 2008 score is no longer comparable with that of previous years. A 2008 CFS customer satisfaction target was set based on the previous methodology. Using this method, CFS achieved an overall customer satisfaction score of 64.6% in 2008.

The CFS Corporate Satisfaction Survey produced a 2008 Index score for satisfaction of 83.7 and business banking customers returned an Index score of 84.2.

2009 saw the launch of a series of monthly 'Customer Experience Forums' to help CFS build its customer satisfaction levels. The forums seek to generate ideas for improvements, based on customer views regarding their satisfaction, dissatisfaction, advocacy, loyalty and 'effort' required to do business with CFS. The Customer Experience Forums run in parallel with the CFS customer panel, which delivers feedback on business-specific developments and potential product and service propositions.

Performance benchmark

Since March 2006, The Co-operative Insurance has been a member of the Association of British Insurers' (ABI) Customer Impact Scheme. Some 34 companies take part in the scheme, representing over 85% of the Life and Savings industry. The Customer Impact Scheme aims to improve service to Life and Savings customers and focuses on three customer commitments based around product and service development and promotion, provision of clear information and the management of customer relationships.

Progress is monitored through an annual customer satisfaction survey¹². Results showed that, in 2008, customers were much more likely to recommend CFS to family and friends compared with the industry average, and customers felt more 'cared about'. In addition, customers rated the sales process significantly higher than the industry average and said that they were more satisfied with the quality of service provided by the customer contact centre. However, in 2008, customers were less satisfied with the quality of Life and Savings statements and letters. A review has taken place of customer correspondence, which has led to changes, that it is hoped will improve customer experience.

'Treating customers fairly' (TCF) is a central principle of the Financial Services Authority (FSA), and plays an important part in delivering CFS' vision for the future. Establishing a culture supporting the fair treatment of customers is the key driver to successfully embedding fairness into the organisation in the long term. Management has adopted the FSA TCF culture framework, and efforts to embed this were reflected in positive feedback in the 2008 employee survey (pages 111–112).

Each business area creates management information packs, which are reviewed at management meetings and also by the TCF Committee and CFS Board each month. To ensure a detailed focus on delivering fairness, TCF 90-day plans are produced each quarter and progress is shared with the CFS Board.

Training programmes, particularly for customer-facing staff, now include modules on fairness. Fairness awareness training was undertaken across CFS in the first quarter of 2008. In addition, fairness engagement representatives across CFS have been leading workshops and various communication activities to ensure that colleagues understand what fairness means for their role. This resulted in positive feedback from the FSA, and Internal Audit concluded that 'Sufficient work has been completed to materially meet the FSA's requirements as at 31 December 2008, which required all firms to demonstrate that they are consistently treating customers fairly'.

Performance benchmark

In a poll of 13,126 consumers by the BBC Watchdog programme in February 2008, The Co-operative Bank was judged to be the best high street bank for customer satisfaction¹³. smile was second overall in the customer satisfaction survey of 45 banks and building societies.

Performance benchmark

The first annual People's Choice report from Which? Money¹⁴ revealed that The Co-operative Bank and smile were among the top three current account, savings account, credit card and mortgage providers for customer satisfaction. 15,000 Which? members rated their satisfaction levels for their current account, savings, mortgage and credit card providers. smile was awarded the highest customer score for its current account at 88%, and The Co-operative Bank scored 82%; the highest-ranking bank on the high street.

Performance benchmark

An independent customer satisfaction survey of UK retail banks ranked The Co-operative Bank number one¹⁵. The bank performed particularly well in five of the six areas of overall satisfaction: transactions; account opening/product offerings; fees; account statement; and problem resolution.

Lending practices

Bad debt for CFS mortgages remains low; it represents only a small percentage of average balances, reflecting the bank's conservative lending policies. The business has a small number of arrears cases in comparison with the industry average.

Performance benchmark

During 2008, 0.037% of CFS mortgage accounts resulted in repossessions, compared with an industry figure of 0.34% over the same period¹⁶.

Bad debt on credit cards, loans and current accounts performed well during 2008 and was lower than in 2007, however there was a slight increase in arrears when expressed as a proportion of balances. CFS continues to be careful in its lending practices across all products.

Over-indebtedness

In 2008, in response to the economic environment, CFS reviewed and modified its approach to the collection of overdue payments. Processes and practices for dealing with customers in unexpected financial difficulty were updated. At the same time, CFS ensured that its collections processes remained effective where customers do have the ability to pay. Further staff training on collection skills was given, together with training on how to identify and support customers in financial difficulty. CFS' pre-delinquency area, which proactively identifies and seeks to support customers showing the first signs of difficulty, was also further developed.



Rebranded Co-operative Bank outlet.

Customer relations

The Co-operative Group's Customer Relations department¹⁷ acts as the first point of contact for customers who wish to comment on the Group's products, policies and operations or find out about the provenance of own-brand goods¹⁸. As well as being the first point of contact for customer queries, the Customer Relations department generates information to allow the Group to respond to emerging consumer issues.

Customer correspondence

	2005	2006	2007	2008
Total calls	129,163	145,752	174,920	167,297
Average call abandoned rate (daytime)	2%	2%	8%	9%
Average call abandoned rate (evening)	11%	11%	16%	10%
Correspondence answered within three days ¹⁹	97%	93%	90%	87%

All customer contact with the department is categorised as either a 'product complaint' or 'a general query'. A report detailing any multiple product complaints received by the Customer Relations team is tabled at a weekly business trading meeting, which comprises senior managers from the Food business. Numbers of calls received in relation to general enquiries and emerging customer issues are also tabled at this meeting. In addition, an automated system alerts the relevant buyers when more than one complaint is received about a product, allowing the business to respond quickly when required.

Overall complaints for CFS fell significantly; from 67,748 in 2007, to 41,960, due, in part, to a reduction in CIS regulated complaints regarding mortgage endowment policies. Bank complaints decreased to a figure more in line with 2006 levels. Bank complaints had increased significantly in 2007 due to publicity around the issue of penalty fees and, to a lesser extent, payment protection insurance, both of which affected the banking industry as a whole.

Complaints

	2006	2007	2008
Product complaints received by the Customer Relations team (largely food-related)	26,547	27,145	26,861

Complaints received by other Group customer contact centres

	2006	2007	2008
The Co-operative Bank	20,395	37,047	21,723
CIS regulated ²⁰	43,810	27,330	17,537
CIS unregulated	6,246	3,371	2,700
The Co-operative Travel	4,212	4,067 ²¹	4620
The Co-operative Pharmacy	n/a	747 ²²	915 ²³

Read more in this Report

Subjects covered elsewhere in the Report include:

- Sound sourcing of goods for resale (pages 17–19).
- Animal welfare standards of own-brand products (pages 25–32).
- Nutritional content of own-brand products (pages 34–35).
- Access to Co-operative stores and outlets (pages 46–47).
- 'Medicines check' service, to help Muslim customers manage their medicines whilst fasting during Ramadan (pages 54–55).
- Fairtrade products (pages 15–16).
- Products supporting financial inclusion (pages 47–48).
- Recycled content in products and packaging (page 80).
- The Co-operative Bank Ethical Policy (page 39).
- The Co-operative Insurance Ethical Policy (page 39).
- The Co-operative Food Ethical Policy (page 9).
- The Co-operative Travel Ethical Strategy (page 20).
- The Co-operative Food Pesticides Policy (page 94).
- The Co-operative Food Chemicals Strategy (pages 92–93).

Accompanying notes

- 1 CFS Financial Statements 2008, page 18.
- 2 www.millwardbrown.com
- 3 The CRI score is based on the regions in which the Group operates.
- 4 The GfK NOP Financial Research Survey (FRS) is the largest and longest running survey of its kind, interviewing 60,000 British consumers at home or online every year. The questionnaire covers product holding; acquisition and usage behaviour; and the value of holdings; and yields a wealth of demographic and attitudinal data.
- 5 The average score across all UK organisations surveyed is 0.
- 6 This score was based on surveys undertaken throughout the UK as a whole, rather than exclusively within the Group's trading areas.
- 7 The number of outlets rebranded comprised 2,585 Co-operative Group outlets and 255 outlets of other Co-operative societies. The figures for rebranded outlets quoted elsewhere in this report relate only to Co-operative Group outlets.
- 8 With the exception of one store, customers participating in research conducted via Insight chip and pin technology (page 119) in 2008 perceived queues to be shorter. In addition, research conducted at four stores by the University of Manchester demonstrated that customers thought using the self-service checkouts was quicker than using a staffed lane.

- 9 Data was collected for the first time in 2008.
- 10 Ibid.
- 11 Using historic methodology, satisfaction scores are:

	2006	2007
Life and Savings	44.0%	40.3%
CFS overall	60.6%	62.5%

- 12 A more detailed account of performance appears in CFS' Financial Statement 2008, p18–19.
- 13 www.bbc.co.uk/watchdog
- 14 www.which.co.uk
- 15 Survey conducted by JD Power and Associates. Results were announced in September 2008.
- 16 Council of Mortgage Lenders, www.cml.org.uk
- 17 The department is open seven days a week – 11 hours per day on weekdays and eight hours per day at the weekend. A Freephone telephone number (0800 0686 727), Minicom (0800 0686 717), Freepost address (Co-op FREEPOST – MR9473 Manchester M4 8BA) and email address (customer.relations@co-operative.coop) are provided by the Group on literature and own-brand products.
- 18 In addition to the general Customer Relations team, CFS, The Co-operative Travel and The Co-operative Pharmacy each operate their own customer contact centres to handle customer queries and complaints.
- 19 Total number of emails received has previously been reported in this table. It has been deemed not material and will no longer be reported.
- 20 Regulated complaints relate to the sale of life assurance, pensions and investment products.
- 21 The Co-operative Travel's 2007 complaints figure comprises calls received in relation to Travelcare (2,987) and the former United Travel branches (1,080). The 2006 figure is split between Travelcare at 3,122 and United Travel at 990. The United figure does not include phone calls, as they were not logged.
- 22 154 of these complaints were received by the former United Co-operative Pharmacies; 593 were received by The Co-operative Group Pharmacies.

23 Number of complaints increased in 2008, partly due to three newspaper promotions that resulted in stock shortages.

delivering value public policy

Indicators

Public policy interventions

Political donations

Targets 2008

Review and make publicly available a Public Policy Intervention Policy (page 123).

 **target achieved**
  **on track**
  **target not achieved**
 **close to target**
  **behind schedule**

Targets 2009

Review and make publicly available a Public Policy Intervention Policy.

Background

All too often, proposals for progressive ethical and sustainability legislation are blocked, or delayed, by the resistance of certain businesses and trade associations. As Kofi Annan said, as United Nations Secretary-General, 'Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy'¹.

Materiality and strategy

The Co-operative Group believes that businesses wishing to stake a claim to leadership on sustainability issues must demonstrate that their public affairs activities are aligned with their publicly stated sustainability claims and objectives.

Governance

Following a review of The Co-operative Group's corporate governance, a new Political Strategy Working Group was formed. This constitutes five Board Directors and relevant members

from management. The working group will seek to develop a framework to underpin the significant number of regulatory and policy responses that are made each year by the businesses to government at various levels.

Management

The public policy activities of The Co-operative Group, including CFS, are supported by a public affairs team of six people. The team identifies and tracks significant public policy themes facing the Group and its family of businesses, co-ordinates public policy responses and manages government relations. Additionally, it strives to ensure that politicians and civil servants are aware of the modern, relevant and forward-looking characteristics of the co-operative business model. The team reports to the Director of Communications. Where Group public policy activities relate to material sustainability issues, the Group's position is informed by input from the Social Goals and Sustainability department.

Accounting and reporting

The Co-operative Group's diverse range of businesses leads to a multitude of public policy engagements. For reporting purposes, 'engagement' is restricted to: instances where the Group has pressed a point of difference in 2008 or early 2009 or where it has lent weight to a significant positive initiative on those issues already designated as material for broader disclosure in the Sustainability Report. Disclosure encompasses active lobbying with, and of, trade and business associations, as well as direct lobbying of government at the UK and EU levels. This approach previously informed CFS' reporting of lobbying activities and, since 2007, has extended across all Group activities.

Performance benchmark

In 2007, research undertaken by SustainAbility² acknowledged CFS to be one of a "small group of leader companies" whose approach to lobbying and reporting could be considered 'integrated'³ (ie, at the highest level).

Public policy 'influence and action', 2008/09

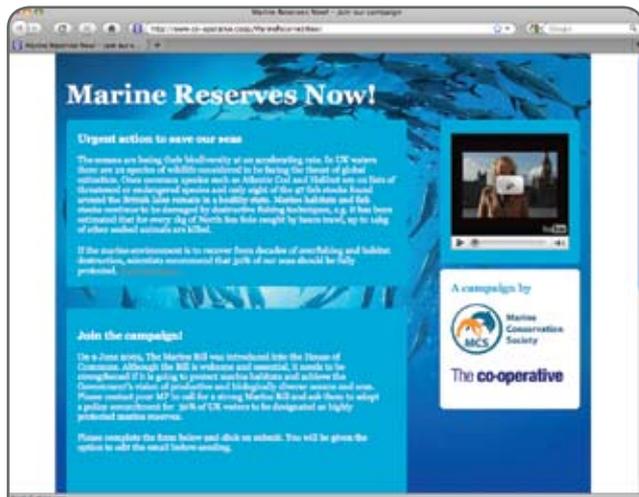
Issue	Audience	Influence and action	Page
International development			
Supermarket Ombudsman	The Competition Commission	Responded to the Competition Commission's investigation into the UK grocery retailing sector regarding a reinvigorated Supermarkets Code of Practice and Supermarket Ombudsman.	23
Social inclusion			
Prisoner bank accounts	British Bankers' Association	Participated in a roundtable in the House of Lords. The Co-operative Bank and the British Bankers' Association are working with other financial institutions to increase access to banking for prisoners.	49
Post Office closures	Select Committee on Business, Enterprise and Regulatory Reform (BERR)	A written submission to the Select Committee inquiry highlighted barriers to the development of a strategic partnership with the Post Office and welcomed discussions to expand Post Office services.	49

Public policy 'influence and action', 2008/09 continued

Issue	Audience	Influence and action	Page
Climate change			
EU Energy-using Product Directive – Cold Appliances	Department of Environment, Food and Rural Affairs (Defra) Market Transformation Programme	Responded to a Defra consultation. Called for action in this area to be prioritised and supported measures to improve minimum standards.	74
Feed-in tariffs for renewables	Minister of State, Department of Environment and Climate Change (DECC)	Wrote to, and met with, Minister and officials to express support for the introduction of renewable energy feed-in tariffs.	74
Eco-towns	Department of Communities and Local Government	Following the Group's eco-town proposal for Leicestershire being shortlisted in April 2008, it was not included in a list of four that were given permission to progress by Government in July 2009.	74
Heathrow Third Runway	Members of Parliament	The Co-operative Travel released a public policy position statement and undertook associated press activity opposing the development of a third runway.	74–75
EU Low Carbon Fuel Standard	Members of the European Parliament	Wrote to MEPs asking that they vote in favour of the Fuel Quality Directive and its Low Carbon Fuel Standard, which would effectively prohibit the use of unconventional oil within the EU from 2010.	75
Expansion of Canadian tar sands exploitation	Canadian High Commission and MPs	Representatives from CFS joined campaign partners at a protest outside the Canadian Embassy, met the Canadian High Commissioner and held a series of meetings with MPs to highlight the environmental and financial risk associated with unconventional fuels.	75
New requirements for oil and gas reserve reporting	US Securities and Exchange Commission	The Co-operative Asset Management co-signed a collaborative investor letter calling for the adoption of a carbon intensity disclosure framework for unconventional oil reserves.	75
Carbon reductions in existing homes	Existing Homes Alliance and UK Green Building Council	CFS responded to a consultation with the purpose of developing recommendations to inform the Government's 'Low Carbon Homes' strategy and joined the Existing Homes Alliance. Called for urgent measures to help overcome barriers to progress in this area.	75
UK Renewable Energy Strategy	BERR	Responded to BERR consultation with call for improved incentives, the need for decentralised energy and for changes to the planning system to meet 2020 targets.	76
Climate Change Bill	Members of Parliament	Wrote to MPs asking that they support amendments to the Climate Change Bill, to take proper account of aviation and shipping emissions.	76
Carbon reporting	Prime Minister	Via the Aldersgate Group, wrote to the Prime Minister and called for mandatory carbon accounting and reporting.	76
International climate change talks	International political leaders	The Group, The Co-operative Asset Management and The Co-operative Insurance, signed the 'Poznan Communiqué on Climate Change'.	76
UK carbon accounting	DECC	Responded to a DECC consultation. Called for the UK carbon budget to recognise carbon credits from avoided deforestation; to include emissions from aviation and shipping; and for carbon offset limits to be included.	76
G20 and climate change	Prime Minister	The Group Chief Executive co-signed a letter to the Prime Minister calling for G20 developed countries to adopt low carbon investment plans.	76
Low Carbon Buildings Programme (LCBP)	Minister of State, DECC	The Group Chief Executive wrote to the Minister of State, DECC, to raise concerns about the allocation of Low Carbon Building Programme (LCBP) funding and the premature end of its photovoltaic stream.	76
Biodiversity			
Marine Reserves and Marine and Coastal Access Bill	Ministers, Members of Parliament and House of Commons Environment, Food and Rural Affairs Committee	Mobilisation of members and customers to lobby the Government for an ecologically coherent network of marine reserves, with 30% of UK waters designated as highly protected. Wrote to Secretary of State, Defra, met Fisheries Minister and made a submission to Committee inquiry in support.	90
Common Agricultural Policy – Subsidies and end of set-aside	Defra and Scottish Executive Rural Affairs Department	Responded to consultations highlighting competitive disadvantage to large co-operative farms resulting from subsidy changes, but welcoming encouragement of environmental protection and calling for robust measures to be put in place to capture the key environmental benefits of set-aside.	91

Public policy 'influence and action', 2008/09 continued

Issue	Audience	Influence and action	Page
Biodiversity continued			
EU Renewable Energy Directive mandate to support biofuels	Members of the European Parliament	Wrote to eight MEPs requesting that they contact the European Commissioners for Energy and Environment in support of mandatory biofuel sustainability criteria and minimum lifecycle net carbon savings ⁴ .	70
Economic impact			
Banking sector liberalisation in developing countries	European Association of Co-operative Banks (EACB)	As a member of the EACB, The Co-operative Bank raised concerns over European Services Forum membership; an organisation lobbying for banking sector liberalisation in developing countries.	109



Marine Reserves Now! campaign website. The Co-operative Group and Marine Conservation Society mobilised members, customers and supporters to lobby their MP, via the site.



Toxic fuels campaign website. The campaign was launched at a CFS and WWF-UK protest outside the Canadian Embassy in London, in early 2009.

Trade and business association memberships

The Co-operative Group actively supports the right of businesses to collectively voice concerns and seek to influence public policy, and has membership of a number of trade and business associations. In taking the broadest view of transparency in respect of public policy activities, the Group seeks to disclose all principal memberships, subscription fees and donations to trade and business associations, and other organisations involved in seeking to influence public policy or business practices.

Trade and business association memberships fees and donations, 2008

Name	Amount
Co-operatives ^{UK}	£924,406
Co-operative Employers Association	£324,940
NPA Services (National Pharmacy Association) (left in 2009)	£143,748
National Association of Funeral Directors (NAFD)	£140,768
Association of British Travel Agents (ABTA)	£132,000
Royal Pharmaceutical Society for Great Britain	£98,556
British Retail Consortium (BRC)	£86,520
International Co-operative Alliance (ICA)	£76,000
IGD Services (Grocery Information, Insight and Best Practice)	£71,000
Company Chemists Association	£69,283
European Community of Consumer Co-operatives (Euro Co-op)	£61,798
Confederation of British Industry (CBI)	£44,311
Association of British Insurers (ABI)	£42,582

Name	Amount
Ethical Trading Initiative (ETI)	£30,200
The Law Society	£23,474
European Association of Co-operative Banks (EACB)	£23,000
Funeral Planning Authority (FPA)	£18,311
British Banking Association (BBA)	£16,254
International Co-operative and Mutual Insurance Federation (ICMIF)	£16,101
Business in the Community (BITC)	£15,788
Scottish Grocer Federation	£12,600
Camden & Chorleywood Food Research Association	£11,787
Association of Convenience Stores (ACS)	£10,469
The Wine & Spirit Trade Association	£10,130
Forum for the Future	£10,000
Demographics User Group	£9,252
Guild of Travel Management	£9,000
Communicate Mutuality (MUTUO)	£8,110
National Farmers' Union (England)	£7,600
Institute of Social & Ethical Accountability (AccountAbility)	£7,000
British Food Importers and Distributors Association	£6,626
British Security Industry Association	£6,584
Employers' Forum on Age	£6,000
National Franchised Dealers Association	£5,723
The Corporate Citizenship Company	£5,599

Trade and business association memberships fees and donations, 2008 continued

Name	Amount
Renewable Energy Association	£5,280
UK Social Investment Forum (UKSIF)	£5,000
Environmental Industries Commission (EIC)	£5,000
Multi Fibre Agreement Forum	£5,000
Employers' Forum on Disability	£4,784
Institutional Investor Group on Climate Change	£3,500
Association of British Credit Unions (ABCUL)	£3,032
Social Enterprise Coalition	£2,875
Employers' Forum on Disability	£2,650
Race for Opportunity	£2,500
Country Land and Business Association	£2,269
Opportunity Now	£2,500
Enterprise Forum Ltd	£2,000
Corporate Responsibility Group	£1,925
National Farmers' Union (Scotland)	£1,223
British Institute of Facilities Management	£1,165
Employers' Forum on Belief	£1,100
WWF-UK Forest and Trade Network	£1,012
Total	£2,538,335

Political donations

The Co-operative Group is a significant supporter of The Co-operative Party, which was created in 1917 by the UK Co-operative Movement in order to promote its values & principles. The Party works to raise awareness of the benefits of the co-operative and mutual models, and to influence government towards support for more co-operative action. The Co-operative Party has representation in both Houses of Parliament, the Scottish Parliament, the National Assembly of Wales and the Greater London Assembly, and, additionally, has over 350 local councillors⁵.

In 2008, an overall financial contribution of £646,000 (2007: £646,103) was made to The Co-operative Party in respect of the annual subscription and support for Party Councils. An in-kind donation of £6,000 (2007: £1,250) was also made by the Group to the Party, in the form of the provision of office space and use of a telephone. In addition, miscellaneous expenditure was incurred in support of The Labour Party at local, regional and national levels, amounting to £12,000.

CFS and ethical finance

The Co-operative Insurance engagement – political donations

The non-disclosure of political donations and trade association spending is fast becoming a significant socially responsible investment issue and is the subject of independent shareholder resolutions tabled at annual general meetings. During 2008, there were two resolutions calling for such disclosure at the general meetings of Co-operative Insurance investee companies. The Co-operative Insurance voted in support of both resolutions.

The Co-operative Insurance engagement – irresponsible lobbying

During 2007, The Co-operative Insurance expressed its concerns to WPP regarding its public relations (PR) subsidiaries, Hill & Knowlton and Burson-Marsteller, and their historic practices⁶. The company was urged to recognise client representation as its most material social, environmental and ethical issue, and it was suggested that it was mistaken in prioritising carbon reduction. The company was urged to introduce employee training to embed corporate responsibility and to improve reporting regarding PR clients and methods of client representation. In 2008 WPP acknowledged that investors had raised questions regarding its approach to managing ethical issues in client representation, and that it would review its Code of Conduct to commit not to undertake work designed to mislead in any regard, and consider the potential for new clients to negatively impact company reputation or long-term shareholder interests, as well as introducing an employee training programme.

Accompanying notes

- 1 AccountAbility (2005) Towards responsible lobbying – leadership and public policy.
- 2 SustainAbility (2007) Coming in from the cold: public affairs and corporate responsibility.
- 3 SustainAbility describes 'integrated' lobbying as: 'Systems exist to manage and disclose lobbying and public policy activities. The company probably discusses policy positions on several material issues in some depth. There is an explicit link made between corporate values and principles, core business decision-making, processes and a company's approach to public policy. There is likely, for example, to be evidence of decision-making process leading from basic values and principles to specific business objectives and lobbying that supports these objectives.'
- 4 Further details are included on page 91 of The Co-operative Group Sustainability Report 2007/08, www.co-operative.coop/sustainabilityreport
- 5 www.party.coop
- 6 In 2006, a US Department of Justice deposition against tobacco companies for misleading the public cited Hill & Knowlton (H&K) as orchestrating a campaign of disinformation, 'astro turf campaigns' and 'front groups' that have denied the health risks of smoking. H&K has also represented Saudi Arabia, China, following Tiananmen Square, the Nigerian military government, and, in 2006, the Botswana government, following the controversial removal of aboriginal people from traditional ground so it could be mined.

independent assurance **contents**

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130 Assurance statement

132 Reporting in accordance with the GRI G3 guidelines

Image: Kenworthy Community Woodland,
Chorlton, Manchester

We seek to be transparent and accountable in our pursuit of sustainable development. Securing **independent assurance** plays an important part in achieving this goal.

assurance and commentary

performance commentary



The Co-operative Group Sustainability Report

Two years into what has been described as the 'worst economic recession since the 1930s', it's surprising how little enthusiasm there seems to be for any root-and-branch 'rethink' about the economy itself. Apart from some muted discussions about how best to re-regulate the banking industry, and another surge of public anger at the 'bonuses are back' phenomenon, the focus of the political and media debate is almost exclusively on just how quickly we can get back to 'business-as-usual'.

Such sentiments are understandable. They are also predictably popular with politicians' electorates. Recessions impose heavy costs on affluent societies, and devastating burdens on the poorest and most vulnerable within those societies and in the developing world. High unemployment now threatens much of the prosperity that has been built up over the last decade or more. But the idea that we might soon be back to the same kind of hell-for-leather, climate-threatening, resource-intensive and fundamentally unjust economy must strike most people as extraordinary.

Yet the rush is undoubtedly on to return to business-as-usual in the City of London. Adair Turner, Chair of the Financial Services Authority, has warned of 'exhaustion' amongst policy makers in the face of financial turmoil, and of a potential loss of momentum for radical reforms. We risk learning all too little from the recent upheavals in finance, and from the warnings they provide about the prevailing models of progress, wealth and economic growth.

That must be deeply frustrating from The Co-operative Group's perspective. Given the scale of economic value destroyed and the damage done to people's lives, all around the world, it's hard to imagine a more timely moment to think about some of the deeper issues rather differently: ownership structures; the balance between optimising profit and maximising profit; new ideas about ethical and sustainable capitalism; building supply chains that are based 100% on fairtrade; the broader role of capital markets in building a more equitable world, and so on.

In short, we are still a very long way away from a world in which the kind of business models so successfully deployed by CFS, The Co-operative Food and other Co-operative businesses are adopted more broadly. For instance, it's hard to imagine any of the world's bigger banks proclaiming their success partly in terms of the amount of profit that they have missed out on (by intent rather than by accident!) by turning down business opportunities on strict ethical criteria. Yet it would be hard to deny that part of CFS' continuing success is influenced in a number of different ways by the newly reported figure of £1 billion of profits foregone since 1992.

What this is all about is genuinely sustainable wealth creation. And as this Report demonstrates, that entails a deep understanding of the roles that need to be taken on by government (both national and local), by business (all the way along the supply chain), civil society organisations (NGOs, co-operatives, charities and so on), and by individual citizens.

And as our understanding of sustainable development deepens, so too does our understanding of the **interdependencies** involved in making real and lasting progress. Governments find it harder and harder just to regulate for the kind of change that we now know is necessary; businesses have to work with their investors and consumers to help get things done; and even the most ethical and sustainable of individual consumers still depend on their government and supportive companies to reduce the kind of injustice and unsustainability that is hard-wired into our current economic structures.

Sometimes, one just longs for more decisive government interventions of that kind. On plastic bags, for instance, or on food waste, all food retailers in the UK have made some progress, but it's actually quite small beer. If our Government (like so many others elsewhere in the world) simply banned the sale of plastic bags, and made it illegal for any food waste to go to landfill, both retailers and their customers would pretty soon get things sorted.

These interdependencies become even more important at a higher level. One of the things that I love about The Co-operative Group's approach is that it keeps its values (self-help, self-responsibility, democracy, equality, equity and solidarity) absolutely at the heart of all the different actions it is taking. Driven by those values, for instance, the concept of **social inclusion** takes on a rather different resonance. Banking support for small businesses in deprived areas, or new investments made in Co-operative stores (both Food and Pharmacy) in places where other retailers might fear to tread, is all part of The Co-operative's drive to protect and build what many now describe as Community Capital. This comprises networks of local relationships, organisations, Post Offices and other key local stores and special places that keep communities vibrant and healthy, often in the teeth of severe economic difficulties. The Co-operative's commitment to community investment is particularly impressive on that score.

The same values-driven approach also applies on international issues – as with the new Human Rights and Trade Policy (page 19). In effect, this defines the kind of unethical behaviour on the part of **governments** that would trigger the suspension of trade with any government, in the same way that unethical behaviour on the part of any particular company triggers a decision not to invest – or even to disinvest.

And that takes us back to the whole notion of creating wealth in different ways. Everything else The Co-operative Group does wouldn't be worth a hill of beans unless it was commercially successful. Peter Marks is right to celebrate a 60% improvement in operating profits over the last year, not least to demonstrate to people that there's nothing wrong with profitability per se: it's just what kind of profitability! 'Optimising profits' rather than 'maximising profits' is the key to this:

'The core objective of The Co-operative Group is to optimise profits from its businesses, where co-operative values provide a positive marketing advantage. This allows the Group to serve its members and to deliver its social goals as a successful co-operative, whilst making a reasonable financial return to its member-owners, both corporate and individual. In working to achieve this objective, the Group considers and responds to the needs of its key stakeholder groups' (page 98).

And that stakeholder engagement story is one that keeps coming back in section after section of this Report. In my other role (as Chair of the Sustainable Development Commission), I've seen how deeply cynical people have become at all the different government consultation exercises that have gone on over the last few years, dismissing them as meaningless box-ticking, or simply window-dressing for decisions that have already been taken. It's good to see what **real** engagement looks like in practice. For instance, since 1992, The Co-operative Bank's Ethical Policy has determined what the bank will and will not finance – 'as directed by customers'. This commitment still remains unique in UK retail banking.

This is all about **trust**. All for-profit organisations have to earn (and keep on earning) their 'licence to operate' in society, and the greater the ambition level, the more critical that trust becomes. In these turbulent times, this matters more than ever: to be rated as the bank that consumers would be most likely to buy products and services from (and most likely to recommend to their family and friends) – as The Co-operative Bank was in this year's Concerned Consumer Index – provides both affirmation of the overall strategy since 1992 and a firm foundation on which to keep growing the business.

Interestingly, this kind of 'reputational capital' is also what allows the Group to act outside the usual corporate 'boundary conditions' by taking on a much more overtly campaigning stance. Most businesses don't do campaigning – or, at least, not overtly. In January 2008, 53,000 members took part in an exercise to determine the current campaigning priorities: combating climate change, tackling global poverty and inspiring young people. It's these priorities that now underpin the Group's engagement on a host of different issues.

There's so much detail in this Report that it's quite easy to get lost in it! Which makes it all the more important to stand back and reflect on the overall **impact** the Group can make against huge challenges of that kind. The 'trade not aid' route to addressing global poverty is well represented here, in terms of

The Co-operative Food's work with suppliers in some of the world's poorest countries, helping build capacity and improve standards – through Sedex in particular. And I was intrigued to see how The Co-operative Travel is now contributing to this by helping farmers in Turkey develop co-operative structures in order to supply the tourism sector with higher quality produce.

On climate change, 'walking the talk' has become an all-important ingredient of being able to make a difference here. The Group's performance remains impressive on that score. The Co-operative Insurance wouldn't be able to take on big companies like Shell and BP for their involvement in the highly damaging and CO₂-intensive oil sands in Canada unless the Group as a whole had an impressive track record itself on energy efficiency and renewables.

But I'm not yet convinced that the Group as a whole has got these two powerful thrusts properly connected. I don't see in this Report a clear recognition of the way in which climate change threatens The Co-operative Food's supply chains, and I think **food security** in general poses a much bigger challenge than is currently reflected in The Co-operative Food's long-term strategy. Their performance on local sourcing, for instance, or on low-carbon farming, is very much 'industry average' rather than cutting edge.

And I suspect that the Group as a whole will need to work much harder on the third of its campaigning priorities: 'inspiring young people'. There are plenty of good individual initiatives that the different companies in the Group are involved in (Green Energy for Schools, Farm to Fork, Waste Works, The Business & Enterprise Colleges and so on), but I don't think it adds up, as yet, to the kind of compelling, buzzy proposition that will get young people not just inspired, but engaged and active – in their communities, their places of learning, their own homes and so on.

And one part of that must surely be to excite young people about the contemporary relevance of **co-operation** itself, and the values that underpin it, and of the global Co-operative Movement. This movement represents a huge 'force for good' actively at work in many countries around the world, improving the lives of hundreds of millions of people. At a time when mainstream economic and political models have been revealed in all their dysfunctional and often immoral inadequacy, the world needs that energy of co-operation more than ever, re-focused for a different age, providing different models of responsible and sustainable wealth creation in a way that few other organisations can match.

Jonathon Porritt

Jonathon Porritt is Founder Director of Forum for the Future, www.forumforthefuture.org.uk, and author of 'Capitalism as if the World Matters'; Revised Edition 2007 (Earthscan paperback) – and 'Living Within Our Means' 2009, both available through Forum for the Future website.

assurance and commentary

assurance statement



Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of The Co-operative Group (the Group) Sustainability Report 2008/09 (the Report).

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 2 assurance, covering:

- evaluation of adherence to the AA1000APS (2008) Principles of inclusivity, materiality and responsiveness (the Principles); and
- the reliability of specified sustainability performance information.

We were also engaged to provide high level assurance on the data and claims relating to the bank's Ethical Policy implementation (pages 39–41).

The performance information included in scope was all data and key claims in the Report. We have not checked the collation of data and the financial information reported in the Group's audited annual report and accounts. We did not review the Global Reporting Initiative (GRI) table or GRI application level in the Report.

We used the Global Reporting Initiative (GRI) Quality of Information Principles as criteria for evaluating performance information.

Responsibilities of the directors of The Co-operative Group and of the assurance providers

The directors of the Group have sole responsibility for the preparation of the Report. Our statement represents our independent opinion and is intended to inform all of the Group's stakeholders in a balanced way.

We were not involved in the preparation of any part of the Report. However having reviewed and provided feedback on drafts of the Report, in a number of instances changes were made to the final version.

We have had one other contract with the Group in the past year to provide an Accountability Rating™ benchmark report. This is the third year that we have provided assurance for the Group. Some members of our team acted as assurance providers to Co-operative Financial Services for the previous three years and to the Co-operative Bank for its Partnership Report for the six years prior to that.

Our team comprised Mark Line, Richard Evans, Adrian Henriques, Judith Murphy and Rachell Evans. Further information, including individual competencies relating to the team, can be found at: www.twotomorrows.com.

Basis of our opinion

Our work was designed to gather evidence to support our assurance opinion. To that end we undertook the following activities:

- Review of sustainability issues that are of interest to stakeholders, could affect the Group or were discussed with its management.
- Interviews with managers in the Social Goals team and selected managers in the businesses responsible for the management of sustainability issues.
- Review of the Group's approach to stakeholder engagement and the outputs of recent stakeholder engagement. We had no direct engagement with stakeholders other than staff.
- Assessment of information provided to us by the Group on its reporting and management processes relating to the Principles.
- Assessment of supporting evidence for key claims in the Report.
- Review of the processes for gathering and consolidating data and, for selected samples, checking the data consolidation.
- Review of the findings of the internal audit of information prepared for the Ethical Trading Initiative (ETI) report in February 2009 and included in the international development section.
- Review of referrals to the bank Ethical Policy Unit to support a high level of assurance that the data presented in the Report is accurate.

Findings and opinion

In many respects, The Co-operative Group's Sustainability Report demonstrates best practice and international leadership. It provides extensive coverage of the Group's impacts, describing not only its numerous sustainability programmes, such as on International Development and Human Rights, but uniquely also its work as an influencer and change agent. It is inspiring to see a commercial organisation that has made such a commitment to sustainability integral to its business model.

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe the Group's adherence to the AA1000APS Principles, or does not properly describe the Group's performance.

We believe the claims in the ethical finance chapter on which we are providing high level assurance are reliable. These include the accounts of decisions made to accept or decline new business opportunities as a result of ethical screening and income foregone by The Co-operative Bank.

In terms of data accuracy, nothing came to our attention to suggest that data has not been properly collated from information reported at operational level, or that the assumptions utilised were inappropriate. We are not aware of any errors that would materially affect the data reported.

Observations

Without affecting our assurance opinion we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

We believe the Group demonstrates a strong commitment to stakeholder inclusivity. A variety of engagement efforts underpin the company's understanding of stakeholder concerns, and its ability to integrate them into its decision-making processes. This is demonstrated by the surveys of staff and customers and also by engagements with non-member stakeholders such as those in deprived communities and developing countries. As a co-operative organisation, the role of members in the governance of the Group through the regional boards and area committees and ultimately the Values & Principles (V&P) Committee remains particularly significant.

The Bank's Ethical Policy is regularly reviewed in consultation with expert advisers and the bank's customers. The new Ethical Policy published at the beginning of 2009 drew on the participation of 80,000 of the bank's customers. The revision of the Ethical Policy fairly represents the views of the bank's customers.

Material issues are those that are necessary for stakeholders to make informed judgements concerning the organisation and its impacts.

We believe the Report covers the great majority of the Group's material impacts, including issues such as financial exclusion, which are not often discussed in sustainability reports. The additional coverage of material issues and related performance within the areas of International Development and Human Rights has been impressive; in particular, the significant growth in Fairtrade sales and the increase in affinity products and services that raise awareness and funds for development. Progress in ensuring suppliers provide information on their labour standards through the industry database Sedex has also been strong, ensuring that high-risk suppliers of own-label goods have had a recent third-party audit. The Group is now well positioned to support suppliers in addressing the issues identified.

Over the next year, a key priority for the business will be the integration of Britannia and Somerfield into Group sustainability policies and systems. Within this context, it will be challenging for the Group to give attention to emerging issues, such as indirect water use and the growing focus on primary agriculture. However, it would be helpful if the Group's next Report were to comment on how it is considering these challenges.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues.

The Group must be considered one of the commercial organisations most responsive to its stakeholders.

We welcome, for example, the Group's initiative to survey members' views on priorities for community investment, which has resulted in a focus on: climate change, tackling global poverty and young people. Also, the revised bank Ethical Policy not only reflects the material ethical concerns of the bank's customers, but also its systematic implementation throughout the bank's business represents an outstanding response to stakeholders.

Nevertheless, the definition of some targets could be improved. It would be helpful eventually to see more substantive and quantified targets, rather than commitments to particular management processes. However, we recognise the current integration of Britannia and Somerfield has meant target setting for the enlarged Group is currently unrealistic.

Performance information

Data systems continue to develop, and while there are a number of areas that involve the manual collation and adjustment of data, in general, suitable protocols have been drafted and reported in footnotes. These provide clarity over the data being reported and help to ensure data is reported consistently and accurately from year to year. We recommend data collection processes are documented for all data sets to ensure consistency and accuracy. Furthermore, we suggest the approaches used for complex data are reviewed and further automated or developed to reduce the risk of error. In particular, animal welfare and climate change should be areas of focus.

Two Tomorrows (Europe) Limited

London
July 2009



Mark Line
Director



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Principal Associate



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Rachell Evans
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Two Tomorrows (Europe) Limited trading as Two Tomorrows was formed from the merger of **csrnetwork** and **Sd3** in January 2009. Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. www.twotomorrow.com



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assurance and commentary reporting in accordance with the GRI G3 guidelines



This Report is aligned with the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines¹, and has been checked by GRI to be consistent with an application level of A+².

For a more detailed summary of performance and a full description of each of the GRI indicators summarised below, see www.co-operative.coop/sustainabilityreport

Level of reporting

- Full reporting
- R Reported as fully as possible/appropriate, given information availability, business confidentiality, and relevance
- ◐ Partial reporting
- Don't report, will consider
- ⊗ Don't report, not considered to be of material importance
- ✕ Not applicable

Unless otherwise stated, all page references relate to this Report.

Key

- ARA = Co-operative Group Annual Report and Accounts 2008 (relevant page numbers in brackets)
- CFS = Co-operative Financial Services Financial Statements 2008 (relevant page number in brackets)
- ADD = ADDITIONAL
- IFC = Inside front cover
- M/S = Materiality and Strategy sections of all report chapters – these are on the following pages: 6–7, 14–15, 25, 33, 39, 46, 50, 57, 65, 78–79, 85, 92, 99, 106, 110, 118, 123
- GRI = Full GRI table at: www.co-operative.coop/sustainabilityreport

Additional notes

1 www.globalreporting.org/ReportingFramework/G3Guidelines/

2 For further information on G3 application levels, see: www.globalreporting.org/GRIReports/ApplicationLevels/

GRI indicator	Level	Where to find the indicator (page number)
1. Vision and Strategy		
1.1 Chief Executives' statement on relevance of sustainability	●	2–3
1.2 Key impacts, risks and opportunities	●	M/S, ARA (23–25), CFS (48–50)
2. Profile		
Organisational Profile		
2.1 Name of reporting organisation	●	IFC
2.2 Primary brands, products and/or services	●	IFC, 107, 112
2.3 Operational structure of the organisation	●	IFC, 107, 111, www.co-operative.coop/corporate/groupoverview/oursubsidiaries
2.4 Location of organisation's headquarters	●	IFC
2.5 Number of countries where the organisation operates	●	IFC
2.6 Nature of ownership and legal form	●	IFC, 6–8, 99–101
2.7 Markets served	●	IFC, 106, ARA (5–19)
2.8 Scale of the reporting organisation	●	IFC, 106, 111, ARA (5–19, 47)
2.9 Significant changes during the reporting period	●	IFC, 100, 112
2.10 Awards received in the reporting period	●	8–10, 13, 63, 98
3. Report Profile		
3.1 Reporting period for the information provided	●	4
3.2 Date of most recent Report	●	4
3.3 Reporting cycle	●	4
3.4 Contact point for questions regarding the Report	●	Back cover
Report Scope and Boundary		
3.5 Process for defining Report content	●	M/S
3.6 Boundary of the Report	●	4, 106, 111
3.7 Specific limitations on the scope or boundary of the Report	●	4, GRI
3.8 Joint ventures, subsidiaries, outsourced operations etc	●	See 3.6, 112
3.9 Data measurement techniques	●	4, 17–18, 50–51, 79, 111, 118, 123
3.10 Explanation of restatements	●	4 and www.co-operative.coop/sustainabilityreport
3.11 Significant changes from previous reporting periods	●	IFC, 13, 63, 98
GRI content index		
3.12 Standard Disclosures Table	●	GRI
3.13 External assurance policy and practice	●	10–11, 130–131
4. Governance, Commitments and Engagement		
4.1 Governance structure	●	8–9, 100, ARA (26–30)
4.2 Whether board Chair is an executive officer	●	8, ARA (26–27)
4.3 Board members that are independent and/or non-executive	●	8, ARA (32–37)
4.4 Shareholders/employees communication to board	●	8, 9, 39, 57, 100–102, 110–112
4.5 Board remuneration linkage to organisation's performance	●	110, ARA (38–44), CFS (43–47)
4.6 Processes in place for board to avoid conflicts of interest	●	ARA (26)
4.7 Board Qualifications/expertise to guide SEE strategy	●	8, 102–103, ARA (28), GRI
4.8 Statements of mission etc on SEE performance	●	IFC, 5, 13, 63, 98, ARA (10–11, 14–15) www.co-operative.coop/aboutus/ourvaluesandprinciples/
4.9 Board procedures for overseeing SEE management	●	8–10, ARA (24–30)
4.10 Processes for evaluating board SEE performance	●	8, ARA (28–30)
4.11 Precautionary approach or principle	●	7–8, GRI
4.12 Externally developed SEE charters or other initiatives	●	9, 10–11, 15, 16–19, 26–27, 29, 30–31, 34, 36, 43, 52–55, 58, 65, 79, 81, 86–88, 94, 113, 120
4.13 Memberships in associations	●	11, 23, 47–49, 59–60, 71, 75–76, 83, 89, 103, 125–126

GRI indicator	Level	Where to find the indicator (page number)
Stakeholder Engagement		
4.14 List of stakeholder groups engaged by the organisation	●	7
4.15 Identification and selection of stakeholders for engagement	●	6–8, M/S
4.16 Approaches to stakeholder engagement	●	7–8, 9, 10–11, 13, 17–19, 23, 26, 31, 38, 39, 40, 42, 45, 49, 57, 60–61, 74–76, 86, 90–91, 94, 100–102, 109, 111–112, 118, 120, 123–125
4.17 Key topics raised through stakeholder engagement	●	See 4.16
Economic Performance Indicators		
Management Approach	●	2–3, 39–45, 47–49, 57–61, 106–109, ARA
CORE – EC1: Direct economic value generated and distributed	●	57–61, 106–107, 108, 114–115, ARA (62–143)
CORE – EC2: Risks and opportunities due to climate change	●	8, 64–73, 87
CORE – EC3: Defined benefit plan obligations	●	114–115, ARA (19, 25, 39–40)
CORE – EC4: Government financial assistance	●	73, GRI
CORE – EC6: Practices and spending on locally-based suppliers	R	107, GRI
CORE – EC8: Public benefit infrastructure/service investments	●	22, 47, 57–61, 73, 104
ADD – EC9: Indirect economic impacts	◎	15–16, 18, 22–23, 47–49
ADD – EC5; CORE – EC7	X	GRI
Environmental Performance Indicators		
Management approach	●	6–11, 63
CORE – EN3: Direct energy consumption by primary source	●	65–66
CORE – EN4: Indirect energy consumption by primary source	●	66–67
ADD – EN5: Energy saved	●	65–70
ADD – EN6: Energy-efficient products and services	●	66–73
ADD – EN7: Reduction of indirect energy consumption	●	65–76
CORE – EN11: Land in/next to areas of high biodiversity value	●	88–89, 94, GRI
CORE – EN12: Impacts on biodiversity	●	86, 88–89, GRI
ADD – EN13: Habitats protected or restored	●	73, 75, 86–90
ADD – EN14: Managing impacts on biodiversity	●	85–91, 94–95
CORE – EN16: Total direct and indirect greenhouse gas emissions	●	65–66, 68–69
CORE – EN17: Other indirect greenhouse gas emissions	●	68–69
ADD – EN18: Initiatives to reduce greenhouse gas emissions	●	65–77
CORE – EN19: Emissions of ozone-depleting substances	●	68
CORE – EN20: NO, SO and other significant air emissions	●	Online version of report www.co-operative.coop/sustainabilityreport
CORE – EN22: Total weight of waste	●	79
CORE – EN26: Product/service environmental impact mitigation	●	67–68, 70–72, 79–80, 81–82, 86–87, 88–89, 90, 94–95, GRI
CORE – EN27: Products sold/packaging materials reclaimed	●	80–83
CORE – EN28: Fines relating to environmental laws & regulations	●	GRI
ADD – EN29: Environmental impacts of transportation	●	68–70
ADD – EN30: Expenditure on environmental protection	◎	63–76, 70–71, 78–83, 89–90, 114
CORE – EN1, CORE – EN2, CORE – EN 8, ADD – EN9, ADD – EN10, ADD – EN15, CORE – EN21, CORE – EN23, ADD – EN24, ADD – EN25	⊗	GRI
Social Performance Indicators		
Labour Practices and Decent Work		
Management approach	●	14–15, 53, 112–113
CORE – LA1: Total workforce	R	IFC, 111, GRI
CORE – LA2: Total number and rate of employee turnover	R	111–113, GRI
ADD – LA3: Benefits that are only provided to full-time employees	●	114
CORE – LA4: Collective bargaining agreements	●	112
CORE – LA5: Minimum notice period regarding operational changes	●	112, GRI
ADD – LA6: Percentage of total workforce represented in formal joint management-worker health and safety committees	◎	9, 115, GRI
CORE – LA7: Injury, absenteeism, work-related fatalities	R	115–116, GRI
CORE – LA8: Education, counselling etc on serious diseases	●	115
ADD – LA9: Health and safety topics included in agreements with trade unions	●	9, GRI
CORE – LA10: Average hours of training per year per employee	●	113
ADD – LA11: Programmes for skills management and lifelong learning	●	113, GRI
CORE – LA13: Composition of governance bodies	●	51–54, 102, 114, GRI
ADD – LA12, CORE – LA14	X	GRI
Human Rights		
Management approach	●	14–15, 17–19, 50, 110–112
CORE – HR1: Investment agreements with human rights clauses	●	20, 39
CORE – HR2: Supplier and contractor screening on human rights	●	17–19
ADD – HR3: Employee training on human rights	R	19, GRI
CORE – HR4: Incidents of discrimination	R	18, 51, GRI
CORE – HR5: Freedom of association/collective bargaining	●	18, 40, GRI
CORE – HR6: Child labour risk	R	17–19, 40, GRI
CORE – HR7: Forced or compulsory labour risk	R	17–19, 40, GRI
ADD – HR9: Violations involving rights of indigenous people	R	19–21, 39–44, GRI
ADD – HR8	⊗	GRI
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Management approach	●	46–49, 57, 123–125, GRI
CORE – S05: Participation in public policy development/lobbying	●	123–126
ADD – S06: Financial and in-kind contributions to political parties	●	125–126
CORE – S01, CORE – S02, CORE – S03, CORE – S04, ADD – S07, CORE – S08	X	GRI
Product Responsibility		
Management approach	●	15–19, 25–31, 34–36, 44–45, 47–48, 71–72, 80–83, 86–88, 92–94
CORE – PR1: Life cycle assessment of health and safety impacts	R	34–36, 93–94, GRI
CORE – PR3: Product and service information	●	15, 26, 30, 83
ADD – PR5: Practices related to customer satisfaction	●	118–122
CORE – PR6: Marketing communications compliance	●	34–35, GRI
CORE – PR9: Monetary value of significant fines	●	GRI
ADD – PR2, ADD – PR4, ADD – PR7, ADD – PR8	○	GRI

Co-operative Group Limited

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More information

An online version of this Sustainability Report can be viewed at

www.co-operative.coop/sustainabilityreport

or a paper copy obtained via **0161 827 6414** or

sustainability.report@co-operative.coop

This document is also available on request in large print, in Braille and on cassette: Freephone **0800 0686 727**, Minicom **0800 0686 717** or email **customer.relations@co-operative.coop**

Previous Sustainability Reports of the Group and CFS can be found at:

www.co-operative.coop/sustainabilityreport

and **www.cfs.co.uk/ethicsinaction**

A detailed account of the Group's financial performance is presented in the Annual Report and Accounts 2008

www.co-operative.coop/corporate/corporatepublications

Any queries regarding the Report should be directed to: Ruth Woodall, Sustainability Reporting and Communications Manager

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Feedback

If you would like to comment on our sustainability approach or performance, or how we present this information, we would like to hear from you. Please contact us at:

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