

# The **co-operative** Sustainability Report 2009

## Focus on sustainability



## The Co-operative Group

The Co-operative Group (The Co-operative) is a unique family of businesses, jointly owned and democratically controlled by over five million members. It is registered in the UK under the Industrial and Provident Societies Act, it operates only in the UK and its headquarters are in Manchester.

### 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 and 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 Co-operative's business practice is guided by the Values and Principles of the Co-operative Movement.

### Family of businesses

Throughout this Report, 'Trading Group' is used to describe all parts of The Co-operative's businesses, with the exception of The Co-operative Financial Services (CFS).

### The co-operative food

The Co-operative Food is the largest community food retailer in the UK, with nearly 3,000 outlets. In 2009, The Co-operative Food employed over 83,000 people, each week serving 21 million customers, and generated sales of £7.5bn.

### The co-operative financial services

The Co-operative Financial Services (CFS) comprises The Co-operative Bank and its internet bank, **smile**, Britannia Building Society, The Co-operative Insurance, The Co-operative Investments and The Co-operative Asset Management. In 2009, CFS employed 12,000 staff, operated over 300 branches and achieved net revenue of £2.0bn.

### The co-operative pharmacy

The Co-operative Pharmacy is the third largest pharmacy business in the UK, operating nearly 800 pharmacies. In 2009, it employed some 6,700 people, and the business recorded sales of £745.0m.

### The co-operative funeralcare

The Co-operative Funeralcare is the UK's leading funeral director, running over 800 funeral homes. In 2009, the business employed 3,700 people and achieved sales of £287.4m.

### The co-operative travel

The Co-operative Travel is the UK's largest independent travel services provider, with more than 400 UK high-street branches. In 2009, it employed 2,600 people and generated sales of £246.1m.

## 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.

**The Co-operative Motor Group** (formerly Sunwin Motors) is The Co-operative's car dealership, and in 2009 recorded sales of £197.7m.

**The Co-operative online shop** operates several e-commerce sites, including The Co-operative Electrical, which achieved sales of £83.3m in 2009, and The Co-operative Beds.

**The Co-operative Estates** is one of the largest and most diverse land and property operations in the UK, with interests that span retailing, property investment and land development. In 2009, The Co-operative Estates recorded sales of £33.4m.

**The Co-operative Life Planning** offers funeral-planning services and, in 2009, generated sales of £29.8m.

**Sunwin Services Group** comprises five businesses: Cash in Transit Services, ATM support, E-Solutions, Sunwin Security and Aegis Guarding. Each business supplies The Co-operative, as well as a number of other clients. In 2009, Sunwin Services Group generated sales of £28.0m.

**The Co-operative Farms** is one of the UK's largest farming businesses with around 20,000 hectares of farmland in England and Scotland in 2009. It supplies produce to The Co-operative Food stores and, in 2009, achieved sales of £23.8m.

**The Co-operative Legal Services** offers a wide range of advice and services, which cover will-writing, managing probate, buying and selling homes, legal assistance with accidents and personal injuries, and employment claims. In 2009, sales amounted to £20.3m.

**The Co-operative Clothing** designs, manufactures and distributes corporate clothing, and supplies branded uniforms to the family of businesses. In 2009, it generated sales of £4.4m.

More information on The Co-operative's businesses and subsidiaries can be found at: [www.co-operative.coop/corporate/groupoverview](http://www.co-operative.coop/corporate/groupoverview)

# The Co-operative Group Sustainability Report 2009

This is the fourth fully consolidated annual Co-operative Group Sustainability Report. An online version is available at [www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport)

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## Social responsibility

priorities include community contributions, support for Fairtrade, higher animal welfare standards and ethical screening of finance.

- 14** Focus on social responsibility
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priorities include renewable energy generation, packaging reduction, sustainable sourcing of fish and highlighting honeybee decline.

- 56** Focus on ecological sustainability
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priorities include member democratic participation, employee engagement, customer satisfaction and public policy lobbying.

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plays a key part in The Co-operative's pursuit of a transparent, accountable approach to sustainable development.

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# Chief Executive's overview



“Despite the background of the worst recession in over 60 years, we have continued our rigorous pursuit of sustainability and maintained our support for the many groups and individuals made even more vulnerable by the economic climate.”

2009 saw exciting and unprecedented change at The Co-operative, as we brought Somerfield, Britannia and two co-operative societies into our family of businesses. Our expanded food business can now claim its rightful place amongst the ‘Big 5’ food retailers in the UK, whilst the merger of The Co-operative Financial Services and Britannia has created a stronger, more diverse offering in the financial services industry.

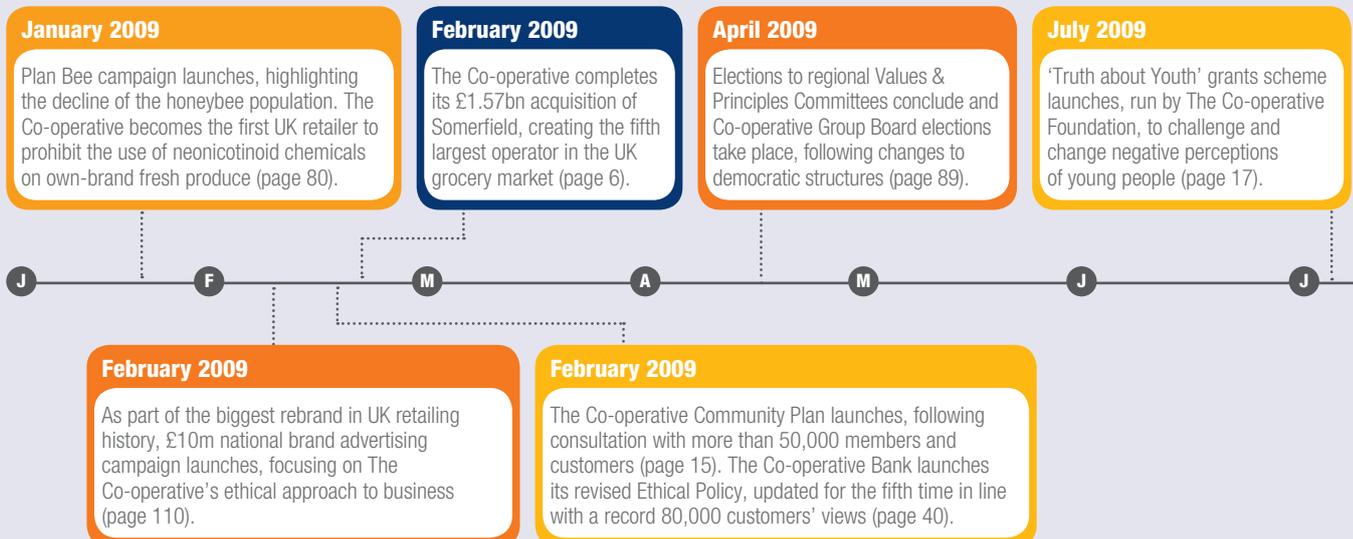
Our Values and Principles and, in turn, the reputation they have earned us with our customers and members, have provided us with considerable strength at a time of weak confidence in business. The ‘flight to trust’ saw current account openings at The Co-operative Bank increase by some 38% in 2009, whilst sustained growth has continued in like-for-like Food sales.

Such factors contributed to The Co-operative reporting excellent figures, with gross sales up 31% to £13.7bn. Profit before payments to and on behalf of members – equivalent to pre-tax profits in a plc – rose by 85% to £402m. These would be impressive figures in a normal year, but are exceptional in the midst of a severe recession and in a period of significant change.

In what was a transformational year for The Co-operative, maintaining our leading approach to sustainable development has been paramount. I am delighted to report another year of impressive achievements in relation to our social and environmental priorities, which accompany the business’s strong financial performance.

As a co-operative business, the notion of responsiveness is hard-wired into our very being and we continue to consult our members and customers on the identification of our priorities for sustainable development. 2009 saw a revised customer-mandated Ethical Policy launched by The Co-operative Bank, complete with additional agenda-shaping positions in the areas of international development, animal welfare and the environment. A new member-endorsed Community Plan was launched in early 2009,

## 2009 at a glance



■ Business merger/acquisition 
 ■ Social responsibility 
 ■ Ecological sustainability 
 ■ Delivering value

prioritising community investment and resources across The Co-operative in three areas: inspiring young people, combating climate change and tackling global poverty. Throughout this Report you will find details of the ambitious programmes of activities that are now progressing in support of these three agendas.

Naturally, the integration of several businesses into The Co-operative has created a number of new sustainability workstreams. It has, for example, led to us extending the reach of the bank's Ethical Policy so that it now covers the Britannia business. Work is also in train to ensure that the policies covering product ranges at The Co-operative Food are gradually extended across Somerfield. Reformulation and rebranding of Somerfield own-brand products has progressed, and, by the end of 2010, all own-brand food products sold across all Co-operative and former Somerfield stores will be compliant with relevant Co-operative standards and guidelines.

Our commitment to ecological sustainability did not falter as we brought several businesses into The Co-operative family. An enormous amount of behind-the-scenes work took place to ensure we remained at the vanguard of ecologically responsible businesses. We also made significant progress on new packaging reduction initiatives and met our 15% packaging reduction target by the end of 2009 – a year ahead of schedule. In addition, we made a concerted effort to reduce the number of plastic bags given away to customers – recording a 63% reduction on 2006 levels at the end of the year.

As detailed throughout this Report, during 2009 we continued to campaign on an array of environmental and social issues; from the creation of marine reserves around the UK coast to protect threatened fish stocks, to supporting the campaign to free political prisoners in Burma. Such activity elevates The Co-operative's approach to sustainability to an altogether different plane from that of most other businesses.

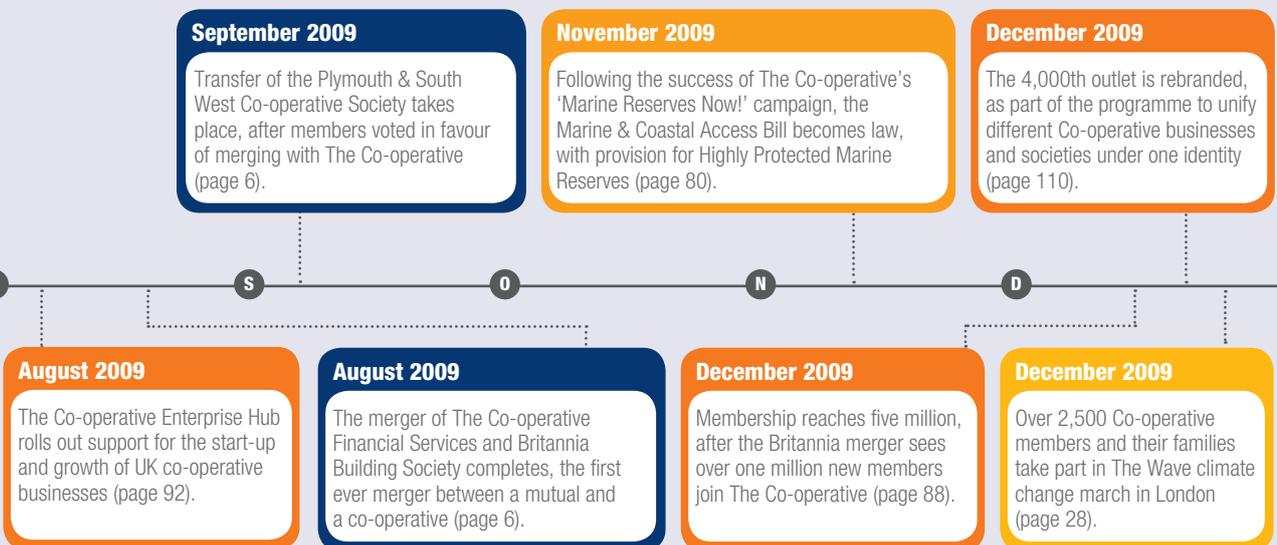
The contribution that our colleagues and members continue to make to the success of our sustainability and community investment programmes is enormous, and is no better evidenced than by the staggering £3.7m that was raised for 2009's Charity of the Year, RNID. This fundraising effort is additional to the £11.3m of community investment made by The Co-operative in 2009 – some 3.8% of our pre-tax profits – which will support thousands of community initiatives in the UK and overseas.

Our approach to sustainable development is very much part of 'business as usual' at The Co-operative. However, it is always pleasing to see our efforts across the sustainability agenda being recognised by others. During 2009 and early 2010, The Co-operative received a host of accolades: not least, our number one 'green' ranking amongst supermarkets and the Financial Times Sustainable Bank of the Year award; our ranking as the bank customers are most likely to recommend in the Concerned Consumer Index; Retail Week's Responsible Retailer of the Year; the RSPCA's People's Choice Supermarket Award; Business in the Community's (BITC) Environmental Leadership Award; and a leading ranking in BITC's Corporate Responsibility Index.

Whilst 2010 will, no doubt, bring a host of new challenges, I am determined to see this leadership continue, and look forward to reporting next year on how the sustainability performance of the enlarged business has progressed. In the meantime, please spare some time to look through this Report, so that you can see the progress we made during 2009 on our ongoing journey to be one of the UK's most sustainable businesses.



Peter Marks



# Commentary



“There is indeed a tide in the affairs of men, and that tide is running strongly, right now, in favour of increased corporate accountability, transparency and sustainability.”

As I write, President Obama has just succeeded in getting far-reaching proposals through Congress for the reform of the Financial Services Sector in the US – in order to protect US citizens from another calamitous financial crash. The EU is urging its own members and the rest of the world to follow suit in terms of coming up with more appropriate regulation for capital markets. And here in the UK, the new Conservative/Lib Dem Coalition Government has just committed itself:

“To reinstate an Operating and Financial Review (OFR) to ensure that Directors’ social and environmental duties have to be covered in company reporting and investigate further ways of improving corporate accountability and transparency.”

When the last Labour Government dropped the Operating and Financial Review in November 2005, at the direct behest of the CBI, despite having successfully negotiated a gritty but robust consensus with the majority of UK companies, it seemed that we had reached a low point in defensive, special pleading on behalf of big business. Four and a half years on, you can pretty much guarantee that the new OFR will now sail through Parliament with the full support of the CBI – which itself is now under new management.

The Co-operative has of course been doing everything for the last decade that will be asked of companies in the new OFR – and a great deal more besides. It has an outstanding record in gathering and sharing data across an extraordinarily wide range of financial, social, environmental and governance issues – and this is powerfully reflected in this fourth fully consolidated Sustainability Report.

This is very much The Co-operative’s shop window. Behind it, you have to imagine a complex web of people, policies, processes and business practices – all intent on delivering both improved performance and greater responsiveness to its multiple stakeholders. Much of that is not visible – and much of it is certainly not glamorous!

While admirers of The Co-operative and readers of this Report will find much to celebrate in terms of specific achievements, they should therefore also welcome the distinct sound of grinding that accompanies these reports – numbers crunched, people held to account, committees dutifully convened, impacts diligently measured. As I said, not glamorous – but you don’t get to define what the ‘cutting edge’ looks like without getting the basics right, and going on getting the basics right year after year.

This is not necessarily a seamless process. The acquisition of Somerfield in February and the merger with Britannia in August have inevitably brought their own challenges in terms of ensuring consistency across the entire Group. It’s good that such a strong approach has been taken in terms of securing a proper ‘ethical convergence’ here, particularly in terms of the application of The Co-operative Bank’s ethical screening to the Britannia business, and the role of 100% Fairtrade category conversions across Somerfield. It won’t be until next year that we will be able to judge how effectively that has all been bedded in.

In all this, The Co-operative does have one outstanding advantage: It is licensed (and indeed obliged!) to ‘wear its values on its sleeves’. Most companies are still in such deep thrall to a particular model of shareholder-driven profit maximisation that they have to smuggle in the values proposition on the quiet. Everything they do has to be constrained within an often quite spurious ‘business case’. In other words, if it works for shareholders, that’s OK; if it doesn’t, too bad.

That particular tide may at last be on the turn. Behind the scenes, many business leaders are increasingly sceptical about the merits of always putting the short-term interests of shareholders before all other interests. More and more articles in places like the Harvard Business Review are robustly highlighting a more balanced corporate leadership that prioritises long-term value creation.

“There is a tide in the affairs of men,  
Which, taken at the flood, leads on to fortune;  
Omitted, all the voyage of their life  
Is bound in shallows and in miseries.  
On such a full sea are we now afloat,  
And we must take the current when it serves,  
Or lose our ventures.”

Julius Caesar (William Shakespeare)

Unfortunately, there are still relatively few senior business leaders ready to speak out personally on matters of this kind, with the majority still sounding ‘semi-detached’ when it comes to understanding what people feel about the state of the economy today. This gap between our business leaders and the rest of society could get worse, as there remains a lot of residual anger across society at the costs of the financial crash of 2008; it hasn’t yet sunk in just how comprehensively we’ve been mugged by dysfunctional, poorly regulated capital markets. Lord Turner of the FSA shocked many of his colleagues by describing large swathes of activity within the city as ‘socially useless’, but the truth of it is that we’ve simply been seduced in the past by the notion that if any financial transaction legally generates a profit, then it must be OK.

We know better now. But there are deeper lessons still to be learned, and The Co-operative has an important role to play in that process. Its heritage, constitution and structure all speak to a different way of ‘adding value’ (as summarised on page 97), with a much more explicit emphasis on the share of value that ends up with members, communities, employees and so on.

In that regard, it’s highly significant that the most recent Nobel Prize for Economics was awarded not to yet another neo-liberal Professor of Econometrics, but to Elinor Ostrom, whose pioneering work on communities and ‘shared commons’ has demonstrated a radically different way of thinking about wealth creation and distribution. In Ostrom’s view of the world, co-operation matters as much as competition, with many of the societal attributes that people value most highly (community cohesion, stability, relationships, a sense of belonging and purpose) generated not by ‘red in tooth and claw’ capitalism, but by shared endeavour and a more collective approach to creating and managing assets.

The Co-operative Movement in the UK (of which The Co-operative is by far the most visible and influential representation) has been seen as something of a sleeping giant. That is changing. There are now 4,820 co-operative businesses in the UK, with a combined membership of 11.3 million people. The Co-operative itself has more than five million members, all of whom are entitled to share in the profits of the business as a whole through its unique points-based reward system. On top of that, a dividend is set aside both for employees and for communities.

The Co-operative has now established its Co-operative Enterprise Hub to help accelerate the growth and development of new co-operatives – both here in the UK and abroad (see page 92). For instance, there are already 93 co-operative schools up and running here in the UK, and the network is growing fast – adding a new (and very welcome!) dimension to the idea of increased choice for both parents and communities. As many commentators are now pointing out, there is an understandable ‘flight to trust’ going on out there, not just in the field of financial services, but in all areas of direct importance to us as consumers *and* citizens.

Given both its reach and the value it brings to so many people and communities, it’s good that we are now starting to hear more of this crucially important social movement. Co-operation is not just a theory here in the UK, a nostalgic nod to those pioneers in Rochdale all those years ago, but an extraordinarily vibrant and successful driver of ‘value added’ in the lives of millions of people.

But as I read of all these positive developments and the increased market share for all its businesses, I’m bound to ask if The Co-operative itself hasn’t somehow been overtaken by the relentless, ruthless logic of economic growth for its own sake. Growth ‘Co-op style’ (of which there’s been a lot lately!) is obviously greatly preferable to bog-standard, undifferentiated growth on the part of companies that care a great deal less about corporate sustainability. But any genuinely radical sustainability analysis tells us that there will be limits even on ‘good growth’, and that we may encounter them much sooner than people imagine. Even The Co-operative has to beware of falling prey to cornucopian fantasies that could undo in the future so much of the good that is being done today.

In the meantime, we should celebrate The Co-operative’s success in riding today’s tide – having prepared for it over so many decades!

### Jonathon Porritt

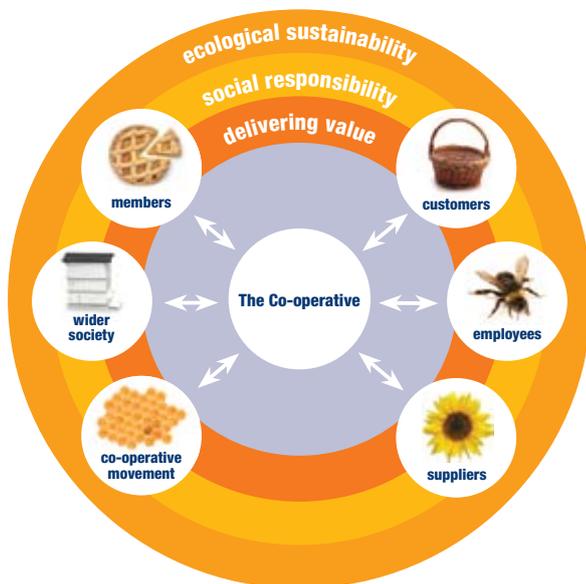
Jonathon Porritt is Founder Director of Forum for the Future, [www.forumforthefuture.org.uk](http://www.forumforthefuture.org.uk), and author of ‘Capitalism as if the World Matters’; Revised Edition 2007 (Earthscan paperback) – and ‘Living Within Our Means’ 2009.

# Sustainable Development Policy

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

The Co-operative 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 Co-operative 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 Co-operative 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.

# 2009 business growth: mergers and acquisition

## Acquisition of Somerfield

On 27 February 2009, The Co-operative completed its acquisition of Somerfield. The acquisition presents significant cost benefits and creates the fifth largest operator in the UK grocery market, with an 8% market share. The enlarged business operates almost 3,000 outlets (former Somerfield: 880; of which The Co-operative was required to sell 133 following local competition reviews by the Office of Fair Trading). Rebranding of former Somerfield stores is well underway and reformulation and rebranding of former Somerfield own-brand products to The Co-operative brand is expected to be complete by the end of 2010; at such time, all own-brand products will comply with relevant Co-operative Policies.

## Merger with Britannia Building Society

On 1 August 2009, Britannia Building Society merged with The Co-operative Bank, following a nine-to-one vote in favour of the merger by Britannia members and approval from the Financial Services Authority (FSA). The business is a wholly-owned subsidiary of The Co-operative and brings together Britannia's extensive high-street presence and savings and mortgage product strength, with the personal and corporate banking, insurance and fund management expertise of The Co-operative Financial Services (CFS). Both The Co-operative Bank and Britannia will retain their independent brands as the two businesses are integrated. The enlarged business employs 12,000 people (former CFS: 7,200). Further details of the extension of The Co-operative Bank's Ethical Policy to include former Britannia assets and liabilities can be found on page 40; and Co-operative Membership, on page 88.

## Merger with Plymouth & South West Co-operative Society

On 6 September 2009, the Plymouth & South West Co-operative Society transferred its engagements to The Co-operative, following a vote in favour of the merger by Plymouth & South West members. Former Plymouth & South West operated 66 stores. The merger further consolidates the Co-operative Movement within the UK.

# About this Report

## Target attainment: 2009 overview

During 2009, The Co-operative worked towards a series of targets set in prior years. Progress is classified within one of five categories throughout the Report:

Level of progress	Definition	2009 targets falling within each progress level
 Target achieved	Target attained	44 (56%)
 On track	Attained 75–99% of progress expected in 2009 (for longer-term targets)	11 (14%)
 Close to target	Attained 75–99% (for targets set for completion in 2009)	9 (11%)
 Behind schedule	Attained less than 75% of progress expected in 2009 (for short- and longer-term targets)	10 (13%)
 Target not achieved	No progress made	2 (3%)

In addition, 2 targets (3%) were dropped or revised in 2009, due to changes in business priorities and/or external changes. These are marked  in the Report.

77 targets have been set for attainment in 2010 and beyond. Targets are agreed annually in conjunction with relevant business areas, taking into account resources available and business priorities. Progress against targets is explained in the Report text, and identified by the following symbol .

## Performance benchmarks

Where possible, performance is benchmarked against that of other organisations to help the reader to place reported performance in context, and reported in a box like this.

## Restatements

Where a review of previously reported data has identified inaccuracies, or a methodology for calculating data has changed, information is restated and identified by the symbol . Details of restatements are provided in the online Report.

## Online reporting

An online version of this Report, which includes a limited amount of additional information, is available at: [www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport) and the following symbol denotes where additional detail to that presented in the printed/pdf versions is available in the online Report .

The most recent previous report was published in September 2009 and related to 2008.

## Using this Report

The printed Report is split into 17 main performance sections – covering issues as diverse as sustainability management, social inclusion and biodiversity. In addition, the online version of the Report includes a further two new sections, on Water and Inspiring Young People. Stakeholder feedback on these sections is invited. A detailed discussion of why The Co-operative 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 measure performance.

## Standards and guidelines

This Sustainability Report aims to provide a ‘warts and all’ account of The Co-operative’s social, environmental and economic performance. It has been prepared in accordance with the Global Reporting Initiative’s G3 Sustainability Reporting Guidelines (page 119). The data and commentary in this Report are assured in accordance with the AA1000 Assurance Standard (2008) (page 117).

## Scope of the Report

This Report was published in June 2010. It is an annual report, which relates to the operations and stakeholders (page 9) of The Co-operative. Unless otherwise stated, performance relates to the calendar year 2009 and covers those businesses that make up The Co-operative (inside front cover).

Reporting on products sold in The Co-operative Food focuses on own-brand. These accounted for 46% of sales by value in 2009. Whilst branded goods also make up a significant proportion of sales, like other retailers, the business has substantially greater influence over own-brand goods and in the short to medium term, its priority is the ongoing improvement of the sustainability and ethics of these products. Opportunities to address some branded products may be progressed in the medium term, an approach that has already been adopted with regards to free-range eggs (page 31) and marketing of certain products (page 38).

## Mergers and acquisition

Following the mergers and acquisition that took place during 2009 (page 6), every effort has been made to reflect the performance of the enlarged business, where appropriate, in this Report. A detailed breakdown of the extent to which the performance of former Britannia, former Somerfield and former Plymouth & South West Co-operative Society has been reported is included in the online version of this Report . In summary, pre-merger and pre-acquisition policies and initiatives are not generally commented on, however, unless otherwise stated:

- 2009 data relating to former Britannia is reported in all relevant areas, with historic data relating to certain aspects of ecological sustainability also being reported.
- 2009 data relating to former Somerfield operations, in all relevant areas, is reported. Data relating to former Somerfield own-brand products is excluded as they are gradually being replaced with Co-operative alternatives, with conversions due to be complete by the end of 2010. Due to these transitional arrangements, throughout this Report reference to ‘own-brand’ products has been limited to Co-operative own-brand, sold through existing Co-operative stores. This has implications for reporting on the reach of own-brand policies, and also on the completeness of certain datasets – further details are provided online .
- 2009 data relating to former Plymouth & South West Co-operative is reported, as of the merger date.

# Sustainability management

## Indicators

Sustainability governance and management systems

Awards and recognition

### Targets 2009

- ✔ Ensure that The Co-operative'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 (page 12).
- ✔ Continue to contribute to the development of global standards for business accountability (page 13).

- ✔ target achieved    ⚠ close to target    ✖ target not achieved
- 🟢 on track            ⚡ behind schedule

### Targets 2010

- Ensure that The Co-operative'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 2010.
- Commence development of an Ethical Strategy for The Co-operative Funeralcare.

## Background

The Co-operative aligns its sustainability management and reporting with the three principles of the AA1000 AccountAbility Principles Standard (2008)<sup>1</sup>: materiality, inclusivity and responsiveness.

The term 'social accountability' has gained 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 The Co-operative Financial Services (CFS) pioneered for over a decade, and for which it has received more than a dozen awards.

At the same time, members are firmly embedded in governance (both in general, and in sustainability governance specifically) and policy formulation (pages 10–11). As such, whilst engagement with stakeholders continues to be central to The Co-operative's approach, there is an increased focus on how strategies, policies and performance respond to stakeholder concerns via its democratic structures (ie, the 'responsiveness' of the business).

## Materiality and strategy

The Co-operative 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 9 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.

The Co-operative's vision is 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.

The Co-operative balanced scorecard

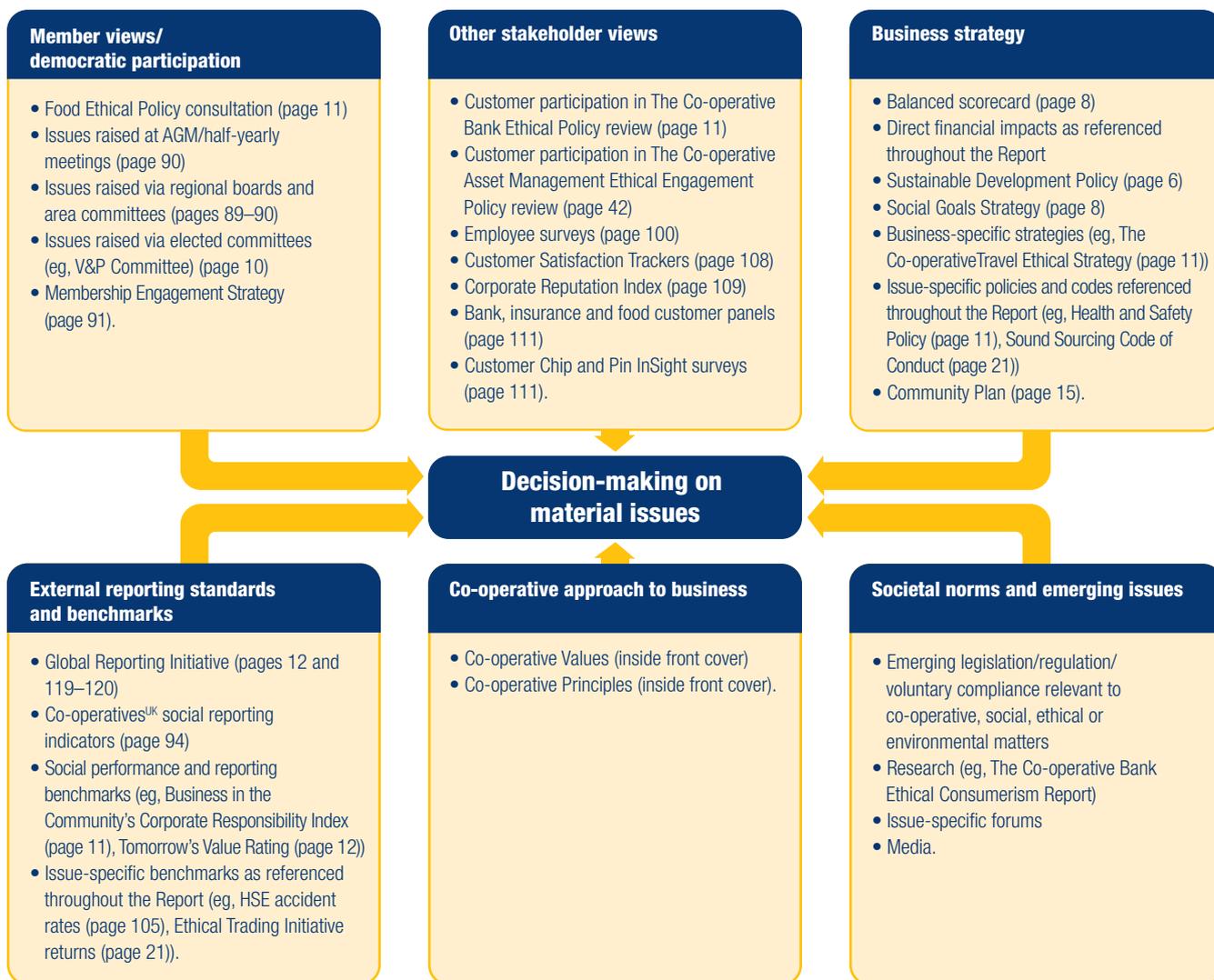


While the Trading Group and CFS have a common set of strategic priorities, the methodology for measuring these differs slightly in most cases, reflecting the differing nature of their respective markets and operations. In accordance with the Business Review requirements of the Company Act 2006, the key performance indicators underpinning strategy, together with progress, are now reported on for both the Trading Group and CFS<sup>2</sup>.

In 2006, a Social Goals Strategy was developed for the business. This was considered, refined and approved by the Executives of CFS and the Trading Group, and subsequently the Values & Principles (V&P) Committee (page 10). 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 further refined over time and now sets out the 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 initiatives; 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 a consultation on the Community Plan (which is a subset of the Social Goals Strategy) added 'inspiring young people'

## Mechanisms that influence materiality decisions



to the community priorities of combating climate change and tackling global poverty (page 15). These two issues are reported on for the first time in 2009, in the online version of this Report , and stakeholder feedback on their content is invited.

The need for the business to develop in a more sustainable manner<sup>3</sup> is central to The Co-operative's strategy as set out in the Sustainable Development Policy (page 6).

Underpinning this pursuit of sustainable development is a system of governance, management, accounting and internal control that is considered to be increasingly robust, together with a commitment to provide leading-edge openness and honesty.

### Inclusivity

Six classes of stakeholder have been identified, upon whom its continued success is, to varying degrees, dependent, and engagement with key stakeholders remains an important ongoing activity in achieving an accountable and strategic response to sustainability. Examples of such engagement range from employee surveys (page 100), supplier training events (page 23) and customer surveys (pages 108–111) – typical of the approaches undertaken by many businesses of The Co-operative's size – to consultations on the direction of ethical policies (page 11) and

member democratic participation (page 90). These latter examples of embedded engagement reflect the co-operative Values and Principles and have wide-reaching impacts on business strategy.

Democratic participation is an important element of The Co-operative's approach to inclusivity. Elected area committees<sup>4</sup> and regional boards, which are drawn from the Membership, consider issues as diverse as store performance, developments and closures, and the allocation of Community Fund donations.

Working in parallel with the democratic governance structure, the business also operates more traditional governance structures, which include mechanisms to manage and oversee the approach to sustainability<sup>5</sup>.

During 2009, members participated in a consultation that led to a new Membership Engagement Strategy being agreed in September (page 91). Customers were also consulted on a range of subjects, including sustainability-related issues via weekly InSight surveys carried out in-store (page 111). Other examples of engagement and stakeholder views arising are presented in relevant sections of this Report.

## Stakeholders

**Members** Anyone who is aged 16 or over, who lives in the UK, shares The Co-operative's Values and Principles and agrees to invest at least £1 can become a member. At the end of 2009, The Co-operative had 3.3 million economically active members who received a dividend payment, and 470,000 democratically active members (pages 90–91).

**Customers** Approximately 21 million customers visit The Co-operative Food each week and CFS has approximately nine million.

**Employees** At the end of 2009, The Co-operative had 113,391 staff, of whom 101,699 were employed by the Trading Group, and the remaining 11,692 were employed by CFS (page 100). Of these, 89,000 were co-operative members.

**Co-operative Movement** There are over 800 million co-operators across the world, and The Co-operative, 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' (inside front cover).

**Suppliers** Relationships with The Co-operative's suppliers range from infrequent purchases to ongoing strategic partnerships across the different business areas. In 2009, the number of suppliers of goods and services to The Co-operative, with whom yearly spend exceeded £50,000, totalled 1,800.

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

## Governance

Throughout 2009, oversight of The Co-operative's sustainability, community and Membership engagement strategies was undertaken by the V&P Committee. During 2009, the Terms of Reference<sup>6</sup>, composition and method of election of the V&P Committee changed. The Committee<sup>7</sup> has Co-operative Group and Regional Board representation and is accountable to The Co-operative Group Board. Since June 2009, the Committee has comprised four Board directors and an elected representative from each of The Co-operative's seven regions. Two further representatives were appointed by the Group Board in 2010, representing, and having been nominated by, the Diversity Working Group and Independent Society Members respectively.

That such authority should rest with a body made up almost entirely of elected members is significant, and is almost certainly unique among large businesses in the UK.

More broadly, the majority of Co-operative Group Board members (15 of 20, or 75%) are elected by 46 area committees, which, in turn, comprise individuals from the individual membership base (page 89). The remaining five members are elected by, and from, the corporate membership, who represent societies to whom the business provides services. Formal sign-off of the Sustainability Report is provided by The Co-operative Group Board.

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 members who have been elected from and by area committees or the regional board. It has the authority to escalate issues for the consideration of the national V&P Committee.

## Responsiveness

The Co-operative is responsive to relevant and important stakeholder concerns, as detailed throughout this Report. In addition, the Report itself forms part of The Co-operative's

responsive approach, through which the business sets out targets in relation to material issues, and strives to detail progress in an open and honest manner. Members' capacity to effect change within the business includes, but is not restricted to, the area of sustainability.

## Risk management and internal control

The Co-operative 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 2009, in accordance with the requirements of the Enhanced Business Review regulations, the Annual Report and Accounts of The Co-operative Group and CFS each provided a statement on the principal risks and uncertainties being faced<sup>8</sup>.

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 the Board through the Audit & Risk Committee<sup>9</sup>. Significant risks are combined for the whole business and recorded in a Risk Register, which is considered by the Risk Management Committee (this includes representation from the Social Goals and Sustainability department), which provides reports, four times a year, to the Audit & Risk Committee. Damage to reputation or brand, including the strength of The Co-operative's ethical stance, is one of the risks addressed. The Co-operative Group and CFS Boards each have overall responsibility for risk management and for ensuring that the process is aligned to business strategy and objectives.

On appointment, directors undertake an induction programme, designed to develop their knowledge and understanding of The Co-operative (page 91). Throughout their period in office, directors are regularly updated on the business, its competitive and regulatory environments, corporate social responsibility matters and other changes affecting it and the industries in which it operates.

Throughout 2009, the Board received quarterly progress reports on ethics and sustainability matters. In addition, the Trading Group and CFS Executive teams received monthly updates on progress, with an emphasis on matters arising and developments pending.

In July 2009, former CFS' environmental management systems were re-certified to the ISO 14001 standard at its annual audit inspection and, in 2010, the certification will be extended across the enlarged CFS business. CFS was the first financial services organisation in the world to secure certification for all its business activities<sup>10</sup>.

## Management

Day-to-day management of the Social Goals Strategy is undertaken by the ethics and sustainability (18 full-time equivalent staff) and community and campaigns (17.5 full-time equivalent staff) teams in the Social Goals and Sustainability department<sup>11</sup>. The Head of Social Goals and Sustainability reports to the Marketing Director, who is a member of the Trading Group Executive<sup>12</sup>. Following the mergers and acquisition that took place during 2009 (page 6), the team is responsible for managing the Social Goals Strategy across the enlarged business.

Responsible investment activities are, additionally, supported by a distinct team (six full-time equivalent staff) within The Co-operative Asset Management function. Responsible retailing is managed by a

distinct team within The Co-operative Food. That team is supported by a Food Policy Group that was established in 2009 to make and agree food policy decisions, as directed by the Food Ethical Policy. In 2009, six regional energy managers oversaw the ongoing training of over 2,500 Energy Champions across The Co-operative Food stores. Many other individuals throughout the business are directly responsible for aspects of the sustainability programme.

### Performance benchmark

In April 2007, a Queen's Award for Enterprise in the Sustainable Development category was conferred upon The Co-operative. The Award recognised The Co-operative'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.'

The Co-operative 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 the most recent Business in the Community (BITC) Corporate Responsibility (CR) Index, published in 2010, The Co-operative was one of only 10 businesses to achieve the highest 'Platinum+' ranking, which challenges businesses to demonstrate the degree to which CR is embedded in business strategy.



### Policy

The Co-operative's overarching approach to ethics and sustainability was consolidated in a new Sustainable Development Policy in 2007 (page 6). This outlines the aspiration to deliver value to stakeholders in an ecologically sustainable and socially responsible manner, along with a commitment to be transparent and accountable in the pursuit of sustainable development.

### Member-mandated ethical policies

In addition, a suite of bespoke, customer-/member-mandated ethical policies are in place in connection with the majority of The Co-operative's business activity<sup>13</sup>. The Co-operative Bank and The Co-operative Asset Management operate customer-mandated ethical policies that govern, respectively, who the bank will and will not finance (page 40) and the approach to engagement with investees (previously referred to as The Co-operative Insurance Ethical Engagement Policy, page 42). The Co-operative Food operates a member-mandated Ethical Policy<sup>14</sup>, which sets out a series of commitments that guides its approach to responsible retailing. The bank's Ethical Policy was updated in 2009, following a record participation of over 80,000 customers. Nine new ethical positions were added to the Policy in the areas of human rights, international development, ecological impact and animal welfare.

The Food Ethical Policy was launched in 2008, based on responses from over 100,000 co-operative members, making it what is believed to be the world's largest consumer poll on ethics<sup>15</sup>. The vast majority of respondents endorsed the adoption of the Policy, which covers ethical trading, animal welfare, environmental impact, food quality, diet and health, and community retailing issues.

The application of policies across the enlarged business is discussed on pages 6 and 40.

### Ethical strategies

The Co-operative Travel was the first UK travel agent to launch an Ethical Strategy and in August 2009, a year after its launch, the Strategy was reviewed, progress reported on and priorities re-established for 2010<sup>16</sup>. The Co-operative Clothing launched an Ethical Strategy in 2008 to manage the risks arising from working conditions amongst overseas suppliers. During 2009, The Co-operative Pharmacy developed an Ethical Strategy that was launched in early 2010. The Co-operative Funeralcare will commence development of an Ethical Strategy in 2010.

### Other policies

Sound sourcing is a major activity for The Co-operative. Most significantly, policies in this area comprise: CFS' Sustainable Procurement and Supplier Policy (page 45), which focuses on goods not for resale; and The Co-operative's Sound Sourcing Code of Conduct, which focuses on goods for resale (page 21). The Sound Sourcing Code of Conduct was amended in 2009, following approval by the V&P Committee.

In early 2009, a new Human Rights and Trade Policy was agreed (page 24), which sets out the extreme conditions that need to be breached for trade to be suspended with a nation state, designated region, or in a particular product.

Health and Safety Policies set out clear and consistent responsibilities across all business areas and have been endorsed by the Executive and Business Heads and signed by the Chief Executive. The Co-operative Group Board is regularly updated on its responsibilities with regard to health and safety<sup>17</sup>. Health and safety performance in relation to employees during 2009 is detailed on page 105. 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. An anti-fraud policy was introduced in 2009 to support the Trading Group Code.

### Accounting and reporting

The process of accounting, auditing and reporting on material social, ethical and environmental impacts is a central component of The Co-operative'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 Co-operative.

## Performance benchmark

**1999** 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 the United Nations Environment Programme (UNEP)/ SustainAbility.

**2006** CFS' Sustainability Report runner-up at the ACCA UK Sustainability Reporting Awards; the Report also ranked second by UNEP in its 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 runner-up in the Best Sustainability Reporting category at the ACCA UK Sustainability Reporting Awards.

© **2009** The Co-operative Group Sustainability Report 2007/08 named the most 'Open and Honest' Report at the global CR Reporting Awards 2008. The Sustainability Report 2007/08 outperformed all the G100 companies in the AccountAbility Rating.

© **2010** The Co-operative Group Sustainability Report 2008/09 runner-up in the 'Best Report' category at the global CR Reporting Awards 2009, and outperformed all companies assessed, as at February 2010, in the Tomorrow's Value Rating.

## Performance benchmark

The Co-operative's approach to sustainability was assessed using The Tomorrow's Value Rating (TVR)<sup>18</sup>. Assessment was based on disclosure in the 2008/09 Sustainability Report, and focused on five domains: strategy, governance, engagement, value chain, and innovation and leadership.

The Co-operative was benchmarked against the leaders in five sectors that had been assessed, as at February 2010<sup>19</sup>, and ranked first, with an overall score of 87%; greatly outperforming the five sector leaders, who scored between 55% and 64%. The Co-operative's score is more than twice the TVR average (36%) of all companies assessed between February 2009 and February 2010.

## TOMORROW'S VALUE RATING

The development and maintenance of accounting systems across a business as large and complex as The Co-operative 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+<sup>20</sup>. A summary index detailing reporting against the G3 indicators is provided on pages 119–120, with a more detailed account provided in the online version of this Report .

## 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 2008/09 was also checked by GRI and found to be consistent with a GRI G3 application level of A+. The Co-operative believes that in 2008 and 2009 no other UK company from the food retail, bank or insurance sectors produced a sustainability report to an A+ level<sup>21</sup>.



## Audit and assurance

The Co-operative is committed to the AA1000 Assurance Standard (AS)<sup>22</sup> and, as previously described, considers its sustainability management and reporting to be aligned with the AA1000 Assurance Principles Standard (APS). The AA1000AS was revised and relaunched in 2008, and The Co-operative's 2009 Report is its second 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 Co-operative appointed Two Tomorrows to provide assurance, primarily on the basis of the high standing in which the principal auditors are held<sup>23</sup>. 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)<sup>24</sup> (pages 117–118). The assurance providers were contracted to provide a moderate level of assurance<sup>25</sup> for the majority of the Report content, including information presented in the online version of the Report, and a high level of assurance<sup>26</sup> over the bank's Ethical Policy implementation. Historic (2006–2008) data relating to former Somerfield waste and energy consumption has been included within this Report for the first time for comparative purposes and this data has not been audited. The internal audit programme reviews sustainability-related processes as appropriate, to support the business and external assurance process.

## Influence and action

For more than a decade, The Co-operative has been active in shaping sustainability accounting and reporting standards, at both a national and international level. © During 2009, The Co-operative supported the revision of the AccountAbility Stakeholder Engagement Standard (AA1000SES)<sup>27</sup>.

### Read more in this Report

- Details of democratic structure (pages 89–90).
- Co-operative Values and Principles (inside front cover).
- Sustainable Development Policy (page 6).
- The Co-operative Bank Ethical Policy (page 40).
- The Ethical Engagement Policy (page 42).
- The Co-operative Food Ethical Policy (pages 30, 36 and 57).
- Human Rights and Trade Policy (page 24).
- The Co-operative Travel Ethical Strategy (page 24).
- The Co-operative Pharmacy Ethical Strategy (page 24).
- Sound Sourcing Code of Conduct (page 21).
- 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](http://www.accountability21.net)
- 2 The Co-operative Group Annual Report and Accounts 2009 (pages 24–25).
- 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/corporate/sustainability/areacommittees](http://www.co-operative.coop/corporate/sustainability/areacommittees)
- 5 The Co-operative 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 2009 Annual Report and Accounts of The Co-operative Group, pages 30–33 and Co-operative Financial Services' Financial Statements 2009, page 29.
- 6 Terms of Reference for the V&P Committee can be found at: [www.co-operative.coop/corporate/sustainability/vandptor](http://www.co-operative.coop/corporate/sustainability/vandptor)
- 7 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 89). The restructured V&P Committee met three times between June and December 2009 and also held a conference at which it met with regional V&P committees. One further meeting was held, prior to the V&P restructure.
- 8 The Co-operative Group Annual Report and Accounts 2009, pages 27–29 and Co-operative Financial Services' financial statements 2009, pages 45–47.
- 9 The Audit and Risk Committee has five 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.
- 10 CFS' certification extends to the 'complete range of operations, activities, products and services personal and corporate banking, insurance, investments and pensions of The Co-operative Financial Services, but does not include former Britannia.
- 11 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. Figures are accurate as at December 2009.
- 12 The Marketing Director has Executive responsibility for community and environmental strategy and performance across The Co-operative, 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.
- 13 Customer-/member-mandated ethical policies are in operation for The Co-operative Bank, The Co-operative Investments and The Co-operative Food. In 2009 these, together, accounted for 76% of The Co-operative's total revenue.
- 14 [www.co-operative.coop/food/ethics/Ethical-trading/Ethical-policy](http://www.co-operative.coop/food/ethics/Ethical-trading/Ethical-policy)
- 15 Respondents comprised 64,000 Co-operative members and 36,000 members of other co-operative societies. Results presented in this Report relate only to The Co-operative member responses. Analysis by the 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.
- 16 [www.co-operativetravel.co.uk/ethical-strategy](http://www.co-operativetravel.co.uk/ethical-strategy)
- 17 The Co-operative Group Annual Report and Accounts 2009, page 26.
- 18 [www.tomorrowsvaluerating.com](http://www.tomorrowsvaluerating.com)
- 19 Sectors assessed to date: hotels, oil and gas, energy utility, ICT and food.
- 20 For further information on G3 application levels, see: [www.globalreporting.org/GRIReports/ApplicationLevels](http://www.globalreporting.org/GRIReports/ApplicationLevels)
- 21 Based on our assessment of corporate reports detailed at [www.corporateregister.com](http://www.corporateregister.com) and at [www.globalreporting.org/GRIReports/GRIReportsList](http://www.globalreporting.org/GRIReports/GRIReportsList); Corporate Register lists details of approximately 95% of all sustainability reports published.
- 22 [www.accountability21.net](http://www.accountability21.net)
- 23 Members of the Two Tomorrows team have previously provided assurance on CFS and Co-operative 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](http://www.twotomorrows.com)
- 24 AA1000 Assurance Standard 2008. 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.
- 25 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'.
- 26 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'.
- 27 [www.accountability21.net](http://www.accountability21.net)

**Image: The Co-operative Fairtrade bananas – one of the business' 'Fairtrade firsts' (page 20).**

## Contents

<b>15</b>	Community investment
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<b>51</b>	Diversity



# Focus on social responsibility

## Strategy

Taking a responsible approach to business has been a guiding principle of The Co-operative since its inception. Today co-operative Values and Principles resonate strongly with contemporary ideas of corporate responsibility. When considering these issues, the business is responsive to the views of its stakeholders, particularly members and customers.

## Key developments: 2009

- Roll-out of the Food Ethical Policy to former Somerfield products as they were rebranded during 2009, and extension of Co-operative ranges, including Fairtrade, to former Somerfield stores.
- Launch of a new Bank Ethical Policy following customer consultation; assets and liabilities of former Britannia became subject to the Ethical Policy following the merger (page 40).
- Launch of a Community Plan following member consultation. It sets out three priorities for community investment: inspiring young people, tackling global poverty and combating climate change (page 15).

# Community investment

## Indicators

Community contributions: percentage pre-tax profit

Employee time: days contributed

Leverage

## Targets 2009

-  Review current Co-operative activity supporting young people, and develop an 'inspiring young people' strategy (Inspiring Young People section of the online Report .
-  Raise £2m for The Co-operative Charity of the Year, RNID (page 17).
-  Complete development of a new two-year grant-making strategy for The Co-operative Foundation by the end of 2009 (page 17).
-  Provide financial support, through the Co-operative Membership Community Fund, to a minimum of 1,000 community groups across the UK, totalling at least £850,000 during 2009 (page 18).
-  Trial a new methodology to assess community investment impacts across a minimum of three major community programmes (page 17).

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

## Targets 2010

- Launch and implement an 'inspiring young people' strategy.
- Identify four charity partners for The Co-operative Foundation; one each in Manchester, Glasgow, Bristol and London, which can fulfil the aims and objectives of the Truth about Youth programme.
- Provide financial support, through the Community Fund, to a minimum of 1,000 community groups across the UK, totalling at least £850,000 during 2010.
- Assess community investment impacts across a minimum of three major community programmes.

## Background

It is estimated that, in recent years, British businesses have donated in the region of £1.4bn<sup>1</sup> annually to good causes, through cash and other types of support. Though this figure was expected to fall in 2009, the majority of large businesses now recognise community investment as part of their overall approach to business responsibility and have teams and budgets that support such activity. For some, 'community investment' is characterised by philanthropic giving with the expectation of little in return, whilst others use such programmes to attain commercial advantage or create a social licence to operate.

## Materiality and strategy

The Co-operative's approach to business is guided by co-operative Values and Principles. The seventh co-operative principle is 'concern for community'<sup>2</sup>, which directs co-operatives to work for the sustainable development of their communities through policies approved by their members.

In 2009, following member consultation<sup>3</sup>, and agreement from the Values & Principles (V&P) Committee, the Community Plan was launched to provide three clear priority areas for community investment:

- **Inspiring young people:** The Co-operative will nurture and support young people to better enable them to make a positive contribution in their communities;
- **Tackling global poverty:** The Co-operative will help support people in the developing world, particularly through overseas co-operative development and improved supplies of water and sanitation; and
- **Combating climate change:** The Co-operative will fight climate change and support energy-efficient technologies and renewable energy.

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

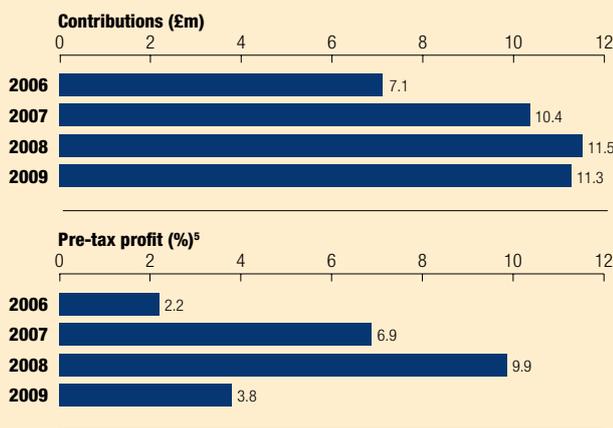
## Community Plan

Details of projects that supported the Community Plan during 2009 are provided throughout this Report, as per the following table. These include community investment made by former Britannia and former Somerfield. Other community contributions are detailed throughout the Report, as signposted on page 16.

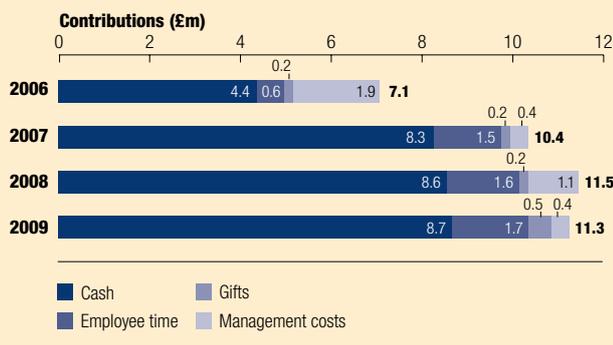
### Major projects supporting the Community Plan in 2009

		Pages
<b>Inspiring young people</b> (further information in the online version of this Report  )	• The Co-operative StreetGames Young Volunteers	49
	• From Farm to Fork	39
	• Skills4Schools	48–49
<b>Combating climate change</b>	• Green Energy for Schools	65
	• Walking Buses	65
	• Waste Works	74
	• Carbon offset projects: Cambodia, Kibale, West Bengal	63–64
<b>Tackling global poverty</b>	• Development uplift projects: Malawi, Mozambique, Panama	27
	• Projects supporting overseas co-operatives: Kenya, Turkey, South Africa	27
	• The Wave campaign	28

### Total community contributions<sup>4</sup>



### Breakdown of community contributions



## Community contributions

The Co-operative measures and reports on its community contributions using the London Benchmarking Group (LBG) model<sup>6</sup>. The LBG undertakes a detailed assessment of The Co-operative's stated community contributions and verifies that they have been prepared in accordance with LBG guidelines.

In 2009, contributions to the community, as recognised by the LBG, totalled £11.3m (2008: £11.5m). This equates to 3.8% (2008: 9.9%) of pre-tax profit<sup>7</sup>. Cash contributions, employee time and gifts all continued to grow; however, the relative reduction in overall contributions as a percentage of pre-tax profit results from increased pre-tax profits of £294.7m in 2009 (2008: £115m), following the merger with Britannia and the acquisition of Somerfield.

A further £1.2m was invested in the Co-operative Movement via The Co-operative Loan Fund (page 93), The Co-operative Enterprise Hub (page 92) and support for the credit union movement (page 48). A total of £107,000 was invested in Outreach programmes including film premiere events for Burma VJ (page 28) and Vanishing of the Bees (page 80). Taken together, this raises The Co-operative's total contributions to £12.6m (2008: £11.7m) or 4% (2008: 10%) of pre-tax profit.

### Performance benchmark

The Co-operative contributed 3.8% of pre-tax profits to the community in 2009. 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 2006–2009<sup>8</sup>.

The LBG model categorises contributions by their underlying motivation. In line with this classification, in 2009, 63% of LBG-

verified community contributions was classified as 'community investment' (long-term strategic involvement in community partnerships to address social issues). This figure includes priority social goals projects, such as From Farm to Fork (page 39), Green Energy for Schools (page 65) and The Co-operative StreetGames Young Volunteers (page 49), alongside grant-making funds, such as The Co-operative Foundation (page 17).

A further 29% 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 credit cards. During 2009, the bank issued credit cards for over 30 national charities/non-governmental organisations<sup>9</sup>. Affinity partners receive a donation from the bank for each new card and a margin on the use of the card thereafter. During 2009, partners received a total of £1,307,990 (2008: £1,448,522).

The remaining 8% 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 as well as support via The Co-operative Booster Fund, which supplements colleagues' fundraising activities.

The 10 largest community contributions made in 2009 (comprising 44% of contributions<sup>10</sup>) are detailed below.

### Community contributions: top 10 contributions in 2009

Project/programme	Community Plan theme	Contribution <sup>11</sup>
The Co-operative Foundation (page 17)	Inspiring Young People	£912,008 <sup>12</sup>
Cambodia stoves – carbon offset project (page 64)	Combating climate change	£829,714
Green Energy for Schools	Combating climate change	£694,410
Toxic Fuels campaign (page 66)	Combating climate change	£448,173
The Britannia Foundation <sup>13</sup>	Community projects	£432,158
RSPB charity credit cards (page 79)	Combating climate change	£405,154
Employee volunteering within Food retail	Community projects	£292,187
Consumer Credit Counselling Service – the UK's leading debt charity	Community projects	£287,671
Oxfam charity credit cards (page 26)	Tackling global poverty	£264,235
Kibale carbon offset project (page 64)	Combating climate change	£251,081

### Employee time

Employees are encouraged to volunteer and raise funds for the benefit of the community. During 2009, 10,240 employees registered that they had taken part in community activities, contributing the equivalent of 136,834 hours or 18,244 days. This equates to a donation of time worth £1.66m (2008: £1.63m). The Co-operative 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 volunteer. In 2009, 100 team challenges took place around the country.

**Employee volunteering<sup>14</sup>**

	2007	2008	2009
Number of employees involved in community activity in work time	9,898	8,612	10,240
Number of days invested in community activity in work time <sup>15</sup>	15,864	18,607	18,244
<b>Value of staff time</b>	£1,450,000	£1,630,000	£1,660,000

**Gifts in kind**

In 2009, in-kind contributions to the community (products, equipment, facilities or other non-cash items) totalled £593,000. The promotion of charity brands on The Co-operative's carrier bags, internet site and brand magazines, the use of premises for events, and donations of Fairtrade products have contributed to this total. A significant increase in 2009 can largely be attributed to the inclusion of Somerfield activity.

**Gifts in kind**

	2007	2008	2009
Gifts in kind	£219,000	£184,000	£593,000

**LBG output and impact measurement**

⊙ A methodology is being trialled, to assess community investment impacts, with a view to demonstrating the value of community programmes to the business and to external stakeholders.

**The Co-operative Foundation**

The Co-operative Foundation<sup>16</sup>, an independent charitable trust, was set up in 2000. Since 2000, £12.8m has been donated to the Foundation by The Co-operative, £9.6m of which has been invested in endowment funds that generate income for future disbursement, and £3.2m of which has been made available for distribution.

In January 2009, the Trustees made a final series of awards under the existing grant-making programme, before it was replaced by a new strategy.

**Co-operative Foundation requests and awards**

	2007	2008	2009
Number of applications	433	499	142
Total requested	£5.8m	£7.3m	£2.2m
Number of awards	85	63	16
Total disbursed	£895,714	£953,558	£253,970
Average request	£13,496	£14,589	£15,541
Average award	£10,538	£15,136	£15,873

**The new grant-making strategy** ⊙ The new grants scheme is focused on 'inspiring young people'. The aim of the scheme is to challenge and change negative perceptions held about young people. The scheme is called Truth about Youth and one grant of £140k each year for two years (£280k in total) will be given to one charity in each of the seven democratic regions. More information on 'Truth about Youth' can be found in the Inspiring young people section of the online Report .

By the end of 2009, grants of £280,000 each had been awarded to three organisations: Envision in Birmingham, YWCA in Cardiff and Regional Youth Work Unit in Tyne and Wear.



Truth about Youth: students from Envision's Birmingham programme pitch their plans for social and environmental projects.

**Leverage**

In addition to community investment made by the business directly, The Co-operative 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. The Fund is made up of donations made by members from their twice-yearly share of profits (2009: £1m). Another principal contributor to leverage is payroll giving (2009: £108,043<sup>17</sup>; 2008: £125,851).

**Leverage**

	2005	2006	2007	2008	2009
Leverage	£3.6m	£1.1m	£4.3m	£2.8m	£8.3m

The significantly higher leverage in 2009, compared to previous years, is due to the Charity of the Year partnerships of The Co-operative (RNID), which runs on a biennial basis, and Somerfield (Macmillan), as well as the inclusion, for the first time, of support for the Travel Foundation by The Co-operative Travel customers (page 24) and The Britannia Foundation.

**The Co-operative Charity of the Year**

⊙ A record £3.7m was raised for RNID, greatly exceeding an initial £2m target. This total represents a 64% increase on the 2007 Charity of the Year fundraising<sup>18</sup>, and is the largest amount ever raised for one charity by the business. It is considered to be a particular achievement during a recession which saw a decrease in year-on-year charitable giving in the UK of over 11%<sup>19</sup>.



HRH The Countess of Wessex, patron and trustee of RNID, visits The Co-operative head office to congratulate the business on its fundraising achievement.

The money was raised throughout the year by thousands of staff through a variety of events including cycle rides, mountain climbs, parachute jumps and a 'Santa Dash'. The money will fund the expansion of the charity's vital Hear to Help service. Hear to Help trains volunteers, many of whom have a hearing loss, to provide support to hearing aid users in their local communities. Over 20 new projects will be established in communities across the UK as a consequence of the funding, reaching more than 20,000 people who are deaf or hard of hearing. In addition, RNID delivered 119,726 free hearing checks to staff, customers and the public during the year.

In 2009, Somerfield continued to support Macmillan Cancer, a partnership that began in 2007. A new campaign, titled Better Together, aimed to help Macmillan raise awareness of local cancer services and raise money to support them. Since 2007, the partnership has raised over £2.5m, including £588,000 raised by Somerfield in 2009 for the new campaign.

### The Community Fund

The Community Fund supports community, voluntary and self-help organisations by awarding small grants of between £100 and £2,000. The Community Fund is a trading name of the Co-operative Community Investment Foundation, a registered charity<sup>20</sup> which is governed by a Board of Trustees. Whilst Trustees have a legal responsibility for the core decisions of the charity, they have devolved decision-making to The Co-operative's 46 area committees. Applicants must demonstrate that their organisation carries out positive work in the community, and that their project includes all, or most, of the following: addresses a community issue, provides a long-term benefit to the community, supports co-operative Values and Principles, and is innovative in its approach.

A reduction in the number of awards made and total awarded in 2009 can be attributed to the closure of the scheme between January and May, to enable a new online application form to be introduced. A change in criteria was also introduced with the maximum grant size being reduced from £5,000 to £2,000. These changes were agreed by the Trustees in January 2009, following feedback from area committee members on how the scheme could be improved. Another review will be carried out with area committees in 2010, to ascertain their views one year on from the changes being implemented.

#### Community Fund requests and awards

	2007	2008	2009 <sup>21</sup>
Number of requests	4,467	2,614	–
Number of awards	2,270	1,515	938
Total disbursed	£1m	£1.3m	£1m
Average request	£1,026	£1,286	–
Average award	£467	£843	£1,075

## Read more in this Report

Community involvement in relation to:

- International development and human rights (page 26).
- Diet and health (page 39).
- Social inclusion (pages 49–50).
- Diversity (page 54–55).
- Climate change (pages 66).
- Waste and packaging (page 73).
- Persistent, bioaccumulative and toxic (PBT) chemicals (page 85).
- The Enterprise Hub and The Co-operative Loan Fund (pages 92–93).
- Support for co-operative schools (page 93).
- Charity credit cards (pages 26 and 79).
- Inspiring Young People section in the online Report 

### Accompanying notes

- The UK Social Investment Consultancy (2009) 'Corporate giving to be cut by a third'.
- [www.ica.coop/coop/principles.html](http://www.ica.coop/coop/principles.html)
- Including customers and colleagues.
- Comprises contributions 'spent' in the calendar year.
- 2009 pre-tax profit for The Co-operative was £294.7m (2008: £115m). Increase of profits is due to merger with Britannia and purchase of Somerfield (page 6). Of the total, the following contributions were attributable to CFS: cash: £3.4m (former CFS: £2.8m); employee time: £0.1m (former CFS: 0.08m); gifts in kind: £0.01m (former CFS: £0m); management costs: £0 (former CFS: £0m); bringing CFS' total community investment to £3.5m (former CFS: £2.9m), or 1.1% of pre-tax profit.
- The LBG model 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.
- Of this, £3.5m was attributable to CFS (former CFS: £2.9m); 1.6% of CFS' pre-tax profit.
- London Benchmarking Group (LBG), Annual Review 2009. Data refers to the 121 member companies of LBG who report their community investment contributions using the LBG model.
- <http://www.co-operativebank.co.uk/servlet/Satellite/1193206374589,CFSweb/Page/Bank-CreditCards>
- Total contributions excluding management costs in 2009 were £10,964,513.
- Contributions include cash, value of staff time, and in-kind donations.
- Represents all contributions made to the Foundation. £253,970 was disbursed by the Foundation in 2009.
- [http://www.britannia.co.uk/\\_site/corporate/in-the-community/foundation.html](http://www.britannia.co.uk/_site/corporate/in-the-community/foundation.html) The Foundation offers grants and donations between £1,000 and £25,000 to registered charities and schools working within education, particularly numeracy and/or financial literacy. It is an independent registered charity, number 1069081 and has its own Board of Trustees who evaluate all grant applications.
- The 2007, 2008 and 2009 employee volunteering figures were based upon staff responses to an intranet request for information on individual volunteering, and are not considered to be complete.
- Where a day is considered to represent 7.5 hours.
- 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](http://www.co-operative.coop/foundation)
- Of which £62,627 (2008: £125,551) was attributable to CFS.
- Charity of the Year 2007 was The Children's Society; £2,247,907 was raised.
- Study by the Charities Aid Foundation and the National Council for Voluntary Organisations. <http://www.ncvo-vol.org.uk/research/giving>
- Registered charity number 1093028, England and Wales, [www.co-operative.coop/communityfund](http://www.co-operative.coop/communityfund)
- It was not possible to report on the number of requests made in 2009 as the database holding the information, at the time of writing, is under reconstruction. The data given has, instead, been taken from the financial management system.

# International development and human rights

## Indicators

Fairtrade range and sales value

Improvement actions resolved

Supplier capacity building

Microfinance support

Support for overseas co-operatives and development projects

## Targets 2009

- ✔ Sustain at least 20% year-on-year sales growth of Fairtrade products in The Co-operative Food in 2009 (page 20).
- ✔ Commence water access, sanitation and renewable energy project with Fairtrade sugar cane producer communities in southern Malawi during 2009 (page 27).
- ⚠ 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 (page 21).
- ✔ 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 (page 22).
- ✔ 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 (page 23).
- ✔ Develop a Fairtrade cotton product offering from The Co-operative Clothing during 2009 (page 21).
- ⚠ Increase the number of Travelife-accredited properties, used for The Co-operative Travel's own-brand holidays, to 25 by the end of 2009 (page 24).
- ⚠ Launch two new microfinance schemes via The Co-operative Bank during 2009 (page 25).
- ✔ 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 (page 27).

- ✔ **target achieved**
⚠ **close to target**
✘ **target not achieved**
- ✔ **on track**
⚠ **behind schedule**

## Targets 2010

- Ensure all Co-operative Food own-brand tier-one production sites identified as high risk, as at end September 2010, have a valid independent audit in 2010.
- Extend awareness-raising and training sessions on sound sourcing for The Co-operative Food suppliers, with a focus on the UK, China, Italy, Kenya, Thailand and South Africa.
- Provide labour standards training to all relevant Co-operative Clothing merchandisers in 2010 and ensure that systems to monitor labour standards are actively managed throughout 2010.
- Increase the number of Travelife-accredited properties, used for The Co-operative Travel's own-brand holidays, to 25 by the end of 2010.
- Commence a project with The Travel Foundation to create supply links between agricultural co-operatives and hotels used by The Co-operative Travel in Turkey.
- Introduce an affinity product in The Co-operative Pharmacy that supports overseas development during 2010.
- Launch a new microfinance scheme via The Co-operative Bank during 2010.
- To benefit Fairtrade sugar producer communities in Malawi, ensure existing damaged boreholes are repaired, over 300 new latrines are constructed and over 50,000 trees are planted by end 2010.
- Commence water access, sanitation and renewable energy project with Fairtrade banana co-operative communities in Panama during 2010.
- Successfully establish two pilot funeral co-operatives in South Africa.

## 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. 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, do however 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 which directly employs an estimated 100 million workers; more than all the world's multinational companies<sup>1</sup>.

## Materiality and strategy

'Tackling global poverty' was confirmed, in early 2009, as one of three focuses of The Co-operative's Community Plan (page 15), which prioritises community investment monies. In response, an additional £1m was made available for new initiatives to tackle global poverty in 2009, with a focus on community development uplift projects, overseas co-operative development and campaigning (pages 27–28). A conservative estimate suggests that over half a million individuals in the developing world directly benefited from The Co-operative's international development activity with regard to sales of Fairtrade products and ethical water, in 2009 alone.

The size and global reach of The Co-operative Food business, in particular, have significant implications for international development; in 2009, own-brand products, sourced from over 1,800 production sites in over 55 countries<sup>2</sup>, were within the scope of the ethical trading programme.

In the latest Ethical Policy consultations, undertaken in relation to The Co-operative Food, The Co-operative Bank and The Co-operative Investments, members and customers indicated their wish for the business to pursue measures that promote improved labour standards, economic justice and human rights.

The Co-operative Travel is increasingly working to support sustainable tourism in its own-brand partner hotels (page 24); The Co-operative Pharmacy has made a commitment to help tackle global poverty in its Ethical Strategy, launched in early 2010 (page 24); The Co-operative Funeralcare has helped identify a project to support the development of funeral co-operatives in South Africa (page 27) and, in 2009, The Co-operative Clothing launched a range of Fairtrade cotton workwear (page 21).

## Fairtrade



The Co-operative has demonstrated continued commitment to the FAIRTRADE Mark since it was launched in the UK in 1994. The Mark appears on certain products, guaranteeing that disadvantaged producers and workers in the developing world are getting a better deal.

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 system<sup>3</sup>. It is estimated that, of these, over 150,000 benefited from The Co-operative Food's sales of Fairtrade products in 2009<sup>4</sup>. Details of Fairtrade products are provided on a dedicated section of The Co-operative's website<sup>5</sup>, along with details of producers and benefits arising.

Following the acquisition of Somerfield in 2009, former Somerfield stores rebranded to The Co-operative Food carry The Co-operative's extensive Fairtrade range. This move has made Fairtrade accessible to millions more shoppers, and will benefit thousands of Fairtrade producers and workers in the world's poorest countries.

### Fairtrade products and sales value<sup>6</sup>

	2006	2007	2008	2009
Total number of Fairtrade products	151	180	230	260
Number of own-brand Fairtrade products	85	110	146	173
 Fairtrade sales value	£22m	£34m	£49m	£61m
Proportion of UK supermarket Fairtrade sales (%)	N/A	15	16	12 <sup>7</sup>

## Performance benchmark

In 2009, The Co-operative won awards for several of its Fairtrade products. At The Grocer Own-label Excellence Awards, The Co-operative Fairtrade 99 Tea won the Hot Beverages Award. At the fourth annual Fairtrade Wine Awards, The Co-operative won the award for the Best Fairtrade Rosé and the Best Fairtrade Sparkling.

## 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.

**2000** Fairtrade bananas brought to the UK and launch of first own-brand Fairtrade product – Co-operative Milk Chocolate, made by Divine.

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

**2002** All own-brand block chocolate converted to Fairtrade. Introduction of Fairtrade mangoes and pineapples – a world first.

**2003** All own-brand coffee converted to Fairtrade.

**2007** Launch of the UK's first supermarket Fairtrade cotton carrier bag.

**2008** 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. Launch of world's first fairly traded charcoal. Launch of first Fairtrade sparkling rosé wine.

## Charcoal

In April 2009, The Co-operative launched the world's first fairly traded charcoal, in partnership with the independent fair trade organisation, Traidcraft. As there are no international Fairtrade standards for charcoal products, independent standards were developed to reflect the recognised Fairtrade model, ensuring producers have contracts, are provided with free kilns and, typically, receive three times the minimum wage. A social premium is also generated by sales of the charcoal, which helps support community projects. Charcoal production is sustainably managed, and is controlled by the Forestry Stewardship Council (FSC). Production of the charcoal in Namibia provides employment to around 1,000 workers.

## 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.



The Co-operative Fairtrade Palestinian olive oil, introduced in early 2009.

**Workwear clothing**

© In October 2009, The Co-operative Clothing launched a new range of Fairtrade cotton workwear clothing<sup>8</sup> with plans to extend the use of Fairtrade cotton to further garments. The cotton is sourced from Fairtrade-certified cotton farmers in Mali and Burkina Faso.

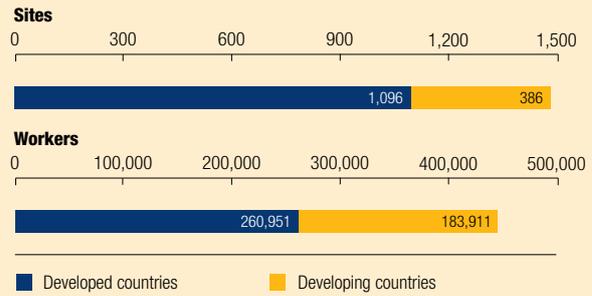
**Sound sourcing: The Co-operative Food**

The Co-operative was a founding member of the Ethical Trading Initiative (ETI) – an alliance of companies, non-governmental organisations (NGOs) and trades unions who work together with the aim of improving working conditions in supply chains. The Co-operative Sound Sourcing Code of Conduct<sup>9</sup> was revised in 2008 and formally endorsed by the Values & Principles (V&P) Committee in 2009 when it was extended to all Trading Group businesses.

The Co-operative Food is a member of the Supplier Ethical Data Exchange (Sedex); an internet-based electronic database where suppliers post labour standards information, including social audit reports. Own-brand suppliers<sup>10</sup> are asked to join Sedex<sup>11</sup> and complete a self-assessment registration. 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 audits<sup>12</sup>. 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 conducted by approved independent auditors and undertaken to a recognised robust format; for example, as provided by the Sedex Members Ethical Trade Audit (SMETA) guidelines<sup>13</sup>. In 2009, 16 due diligence audits on third-party auditors were undertaken<sup>14</sup>.

By the end of December 2009, 1,470 (2008: 1,230) tier-one and tier-two supplier sites had registered and completed a self-assessment on Sedex, representing over 440,000 workers<sup>15</sup> at peak times. © Over 90% of tier-one sites have completed a self-assessment<sup>16</sup>.

**Number of sites and workers covered by the ethical trading programme in 2009**

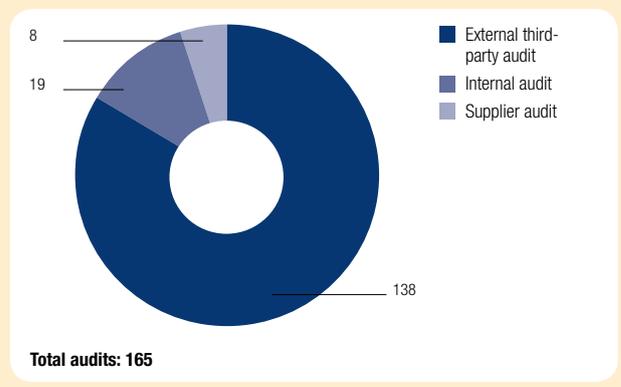


**Accounting systems and reporting**

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’. For its 2008 submission (most recent available), The Co-operative was rated as ‘leader’ in one of the five reviewed areas, ‘commitment’<sup>17</sup>, whilst in the remaining four areas<sup>18</sup> it was rated as ‘achiever’. These ratings are consistent with the previous year. The submission was internally audited in early 2009, and was also reviewed by NGO members and independent consultants who provided feedback.

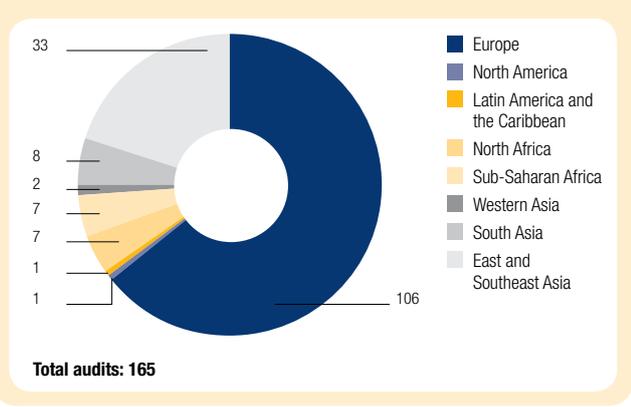
During 2009, 165 site assessments were progressed amongst suppliers to The Co-operative Food to determine the degree of compliance with sound sourcing criteria. A significant proportion of assessments (84%) were undertaken by third parties, the majority of which were approved independent audit bodies and NGOs<sup>19</sup>.

**Site assessments by type in 2009**



Of the 165 site assessments (2008: 173), 121 (73%) related to tier-one sites (2008: 139, or 79% of total) and 44 (27%) to tier-two sites (2008: 37, or 21% of total). As in previous years, the majority (73%) of the sites assessed were connected with food and fresh produce (2008: 74%). The chart on page 22 reflects the location of assessments undertaken in 2009.

Location of site assessments in 2009<sup>20</sup>



The selection of suppliers for assessment is heavily influenced by risk assessment information, held by the Sedex system<sup>21</sup>. 68% of the 53 tier-one suppliers identified as high risk as at the end of 2009 have completed self-assessments on Sedex and been audited in the past two years by an approved audit body. The remaining 17 sites are scheduled for audit in 2010.

In total, 1,294 non-conformances with the Code were identified in 2009 from site assessments undertaken in that year. Sites inspected within developed countries and developing countries<sup>22</sup> produced roughly equivalent levels of non-conformances overall<sup>23</sup>.

However, in relation to certain provisions (freedom of association, child labour, living wages and discrimination), non-conformances arising were proportionally more prevalent in developing countries. For example, 64%, 60%, 56% and 83% of the total non-conformances for the provisions of freedom of association, child labour, living wages and discrimination, respectively, occurred in developing countries. The table below shows the location of non-conformances identified in 2009.

The table on page 23 details both improvement actions resolved in 2009 (split between those identified in audits during 2009, and from audits prior to 2009), and the status of incomplete improvement actions amongst tier-one and tier-two suppliers (both for improvement actions identified in audits during 2009 and during 2008<sup>24</sup>). This represents an increase in disclosure of data and better reflects activity taking place in 2009.

Of the 1,294 improvement actions identified in 2009, 939 (73%) were resolved in 2009. In addition, 390 improvement actions from audits prior to 2009 were resolved in 2009. Monthly monitoring sheets detailing the status of improvement actions are 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.

Location of non-conformances identified in 2009

Location by region	Exploitation of labour	Freedom of association	A safe and hygienic working environment	Child <sup>25</sup> labour	Living wages to be paid	Working hours are not excessive	No discrimination	Regular employment	No harsh or inhumane treatment	Total non-conformances identified	Number of site assessments
Europe	3	5	597	6	46	98	1	60	4	<b>820</b>	106
North America	0	0	2	0	1	1	0	0	0	<b>4</b>	1
Latin America and the Caribbean	0	0	0	0	0	0	0	0	0	<b>0</b>	1
North Africa	2	2	30	1	7	7	0	0	0	<b>49</b>	7
Sub-Saharan Africa	0	2	44	1	13	3	0	12	1	<b>76</b>	7
Western Asia	0	0	10	0	0	5	0	0	0	<b>15</b>	2
South Asia	0	1	48	1	10	10	0	6	1	<b>77</b>	8
East and Southeast Asia	1	4	148	6	30	47	5	12	0	<b>253</b>	33
<b>Total</b>	<b>6</b>	<b>14</b>	<b>879</b>	<b>15</b>	<b>107</b>	<b>171</b>	<b>6</b>	<b>90</b>	<b>6</b>	<b>1,294</b>	165

## Completion of improvement actions in 2009

Provisions	Improvement actions completed in 2009		Incomplete improvement actions (as at December 2009)		Explanation of incomplete improvement actions					
	From audits prior to 2009	From audits in 2009	From audits in 2008	From audits in 2009	Due to be completed in 2010		Overdue action		Not active, delisted	
					Tier-one	Tier-two	Tier-one	Tier-two	Tier-one	Tier-two
Exploitation of labour	1	3	2	3	2	0	1	1	1	0
Freedom of association	6	10	10	4	1	3	0	9	1	0
A safe and hygienic working environment	200	685	132	194	174	21	78	51	2	0
Child <sup>26</sup> labour	1	11	7	4	2	2	5	2	0	0
Living wages to be paid	32	75	35	32	17	14	21	14	1	0
Working hours are not excessive	84	84	66	87	66	22	40	24	1	0
No discrimination	12	6	5	0	0	0	4	1	0	0
Regular employment	49	61	18	29	22	7	7	8	2	1
No harsh or inhumane treatment	5	4	4	2	1	1	3	0	1	0
	390	939	279	355	285	70	159	110	9	1
<b>Total</b>		<b>1,329</b>		<b>634</b>		<b>355 (56%)</b>		<b>269 (42%)</b>		<b>10 (2%)</b>

### Capacity building

© Work continued in 2009 to help build supplier capacity, with overseas workshops and training delivered in Egypt, Morocco and China by the Food Ethical Trading staff and locally-based experts. The sessions were delivered at no cost to the suppliers and covered general labour standards issues as well as challenges particular to the areas in question. In Egypt and Morocco, the vast majority of suppliers attended the sessions and the high level of interest was such that longer-term supplier working groups were set up in these two countries. These will encourage supplier collaboration on common challenges (such as health and safety, effective communication between workers and management and the management of temporary workers), and will initially be supported by The Co-operative Food until they become self-sustaining.

In China, The Co-operative and the local China Training Institute delivered supplier training in collaboration with The Body Shop in 2009, with a particular focus on addressing the root causes of excessive working hours. Further training sessions to develop the capacity of supplier Human Resources managers in China are planned for 2010, following positive supplier feedback. © Plans for additional training with South African suppliers have developed into a broader collaborative initiative with other retailers and local partners to develop a long-term training programme which better meets the needs of the suppliers.

In the UK, The Co-operative Food supported the Association of Labour Providers by hosting four training sessions for suppliers in 2009, on issues relating to the working conditions of temporary and migrant workers. A further northwest regional event, on migrant workers in the UK workforce, is due to be hosted by The Co-operative Food in 2010. A total of 100 participants attended the supplier training activities in the UK and overseas in 2009, equivalent to around 900 person hours.

The Co-operative Food also continues to use workbooks to help build supplier knowledge<sup>27</sup>. The first workbooks were rolled out in 2001, and in 2009 covered 16 countries. They are made available to suppliers on a dedicated supplier website.

As part of 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, distribution and labelling standards. By the end of 2009, all relevant employees had received training on ethical trade. Work also continued with other retailers and stakeholders to promote improvements to working conditions and auditing standards.

### Sound sourcing: The Co-operative Clothing

A decision was taken in 2008 to improve the ethical performance of The Co-operative Clothing, with a view to it becoming an ethical leader in the corporate clothing industry in the longer term. All overseas tier-one production sites were subject to initial independent social audits in 2008. A further 12 overseas independent social audits<sup>28</sup> were arranged in 2009 – nine in Bangladesh, two in Lithuania and one in China. © In 2009, 68 improvement actions were resolved and a table detailing social audit findings and improvement actions is provided in the online version of this Report . The Better Factories Cambodia auditing system<sup>29</sup> – an ILO initiative that monitors and reports on working conditions in Cambodian garment factories with reference to national and international standards, was also used to monitor The Co-operative Clothing's Cambodian factory. This activity identified a further 48 improvement actions.

A supply chain manager and three additional merchandisers were recruited in late 2009, who will assume responsibility for the management of the labour standards programme during 2010. Management will be supported by effective use of the Sedex

system (page 21). Overseas suppliers have signed up to Sedex and work will continue into 2010 to encourage all suppliers to complete self-assessment information.

The Co-operative Clothing supplies the rebranded employee uniforms for the Food, Pharmacy, Travel, Bank and Funeralcare businesses.

### Sound sourcing: The Co-operative Travel

The Co-operative joined the Travelife Sustainability scheme in April 2009, which exists to promote sustainable tourism. As part of this commitment, The Co-operative Travel is encouraging partner hotels in its own-brand joint venture tour operation, launched in 2009, to engage with the scheme to assist with the monitoring and management of labour and environmental standards. © By the end of 2009, nine joint-venture hotels were Travelife-accredited, falling short of the target of 25. Plans for 2010 include training selected Travel employees on the Travelife Sustainability scheme, which will allow for increased support for suppliers pursuing accreditation. The Co-operative Travel will also monitor Travelife activity, ensuring that a rolling programme of hotel assessments and due attention to issues identified are managed on an ongoing basis. In the longer term, the business aims to feature only accredited hotels in its customer-facing Co-operative Travel Holiday Collection brochure.

### The Co-operative Travel Ethical Strategy

The Travel Ethical Strategy was reviewed and updated in 2009<sup>30</sup> including a new commitment to support the work of The Travel Foundation; a UK charity that supports communities in holiday destinations worldwide by investing in sustainable tourism initiatives. Customers make a voluntary donation of £1 when they book their holiday, which can be opted-out from or increased on request<sup>31</sup>. During 2009, this initiative raised £203,000.

### The Co-operative Pharmacy Ethical Strategy

The Co-operative Pharmacy Ethical Strategy was signed off by the Values & Principles (V&P) Committee in December 2009, and was launched in early 2010. The Strategy includes a commitment to tackling global poverty<sup>32</sup> and, in view of this, the V&P Committee agreed a contribution of £150,000 over three years from 2009, matched by The Co-operative Pharmacy, to support a sanitation initiative co-ordinated by UNICEF.

## Human Rights and Trade

### Policy development

In early 2009, a new Human Rights and Trade Policy was adopted. This sets out the extreme conditions that need to be breached for trade to be suspended 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 in the Israeli Occupied Territories, 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.

### Burma

The Co-operative has a history of activity relating to Burma. While there are many oppressive regimes across the world, Burma presents a combination of circumstances that makes a compelling case for action. In line with the call from democratically elected representatives of the Burmese people, The Co-operative does not trade with Burma. The Co-operative Travel has delisted the country as a tourist destination, and The Co-operative Bank will not finance any organisation with a significant presence in Burma.

In 2009, The Co-operative supported a film and a play on Burma, launched a campaign in support of Burmese political prisoners (pages 27–28) and undertook a project in support of Burmese refugees<sup>33</sup>.

## Affinity products and services: raising awareness and funds for development

### Fairbourne Springs

Fairbourne Springs is the first own-label ethical water 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. In 2009, donations funded 137 PlayPump™ installations, helping an estimated 340,000<sup>34</sup> people gain access to clean water. As a result, since its launch in March 2007, donations from Fairbourne Springs have funded around 260 PlayPumps™, helping over 640,000 people in southern Africa gain access to clean water.



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

### One Condoms

In 2008, The Co-operative became the first high-street retailer to sell One Condoms<sup>35</sup>, a range of condoms to help fund HIV and AIDS awareness projects in rural Africa. The condoms are available at all Food and Pharmacy outlets throughout the UK. A 30-pence donation is made from the sale of each pack, which is roughly equivalent to funding an HIV test in Africa. In 2009, over 50,000 packs of One Condoms were sold.

### One Big Idea competition

In November 2009, The One Big Idea competition was launched; a partnership between The Co-operative One, Make Your Mark and Enterprise Network (Specialist Schools and Academies Trust). The competition aims to engage people of all ages to create the next One-branded ethical product, to directly improve the lives of thousands of people in Malawi. The winner will work with the One team to source the product and gain practical experience of social enterprise. The product will be developed and launched in selected Food stores later in 2010.

### Oxfam mobile phone recycling scheme

The Co-operative has worked with Oxfam since 2004 to help its customers recycle mobile phones and inkjet cartridges. In 2009, approximately 9,500 phones and 1,650 print cartridges were recycled<sup>36</sup>, generating £25,000 in income for Oxfam (2008: £44,000), and bringing the total raised since the scheme's inception to £316,000<sup>37</sup>. Funding generated 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.

### CFS and ethical finance

#### Microfinance support

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.

© To date, this fund has lent to three microfinance schemes, one of which was agreed in 2009. In November 2009, the bank invested \$1m in the FINCA Microfinance Fund, providing finance for microfinance institutions (MFIs)<sup>38</sup> in Azerbaijan, Congo, Armenia, Georgia, Kyrgyzstan, Tajikistan and Mexico.



The Co-operative Bank helps to support microfinance institutions in developing countries.

#### Bank screening of finance

During 2009, 152 finance opportunities (2008: 137) were referred to the Ethical Policy Unit in connection with international development and human rights, of which 20 were declined (2008: eight) at a cost of £822,000 in terms of estimated income foregone.

### International development and human rights-related business declines 2009

	Estimated income foregone 2009
<b>Component manufacturer</b> (two instances) £10m lending and £600,000 property finance for a business engaged in the supply of components for a military helicopter transferred to three Middle Eastern and Central Asian oppressive regimes.	£371,000
<b>Hotel operator</b> Three property finance loans totalling £7.5m in which the primary tenant was a UK-based hotel chain. The business was wholly owned by the sovereign wealth fund of a Middle Eastern government classified as an oppressive regime.	£257,000
<b>International banks</b> (eight instances) Interbank facilities for eight international banks part-owned by governments classified as oppressive regimes.	£81,000
<b>Logistics business</b> £1m lending to business supplying strategic parts for military warships transferred to the navies of three South Asian and Middle Eastern oppressive regimes.	£50,000
<b>Aviation equipment manufacturer</b> £2m lending to business engaged in the manufacture and transfer of naval aviation equipment to a South Asian oppressive regime.	£16,000
<b>Communications business</b> £1.5m lending to a subsidiary of an international armaments business. Parent company is one of Europe's largest armaments businesses, and engaged in the manufacture and transfer of military aircraft and missile command and control systems to two Middle Eastern oppressive regimes.	£15,000
<b>Defence equipment manufacturer</b> Banking services for a business engaged in the manufacture and supply of missile loading equipment for military aircraft transferred to a number of Middle Eastern, South Asian and African oppressive regimes.	£15,000
<b>Software developer</b> Banking services to business engaged in production of battlefield control software supplied to four Middle Eastern oppressive regimes.	£15,000
<b>National embassy</b> Banking facilities for the UK embassy of an East Asian government classified as an oppressive regime.	£1,000
<b>Insurance business</b> Banking facilities to the UK office of an insurance business wholly owned by an East Asian government classified as an oppressive regime.	£1,000

### The Co-operative Asset Management engagements

**Human rights** The Ethical Engagement Policy (page 40) includes a commitment to support the Universal Declaration of Human Rights. The limited attention to human rights issues by temporary power supplier Aggreko presented The Co-operative Asset Management (TCAM) with cause for concern, given that the company generated some 40% of its turnover in developing countries. TCAM contacted the business in December 2008 noting its positive impact with regard to power shortages and post-conflict/post-disaster reconstruction, but urging the business to consider establishing human rights policies and systems. In 2009 Aggreko advised that while it was unwilling to implement a human rights policy, it would review the integration of human rights concerns into its existing systems and procedures, including its human resources policies. The company subsequently confirmed that this process was underway.

**Sudan** TCAM engaged with Weir Group regarding its operations in Sudan, asking the business to halt expansion in the country until a robust UN peacekeeping force was in place, and to consider establishing a human rights policy to formalise its approach to human rights and political risk in countries in which it operates. Weir Group subsequently advised it had embarked on a programme of 'controlled withdrawal' from Sudan, and published a comprehensive Corporate Ethics Policy, covering human rights principles as well as employee standards, social responsibility, community relations and employees' responsibilities in upholding these standards. Its provisions are based on the Universal Declaration of Human Rights, core ILO standards, and the Convention for the Rights of the Child.

#### The Co-operative Asset Management UK voting – labour standards

A resolution was filed at the Tesco AGM in July 2009 alleging that agency workers within the company's UK meat and poultry suppliers were subject to discrimination, and calling for the company to take steps to ensure suppliers eliminate discrimination and treat all workers equally regardless of employment status. TCAM highlighted its broad support for the resolution but voted to abstain, citing drafting concerns.

#### The Co-operative Asset Management overseas shareholder resolutions

In 2009, TCAM was presented with 31 overseas shareholder resolutions relating to international development and human rights, of which 28 were supported and three votes of abstention were registered.

Company	Resolution	Vote registered
10 businesses <sup>39</sup>	To adopt/review human rights policies.	Supported
Boeing Co, Caterpillar Inc, ITT Corporation	To report on foreign arms sales.	Supported
General Dynamics, Lockheed Martin Corp, Northrop Grumman Corp	To report on businesses' involvement in space-based weapons programmes.	Supported
Chevron Texaco Corp, Occidental Petroleum Corp	To report on the adequacy of national laws to protect human health in countries of operation.	Supported
Cisco Systems Inc, Coca Cola	To establish a board committee on human rights.	Supported
Cooper Industries Inc, Cummins Inc	To adopt labour standards policies.	Supported
Century Telecom, Google Inc	To adopt reports on, or adopt policies to protect, freedom of access on the internet.	Supported
Kansai Electric Power Co	To amend articles to prioritise improvements to the labour environment for employees.	Abstained <sup>40</sup>
Cisco Systems Inc	To report on steps to reduce likelihood of human rights violations.	Supported
Chevron Texaco Corp	To review guidelines for operating in countries with systematic and ongoing violations of human rights.	Supported

Company	Resolution	Vote registered
Enbridge Inc	To report on the potential for adopting a policy to protect indigenous communities.	Supported
Mattel Inc	To report on working conditions and product safety in supplier factories.	Supported
Toshiba Corp	To pay temporary workers the same rate as employees.	Abstained <sup>41</sup>
United Technologies Corp (UTC)	To report on overseas defence sales contracts, whereby governments purchase direct benefits such as jobs or technology transfers (eg, via licensed production). The proponents argued that such agreements promote weapons proliferation.	Abstained <sup>42</sup>

#### Charity cards in support of international development and human rights

In 2009, 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, as well as the human rights charities, Amnesty International UK (AIUK) and the Medical Foundation for the 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 2009 the cards in support of international development raised a total of £509,000 for the charities (2008: £560,600), and cards in support of human rights charities raised £232,000 (2008: £249,900)<sup>43</sup>.

#### Carbon offset

Carbon offset projects undertaken in 2009 (page 64) on behalf of The Co-operative achieved reductions in CO<sub>2</sub>, whilst delivering social benefits in developing countries:

- **Energy-efficient stoves** emit fewer airborne particles and so can improve indoor air quality, which has attendant health benefits. In addition, less fuel is required, meaning that households reduce their spend on fuel by around 20% compared to standard stoves. It is estimated that over 334,000 people<sup>44</sup> will, ultimately, benefit from the installation of energy-efficient stoves in Cambodia derived from 2009 offsetting activity.
- **Treadle pumps** in India have helped generate extra, year-round income for farmers and, subsequently, reduced the need for long periods of migration for work. 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 265,000<sup>45</sup> people will, ultimately, benefit from the installation of treadle pumps derived from 2009 offsetting activity.
- **Reforestation** licensing agreements have enabled local communities to extract resources from the Kibale Forest National Park (KFNP) in Uganda at sustainable rates<sup>46</sup>. In 2009, 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 2009, a further £10,000 was agreed to build three kilometres of elephant trenches to prevent park elephants damaging villagers' crops and four water sources in communities neighbouring the park, in addition to those already provided through the project since 2007.

### Community involvement

In 2009, following member endorsement of the Community Plan (page 15), £1m in community investment was pledged to tackle global poverty across the family of businesses, over and above existing revenue commitments such as Fairtrade premiums. Support is being deployed via: development uplift projects in communities where the business already has an existing relationship, with a focus on providing water, sanitation and renewable energy solutions<sup>47</sup>; supporting overseas co-operatives; and campaigns recognising that ethical consumerism and voluntary giving are only part of the solution in eradicating poverty.

### Agroforestry and tree planting in Malawi

In 2008, The Co-operative 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 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. In the first year of the project, around 2,600 households were trained in agroforestry techniques, soil fertility protection, tree planting and nursery establishment and management. Furthermore, over 300,000 tree seedlings were planted. An estimated 15,000 individuals benefit from the project.

### Development uplift projects

- Malawi Fairtrade sugar producers** A community investment contribution of £285,000 over three years, from 2009, is supporting own-brand Fairtrade sugar producers and their communities in Malawi: in total some 10,000 individuals. The Co-operative, via Concern Universal, is providing boreholes and latrines for use by over 1,000 households and two schools, and supporting the planting of over 100,000 trees. The contribution will also fund an initial supply of low-cost, fuel-efficient stoves, and provide support to develop a network to manufacture and sell stoves; benefits that are above and beyond those achieved through the Fairtrade premium. © During 2009, 21 boreholes were constructed or repaired, construction of sanitation facilities commenced and over 1,300 adults and school pupils received hygiene education.
- Mozambique community development** A contribution of £100,000, provided by CFS and The Co-operative's community investment funds, will support the installation of boreholes and latrines and the provision of sanitation education in an area of Mozambique where CFS has previously worked with Save the Children, and where less than 10% of people have access to clean water and sanitation. Additionally, a solar-powered facility will be constructed to pump water for storage, provide power for lighting in schools and to charge mobile phones. In total, 2,000 people are set to benefit.

- Panama Fairtrade banana co-operative** Trade was established with a banana co-operative in Panama during 2009. Work also commenced on a proposal to offer water, sanitation, renewable energy and co-operative development support to it, with delivery commencing in 2010.
- Togo sanitation project** In 2009, a further community investment contribution of £300,000 over three years was pledged to support sanitation work undertaken by UNICEF, comprising £150,000 from The Co-operative, and a further £150,000 from The Co-operative Pharmacy, as part of its Ethical Strategy.

### Overseas co-operatives

- Kenyan tea smallholder farmer co-operatives** A Co-operative Enterprise Hub contribution (page 92) of £125,000 is supporting 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 contribution is match-funded by the Department for International Development's (DfID) Food Retail Industry Challenge (FRICH) Fund<sup>48</sup>. © Project activity commenced in October 2009 with the development of one co-operative well underway by the year-end.



Members of a Kenyan tea co-operative learn about the history of the Co-operative Movement. (Image from The Co-operative College)

- Agricultural co-operatives in Turkey** A Co-operative Enterprise Hub contribution of £12,500 funded a scoping study in 2009 to assess the opportunities for farmers to develop co-operative structures, and to identify opportunities for them to supply the tourism sector in Turkey. The study identified the opportunity to link agricultural co-operatives with hotels used by The Co-operative Travel and a project to realise this will be implemented in the Fethiye area of Turkey with the Travel Foundation in 2010.
- Funeral co-operatives in South Africa** A Co-operative Enterprise Hub contribution of £46,000 has been approved to support two pilot funeral co-operatives to provide value-driven services to poor communities in South Africa, and fund a feasibility study of the South African funeral sector. The Co-operative Funeralcare will help to provide mentoring and advice throughout the project.

### Influence and action

#### Burma – outreach and human rights campaign

In 2009, The Co-operative engaged with members and customers on human rights issues relating to Burma, via screenings of the film *Burma VJ*, a supporting campaign 'Free the VJs', and continued support for *The Burma Play*:

- **Burma VJ** In 2009, The Co-operative supported the UK distribution of the award-winning film, Burma VJ. The film tracks young 'video journalists' who risk their lives to tell the story of the 2007 Burmese uprisings and subsequent repression by the ruling military regime. In July 2009, the film was launched at a one-off 'Saffron Premiere', when 40 cinemas across the UK linked live via satellite to the BAFTA in London. The evening included a full film screening, a video message from actor Richard Gere, and a live debate with the makers of the film. At the end of 2009, the film's website had attracted 46,000 unique visitors and the film had been seen by over 8,000 people at 100 cinemas around the UK.



'Saffron Premiere' of Burma VJ, a film that tracks 'video journalists' as they tell the story of the 2007 Burmese uprisings and subsequent repression.

- **'Free the VJs' campaign** In conjunction with its support for Burma VJ, The Co-operative launched the campaign 'Free the VJs', calling for the release of political prisoners in Burma; in particular, five political prisoners who appear in the film. Members and the general public were asked to write to the United Nations to secure the release of Burma's 2,100 political prisoners.
- **The Burma Play** In 2009, The Co-operative supported seven performances of the Burma Play at venues across the country.

#### Oxfam Climate Change Platform

In February 2009, The Co-operative was invited to join the Oxfam Climate Change Platform, a group of UK businesses considered to be leaders in addressing climate change. The Platform was designed to 'lead by example' and help demonstrate, and call for bold action to combat, climate change in the UK, a remit that influenced The Co-operative's decision to support The Wave campaign. In March and July 2009, letters co-signed by Chief Executive Peter Marks, were sent to the then Prime Minister Gordon Brown in relation to the G20 and G8 meetings.

#### The Wave campaign

In 2009, £200,000<sup>49</sup> was committed to support The Wave campaign, to mobilise Co-operative members to attend a family-friendly march on climate change in London on 5 December 2009 ahead of the United Nations Framework Convention on Climate Change in Copenhagen (page 57). The Co-operative and its members called for a safe and fair deal for developing countries, including financial support to enable the switch to a low carbon economy and adaptation to climate change. The Co-operative chartered three trains and 50 coaches from 30 locations across the UK, and over 2,500 of its members attended on the day – the largest mobilisation of Co-operative members seen in recent times.

Organised by the Stop Climate Chaos (SCC) Coalition, The Wave was the biggest climate change march ever seen in the UK, and

The Co-operative is the first, and only, UK business to have mobilised consumers to demonstrate in an environmental march.

The Scotland Regional Membership team also supported The Wave in Glasgow. In total around 7,000 people took part in the march, organised by SCC Coalition Scotland. In addition, other regional activities took place.



Co-operative members gather in Grosvenor Square, London for the start of The Wave march.

#### 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 engaged fully with the Competition Commission inquiry, as reported in the 2008/09 Sustainability Report.

In August 2009, the Competition Commission published a new and extended Groceries Supply Code of Practice (GSCoP). The Co-operative had voluntarily adhered to the previous SCoP, but The Co-operative Food business<sup>50</sup> is now captured within the extended scope of the GSCoP. The Competition Commission also published a formal Recommendation to the Department for Business, Innovation and Skills to establish an Ombudsman.

#### The Co-operative Asset Management engagement – freedom of association

In March 2009, a new labour law, the Employee Free Choice Act, was introduced for consideration to the US Congress, aiming to simplify the process by which employees can form, join, or assist trades unions. The Act has been opposed by companies such as Wal-Mart and groups including the US Chamber of Commerce<sup>51</sup>.

In 2009, TCAM joined a group of UK investors in approaching 12 FTSE 350 companies, with a significant presence in the United States, urging them to prepare for the Act, and requesting details of companies' public policies regarding the legislation and details of any lobbying activity carried out in support of, or against, the Act. In addition, TCAM was among the signatories to an investor letter to the Standard and Poors 100 companies (which includes Wal-Mart), co-ordinated by the United Nations' Principles of Responsible Investment (PRI). Both work streams continued in 2010 following analysis of responses.

## Read more in this Report

- The Co-operative Clothing sound sourcing social audit findings (online version of this Report .
- Campaign and support for the Beaver Lake Cree Nation's legal challenge against tar sand developments on their ancestral lands (page 66).
- Fairtrade cotton carrier bags (page 71).

## Accompanying notes

- 1 [www.dfid.gov.uk/About-DFID/Who-we-work-with/Co-operatives](http://www.dfid.gov.uk/About-DFID/Who-we-work-with/Co-operatives)
- 2 43% of The Co-operative Food's product spend relates to own-brand products.
- 3 Figures published 2008, [www.fairtrade.org.uk](http://www.fairtrade.org.uk)
- 4 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 (most recent data available). The Co-operative's Fairtrade sales in 2008 totalled £49m (2.13% of global sales) and therefore in 2008, it was estimated that over 150,000 people benefited from The Co-operative's Fairtrade sales. Figures for global Fairtrade sales in 2009 are not available, but The Co-operative's Fairtrade sales value increased in 2009 to £63m, and around 30 new Fairtrade products were introduced in addition to those already stocked, so it can be estimated that there are at least the same number of Fairtrade beneficiaries in 2009.
- 5 [www.co-operative.coop/food/ethics/Ethical-trading/Fairtrade](http://www.co-operative.coop/food/ethics/Ethical-trading/Fairtrade)
- 6 The figures in this table are for existing Co-operative Food stores only and do not include former Somerfield stores or Somerfield stores rebranded as The Co-operative Food.
- 7 The reduction in Fairtrade market share can be attributed to large increases in Fairtrade sales in three of the large supermarket retailers: Tesco, Asda and Morrisons. Moreover, The Grocer magazine, 20 February 2010, notes that the switch of Cadbury's Dairy Milk to Fairtrade, 'has played a huge part in boosting the value of the overall Fairtrade food and drink market'.
- 8 The range comprises a unisex polo shirt, unisex T-shirt, long apron, bar apron and bib apron.
- 9 [www.co-operative.coop/soundsourcingcode](http://www.co-operative.coop/soundsourcingcode)
- 10 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 2009, there were 1,482 production sites on Sedex, of which 756 were tier-one.
- 11 Sedex enables suppliers to share information, such as self-assessment and audit reports, with multiple customers, thus removing unnecessary duplication and costs. Sedex gives the Food business access to detailed and accurate information on suppliers, assisting with reporting requirements for the ETI and enabling more effective risk assessment of the supply base.
- 12 Other working groups that The Co-operative Food is engaged in include the Product Development Working Group, which works with the Sedex secretariat to develop the Sedex system so it continues to meet members' ethical trade requirements, and the Environmental Group, which looks at developing the scope of the Sedex system to cover environmental issues. The Co-operative's representation in these groups has influenced work including a review of risk assessment ratings applicable to different audit results.
- 13 The SMETA guidelines were updated in 2008, following consultation with key stakeholders.
- 14 Costs of the due diligence audits were covered by The Co-operative Food and took place in the UK, Morocco, Egypt and Indonesia. They were all shadowed by The Co-operative Food Ethical Trading staff.
- 15 Figures as at end December 2009. Of the workers covered by the ethical trading programme, 42% work at sites located in developing countries.
- 16 Of those tier-one sites that had not yet completed a self-assessment form, around one third were suppliers with whom The Co-operative Food has had a trading relationship of less than three months and as such their self-assessment forms were not yet due.
- 17 'Commitment' (the company is a leader in the field of ethical trade).
- 18 'Monitoring, independent verification and reporting' ('produces comprehensive and credible reports on its supply chain'); 'awareness-raising and training' ('provides appropriate training to all involved in ethical trade and is improving awareness of suppliers and their workers'); 'corrective actions' ('has well-established systems for identifying and following up corrective actions to ensure improvements are being made'); and 'management procedures, pricing and incentives' ('has a well-established and systematic approach to ethical trading with clear responsibilities and incentives for staff and suppliers').
- 19 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.
- 20 Supplier sites are located in: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland and the UK (classified as Europe); Canada, Greenland and USA (classified as North America); Australia and New Zealand (classified as Australasia); Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Peru, Saint Lucia, Venezuela (classified as Latin America and the Caribbean); Egypt and Morocco (classified as North Africa); Kenya, Namibia, South Africa, Swaziland and Zambia (classified as Sub-Saharan Africa); Cyprus, Israel and Turkey (classified as Western Asia); India, Maldives, Mauritius and Sri Lanka (classified as South Asia); and China, Indonesia, Philippines, Taiwan (Province of China) and Thailand (classified as East and Southeast Asia).
- 21 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.

- 22 Classification of countries is based on the UN's Millennium Development Goals regional classification with countries of the Commonwealth of Independent States (CIS) classified as developed.
- 23 Of the total 165 assessments undertaken, 35% were undertaken in developing countries; of the 1,294 improvement actions arising, 36% arose from sites in developing countries.
- 24 The status of incomplete improvement actions from audits prior to 2008 is not included in the data as audits over two years old are not considered valid.
- 25 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](http://www.ethicaltrade.org)
- 26 Ibid.
- 27 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.
- 28 Of which six were initial and six were follow-up audits.
- 29 [www.betterfactories.org](http://www.betterfactories.org)
- 30 [www.co-operativetravel.co.uk/ethical-strategy](http://www.co-operativetravel.co.uk/ethical-strategy)
- 31 The Travel business also donates an additional £1 to The Travel Foundation for Co-operative own-brand holiday bookings.
- 32 The Ethical Strategy also includes commitments to UK communities, responsible retailing and combating climate change.
- 33 Some 140,000 Burmese people are living as refugees as a result of the Burmese regime's campaign in Eastern Burma, [www.burmacampaign.org.uk](http://www.burmacampaign.org.uk)
- 34 The number of beneficiaries is calculated using an estimate from Global Ethics (the organisation that funds the installation of the PlayPump™ water systems), which states that every pump installed provides access to clean water for around 2,500 people.
- 35 [www.onedifference.org/uk/condoms](http://www.onedifference.org/uk/condoms)
- 36 CMR Ltd data.
- 37 The number of donations of mobile phones has decreased year on year since 2006 due to competition from other schemes and changes to phone users' contract terms. In 2009, the number of donations decreased through the year until an upsurge was seen from September onwards as a result of relaunches of the scheme in Pharmacy, Food and Travel stores (in September, October and November respectively) and the inclusion of mobile phone recycling bags, for the first time, as inserts in the dividend mail-out to trading members in late November/early December 2009.
- 38 MFIs are locally based, specialised institutions that are formal or semi-formal in nature, for example, commercial banks, credit unions and NGOs.
- 39 Altria Group Inc, Archer-Daniels-Midland Company, Chevron Texaco Corp, Halliburton Company, Intel Corp, Motorola Inc, Nucor Corp, Power Corp Canada, Reynolds American Inc, Urban Outfitters Inc.
- 40 TCAM considered that insufficient information was given to support the resolution.
- 41 TCAM considered that other factors, such as experience, must be taken into account with regard to this issue.
- 42 TCAM considered that the proponents did not specify how the company's current disclosure and standards are inadequate.
- 43 The charity credit cards in support of the development charities, Children in Crisis, Sight Savers International and Y Care International, and for the human rights charity Medical Foundation for the Victims of Torture were discontinued from the end of June 2009. The amounts raised through these cards to the end of June 2009 have been included in the figures and amount to around £2,700 for the three development charities and £2,100 for the Medical Foundation.
- 44 The Co-operative's 2009 contributions to the energy-efficient stove project in Cambodia will ultimately realise 120,249 tonnes of CO<sub>2</sub> savings. Based on CO<sub>2</sub> savings of 1.5 tonnes per stove over its lifetime, this therefore brought about the manufacture and use of 80,166 fuel-efficient stoves. On average each household has 1.2 stoves and consists of five people, meaning over 330,000 people are likely to benefit.
- 45 The Co-operative's 2009 contributions to the treadle pump project in West Bengal and Uttar Pradesh in India will ultimately realise 4,716 and 20,590 tonnes of CO<sub>2</sub> savings respectively, based on CO<sub>2</sub> savings of 0.477 tonnes per treadle pump, and the manufacture and use of 56,236 pumps. On average, each household has one treadle pump and consists of five people, meaning over 280,000 people are likely to benefit.
- 46 The Co-operative Group Sustainability Report 2007/08: [www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport)
- 47 These solutions not only meet essential community needs and raise the standard of living for all, but without water access, women and children can spend more time collecting water, reducing opportunities to get involved in economic activity or education. Similarly, without decent sanitation facilities, diarrhoea and ill health can do the same.
- 48 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](http://www.frich.co.uk)
- 49 Of the £200,000 spent on The Wave campaign, over £110,000 was channelled into supporting the Stop Climate Chaos Coalition with the logistical and event management costs of the march; online banner advertising; and press advertising.
- 50 The GSCoP is based on the Supermarkets Code of Practice but has been amended so that all retailers with groceries turnover in excess of £1bn per year are included within its scope.
- 51 [www.afcio.org/joinaunion/voiceatwork/efca/against\\_list.cfm](http://www.afcio.org/joinaunion/voiceatwork/efca/against_list.cfm)

# Animal welfare

## Indicators

Sales of products from animals reared to higher welfare assurance standards

Sales of accredited toiletry and household products

### Targets 2009

-  Extend the range of chicken products accredited to The Co-operative Elmwood higher welfare standards to include barbeque chicken and other processed and cooked chicken products (page 31).
-  Complete the switch to free-range egg ingredients in all prepared own-brand products containing egg (page 31).
-  Introduce a web-based database that records key animal welfare indicators, by flock, on all Elmwood chicken supplier farms (page 32).

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

### Targets 2010

- Implement Elmwood standards across own-brand fresh and frozen pork and sausage ranges.
- Extend the range of turkey products accredited to the Elmwood standard.
- Further extend the range of chicken products accredited to Elmwood standards.

## Background

Over 800 million broiler chickens<sup>1</sup> and 9.3 million pigs<sup>2</sup> are produced in the UK every year. In addition, there are around 30 million hens involved in egg production<sup>3</sup>. To sustain this level of production, most modern farms operate intensive systems. Factors such as price still remain the priority for many food shoppers; however, a growing number are concerned about intensive production methods and seek to support products that guarantee higher standards of animal welfare.

Testing of cosmetic products or ingredients on animals ended in the UK in 1998. In the EU, the Seventh Amendment of the EU Cosmetics Directive banned animal testing of finished cosmetic products and cosmetic ingredients 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.

## Materiality and strategy

The Co-operative Food Ethical Policy sets out member-endorsed animal welfare commitments including those relating to higher animal welfare standards and the opposition to animal testing.

Animal welfare is an integral part of the customer-mandated Ethical Policy and Ethical Engagement Policy for banking and investments; both identify animal testing, the fur trade, intensive farming and blood sports as issues of concern.

## Achievements

- 1990** Announces that no own-brand toiletry products, or ingredients, will contain items tested on animals after 1985.
- 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.
- 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.
- 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 2010<sup>4</sup>. Received the RSPCA's inaugural 'Lifetime Achievement' Award for long-standing commitment to animal welfare<sup>5</sup>.
- 2009** Received the RSPCA 'People's Choice Supermarket' Award.

## Assurance of food production

The Co-operative Food sells in the region of 800 own-brand fresh, and 50 own-brand frozen<sup>6</sup>, meat and poultry lines. In the main, basic animal welfare is assured via farm assurance standards<sup>7</sup>, which are sometimes signified<sup>8</sup> by a Red Tractor Mark or Quality Standard Mark<sup>9</sup>. For a number of products, the business supports higher animal welfare standards via schemes such as RSPCA Freedom Food accreditation, free-range, organic production and its own Elmwood standards and traditional breed production (details of which are available in the online version of this Report .

### Freedom Food sales

	Number of lines	Estimated total sales
2006	49	£17m <sup>10</sup>
2007	90	£28m <sup>11</sup>
2008	109	£51m <sup>12</sup>
2009	107	£54m <sup>13</sup>

### Elmwood sales

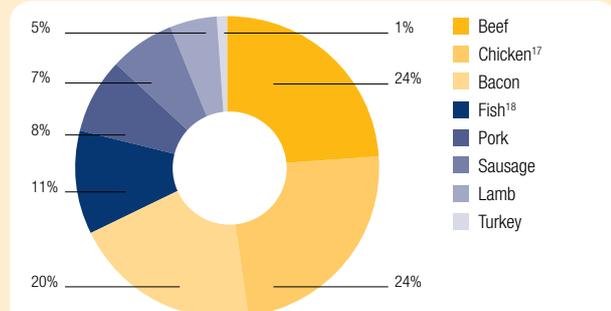
	Number of lines	Estimated total sales
2008	66	£38m
2009	108	£57m

Additional standards are designated in relation to live animal transport and slaughter. Livestock can only be transported for a maximum of six hours. This is thought to be the lowest maximum transportation time allowed by any major national food retailer. All livestock reared for own-brand products must be pre-stunned prior to slaughter, in accordance with the Humane Slaughter Association species codes of practice<sup>14</sup>.

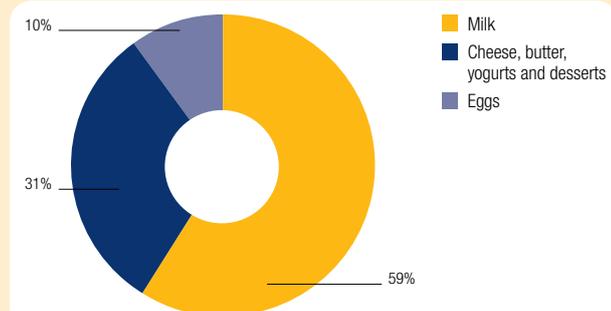
Independent third-party auditors are used to check compliance with the requirements of the various industry-led standards<sup>15</sup>. In addition, the Technical team undertakes meat and poultry inspections – some 151 in 2009 (2008: 155). Although these focus primarily on product quality, safety and legality; where appropriate, animal welfare matters are considered (eg, lairage conditions at abattoirs). Additionally, 23 farm inspections were undertaken specifically in relation to animal welfare matters (2008: 23).

## Food production

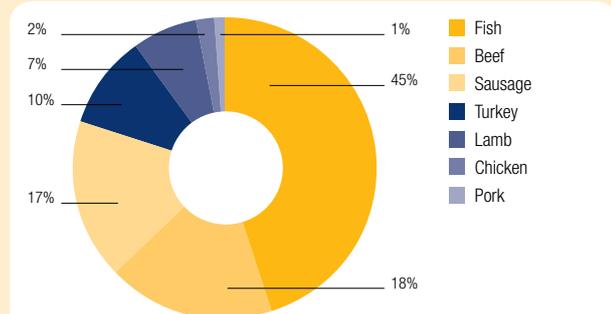
Total own-brand fresh meat, poultry and fish sales by value<sup>16</sup>



Total own-brand dairy sales by value



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



## Milk and egg production

Since 2008, the sale of all caged eggs<sup>19</sup> in The Co-operative Food stores has been prohibited, and, on this basis, sales of free-range shell eggs (Freedom Food and organic accredited) account for 100% of branded and own-branded sales. All own-brand free-range eggs are 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)<sup>20</sup>. Organic standards offer enhanced animal-welfare provision, including the prohibition of mutilations, such as beak trimming. © Only free-range eggs are used as ingredients in own-brand prepared product lines (eg, quiche).

All non-organic, own-brand fresh milk sold in 2009 was assured under the National Dairy Farm Assured Scheme and is produced by dairy cattle with access to outdoor pasture. 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.

Own-brand shell egg and fresh milk sales as proportion of total shell egg and fresh milk sales<sup>21</sup>

% of sales	2006	2007	2008	2009
Shell eggs	88%	71%	94%	95%
Fresh milk	88%	90%	89%	91%

Shell egg and milk sales (own-brand, fresh) (%)



## Poultry production

All standard range, fresh and frozen whole chicken and all standard, plain, fresh and frozen chicken portions are produced to The Co-operative's own Elmwood higher welfare standards. © During 2009, the range of products accredited to Elmwood standards was extended to include further prepared products, eg, barbeque products (April) and breaded products (September). These standards exceed conventional farm assurance standards by stipulating lower stocking densities, higher minimum slaughter age and environmental enrichment<sup>22</sup>. Elmwood standards stipulate, unlike conventional and Freedom Food standards, that birds are provided with natural light<sup>23</sup> and, unlike conventional standards, are fed a vegetarian, high-cereal diet. In 2009, all premium-range fresh chicken (whole and pieces) was accredited to the Freedom Food free-range standard, sourced from birds with daytime access to range outdoors for at least half their lifetime, and stipulating a higher minimum slaughter age than conventional standards<sup>24</sup>.

Elmwood turkey standards were introduced during Easter 2009 (own-brand fresh and frozen whole turkeys) and extended during Christmas 2009 (to own-brand fresh and frozen turkey crowns). These standards exceed conventional farm assurance standards and stipulate lower stocking densities, environmental enrichment, and a higher minimum age at slaughter. Although

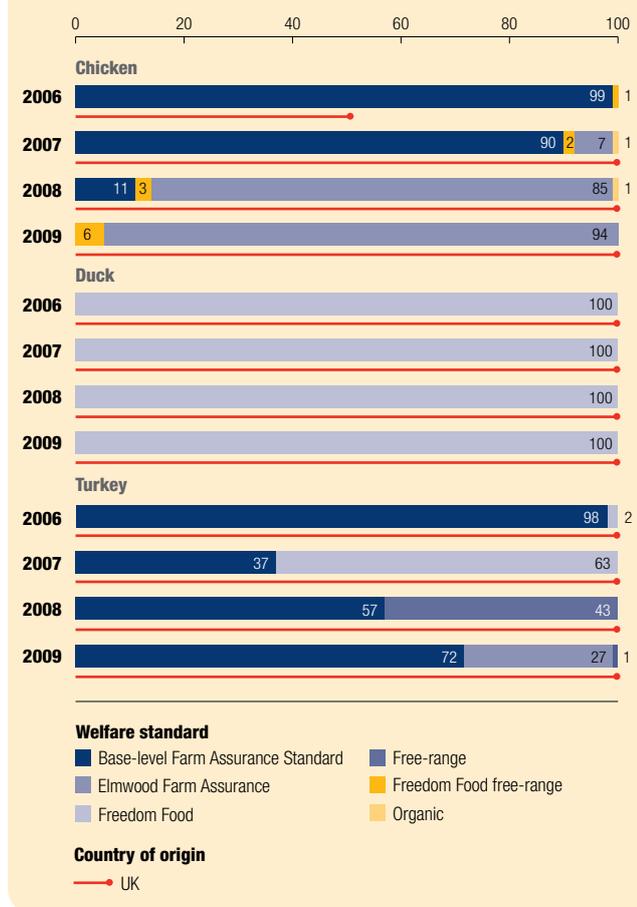
allowing birds to be reared indoors, Elmwood standards stipulate, unlike conventional and Freedom Food standards, that birds are provided with natural light<sup>25</sup> and, unlike conventional standards, are fed a vegetarian diet. During 2009, all premium-range turkey products were sourced from free-range 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 provides natural cover in which the birds feed and perch. Free-range turkey standards stipulate stocking densities of approximately half those of conventional standards and a higher minimum slaughter age<sup>26</sup>. In 2010, Elmwood turkey standards are to be introduced for non-seasonal products.

As at January 2010, 151 farms had been adapted to meet Elmwood poultry production standards (April 2009: 145).

⊙ During 2009, an online database was introduced for all Elmwood chicken supplier farms, processors and packaging businesses, to record data on stocking densities, mortality rates and growth rates. The database will identify instances where production falls below agreed standards.

All fresh duck is produced to Freedom Food standards. Whilst 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.

**Poultry sales (own-brand, fresh) (%)**



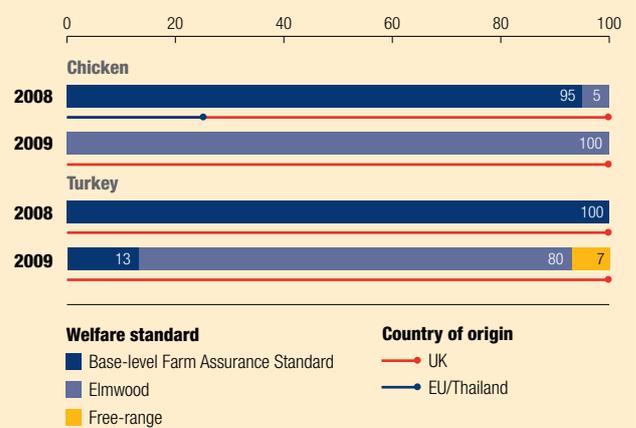
**Own-brand fresh poultry sales as proportion of total poultry sales<sup>27</sup>**

% of sales	2006	2007	2008	2009
Chicken	86%	95%	96%	100% <sup>28</sup>
Duck	97%	99%	99%	100%
Turkey	72%	85%	97%	100%

**Own-brand frozen poultry sales as proportion of total frozen poultry sales<sup>29</sup>**

% of sales	2007	2008	2009
Chicken	9%	18%	93% <sup>30</sup>
Turkey	66%	61%	76%

**Poultry sales (own-brand, frozen) (%)**



Free-range turkeys for The Co-operative 'Reared by us' range.

**Pig meat production<sup>31</sup>**



From 2009, ingredients for all fresh premium-range products were sourced from Freedom Food, outdoor-reared<sup>32</sup>, traditional Hampshire breed pigs. Frozen premium-range sausage products were sourced from Freedom Food indoor-bred pigs.

Freedom Food standards exceed conventional farm assurance standards and stipulate a higher minimum weaning age and higher minimum housing requirements<sup>33</sup>.

From February 2009, all pig meat for own-brand fresh pork, sausage and bacon products has been produced from pigs reared in the UK.

In 2010, Elmwood pig meat standards are to be introduced for fresh pork and sausage products.

**Beef production**

All own-brand fresh beef is either reared outdoors on grass pasture, with shelter provided for the animals during winter and inclement weather, or reared outdoors on grass pasture during summer and then in open-sided barns and fed on silage during the winter. Ingredients for all fresh premium products are sourced from traditional Scottish Aberdeen Angus breed cattle.

All own-brand fresh beef is sourced from the UK.

**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. Ingredients for all fresh premium-range products are sourced from Freedom Food lamb, reared in hefted flocks<sup>34</sup>. Freedom Food lamb standards prohibit castration if the animals are intended for slaughter below the age of sexual maturity.

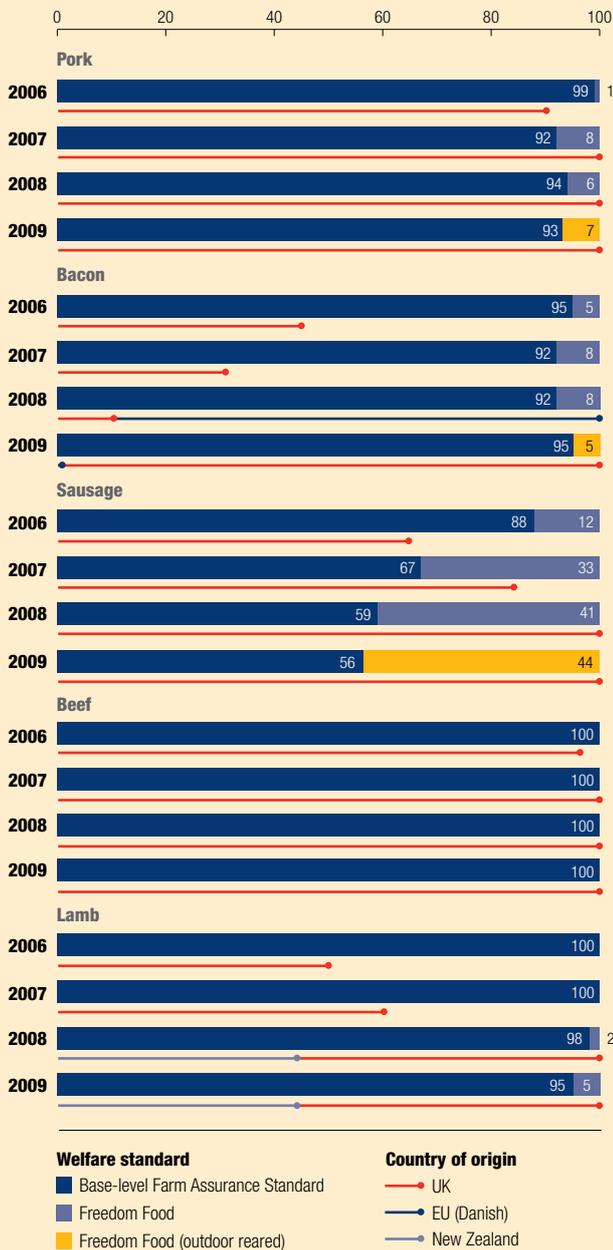
**Own-brand fresh meat sales as proportion of total meat sales<sup>35</sup>**

% of sales	2006	2007	2008	2009
Pork	70%	72%	94%	100%
Bacon	68%	90%	98%	99%
Sausage	53%	57%	60%	63%
Beef	97%	99%	99%	99%
Lamb	99%	98%	96%	99%

**Own-brand frozen meat sales as proportion of total frozen meat sales<sup>36</sup>**

% of sales	2007	2008	2009
Pork	2%	31%	14%
Sausage	68%	72%	77%
Beef	24%	22%	41%
Lamb	98%	69%	69%

**Meat sales (own-brand, fresh) (%)**



**Meat sales (own-brand, frozen) (%)**



**Fish production**

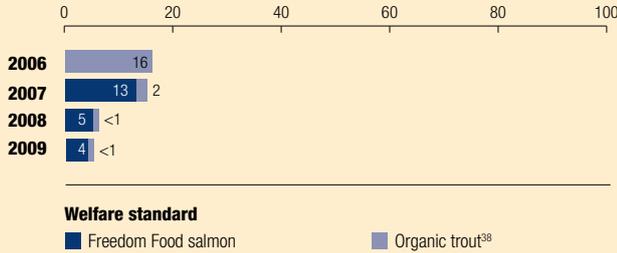
All fresh, premium-range farmed salmon products sold by The Co-operative are Freedom Food accredited. Freedom Food standards extend to cover management, stockmanship, husbandry, environment, feeding, health, transport and slaughter.

The Co-operative Food Fish Sourcing Policy stipulates all farmed fish must be stunned using an approved method prior to slaughter. In line with this, from 2010, farmed Pangasius is to be sourced from a Vietnamese supplier farm utilising a humane slaughter method.

**Own-brand fresh fish sales as proportion of total fresh fish sales<sup>37</sup>**

% of sales	2006	2007	2008	2009
Fish	3%	25%	69%	87%

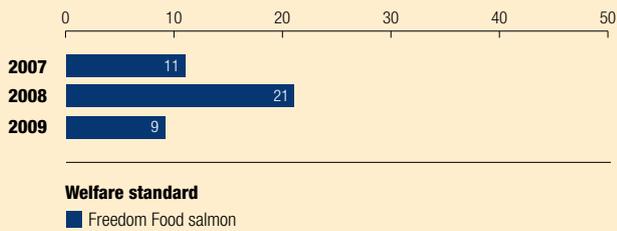
**Fish sales (own-brand, fresh) (%)**



**Own-brand frozen fish sales as proportion of total frozen fish sales<sup>39</sup>**

% of sales	2007	2008	2009
Fish	10%	12%	20%

**Fish sales (own-brand, frozen) (%)**



**Animal testing**

**Toiletries and household products**



The British Union for the Abolition of Vivisection (BUAV) Humane Cosmetics Standard (HCS) and Humane Household Products Standard (HHPS) provide consumers with independent assurance that identifies cosmetics, toiletries and household products that have not been tested on animals. All Co-operative own-brand

toiletries and household products carry the Standard's 'rabbit and stars' logo. No own-brand toiletry or household products, or their ingredients, have been tested on animals since 1985 and 1997 respectively.

BUAV audits the business every three years to ensure continued conformance with both standards. Audits were carried out in early 2008, and are next scheduled for 2011.

**Toiletries<sup>40</sup> – Sales of BUAV-accredited products (£m)<sup>41</sup>**



**Household<sup>42</sup> – Sales of BUAV-accredited products (£m)<sup>43</sup>**



**CFS and ethical finance**

During 2009, 63 finance opportunities (2008: 42) were referred to the bank's Ethical Policy Unit in connection with animal welfare, of which four were declined (2008: five) at a cost of £1.1m in terms of estimated income foregone.

**Animal welfare-related business declines 2009**

	Estimated income foregone 2009
<b>Household product manufacturer</b> (two instances) £35m lending to two businesses involved in the production of household products that did not have a fixed cut-off date for testing of products or ingredients on animals.	£910,000
<b>Department store</b> £6m lending to a department store engaged in the retail of fur products. Garments on sale in the store within the last three years have included items made from beaver, chinchilla, coyote, red fox, arctic fox, mink, rabbit, squirrel and wolf fur.	£196,000
<b>Abattoir</b> £175,000 lending to an abattoir involved in the slaughter and supply of lamb for UK butchers. The business was not able to provide assurance that animals were stunned prior to slaughter. The Farm Animal Welfare Council considers an 'effective process which induces immediate unconsciousness or insensibility, or an induction to a period of unconsciousness' to be a basic principle of animal welfare that must be observed at slaughter or killing. Whilst UK legislation stipulates that all animals must be insensible prior to slaughter, slaughter by a religious method is exempt from this legislation.	£5,000

**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 2009, this included the provision of banking services and facilities to three free-range farms and one organic farm.

**The Co-operative Asset Management engagement – animal testing**

In advance of the EU-wide ban on the animal testing of cosmetics, which came into force in March 2009, The Co-operative Asset Management (TCAM) sent letters to 12 FTSE 350 companies<sup>44</sup> most affected by the legislation. Investor communication emphasised CFS' advocacy of an end to animal testing for non-medical consumer products and requested details of how companies were responding to regulatory changes, as well as the companies' animal-testing policies, systems and practices. Responses received from nine<sup>45</sup> companies will be analysed prior to further engagement in 2010.

## The Co-operative Asset Management overseas shareholder resolutions

In 2009, TCAM was presented with nine overseas shareholder resolutions relating to animal welfare, all of which were supported.

Company	Resolution	Vote registered
Abbot Laboratories, Alergan Inc, Baxter International Inc	To report on animal-testing policies or practice.	Supported
Kroger Co, McDonald's Corp	To increase the proportion of cage-free eggs used or sold.	Supported
Coach Inc	To report on the feasibility of ending use of animal fur.	Supported
DeVry Inc	To enact a policy to prohibit all medically unnecessary surgeries at company's medical school.	Supported
Smithfield Foods Inc	To phase out use of gestation crates in pig farming <sup>46</sup> .	Supported
Yum! Brands Inc	To implement previous recommendations relating to poultry welfare.	Supported

### Read more in this Report

- Local sourcing of protein and dairy products (page 96).
- Marine stewardship and sustainable sourcing of fish (pages 75–76).
- Own-brand product sales and ranges (page 36).
- Plan Bee: campaign to highlight decline of the honeybee (page 80).

### Accompanying notes

- 1 [www.ciwf.org.uk/includes/documents/cm\\_docs/2010/f/factsheet\\_meat\\_chickens.pdf](http://www.ciwf.org.uk/includes/documents/cm_docs/2010/f/factsheet_meat_chickens.pdf) (CIWF factsheet Meat Chickens revised March 2010).
- 2 Defra (2009) Pig Statistics. [www.defra.gov.uk/evidence/statistics/foodfarm/food/laughter/index.htm](http://www.defra.gov.uk/evidence/statistics/foodfarm/food/laughter/index.htm)
- 3 [www.rspca.org.uk/allaboutanimals/farm/poultry/layinghens](http://www.rspca.org.uk/allaboutanimals/farm/poultry/layinghens) According to the RSPCA, 58% of egg-laying hens are reared in caged systems. The proportion of hens reared in these systems has been decreasing over the last 10 years.
- 4 [www.ciwf.org.uk](http://www.ciwf.org.uk)
- 5 [www.rspcagoodbusinessawards.com](http://www.rspcagoodbusinessawards.com)
- 6 Fresh and frozen meat and poultry is defined as meat and poultry that has been maintained in a chilled environment in its raw condition and 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 Compliance with UK farm assurance standards, or national equivalents, is assured for all own-brand fresh and frozen meat and poultry products. Outside the UK, suppliers are required to ensure, through independent third-party audits, that non-UK producers apply equivalent standards.
- 8 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.
- 9 Quality Standard Marks are specifically applied to beef, lamb and pork products.
- 10 Egg sales accounted for 63% of all Freedom Food sales in 2006.
- 11 Egg sales accounted for 51% of all Freedom Food sales in 2007.
- 12 Egg sales accounted for 55% of all Freedom Food sales in 2008.
- 13 Egg sales accounted for 53% of all Freedom Food sales in 2009.
- 14 [www.hsa.org.uk](http://www.hsa.org.uk)
- 15 Compliance with UK farm assurance standards or national equivalents was assured for all own-brand, UK-sourced fresh shell eggs, milk, turkey, duck, beef, lamb, chicken, pork, pig meat for sausages and, from February 2009, bacon and farmed salmon and trout. Whilst compliance with farm assurance standards is similarly stipulated 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.
- 16 Data from The Co-operative Food sales team between January 2009 and December 2009 inclusive, including former Lothian Borders & Angus Co-operative Society sales and excluding Somerfield and Plymouth & South West Co-operative Society sales. Chart does not include duck sales, which accounted for less than 1% of total own-brand sales.
- 17 Excludes further prepared products (eg, breaded chicken products).
- 18 Includes wild caught fish, crustaceans (eg, prawns) and further prepared products (eg, fishcakes).
- 19 Co-operative own-brand egg production was transferred to free-range in October 2006.
- 20 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.
- 21 Sales data from The Co-operative Food Finance, Buying and Marketing Analysis team, January 2010. Welfare data from The Co-operative Food Technical team December 2009 – January 2010. Origin data from The Co-operative Dairy Category team January 2010.
- 22 Both Elmwood standards and Freedom Food standards stipulate a maximum stocking density of 30kg/m<sup>2</sup> and access to bales, perches and pecking objects. Conventional systems permit a maximum stocking density of 38kg/m<sup>2</sup> and are not required to provide any environmental enrichment. Elmwood standards stipulate a minimum average slaughter age of 42 days. This exceeds conventional standards (average 38 days) but is lower than Freedom Food standards.
- 23 The use of artificial light is permitted by Freedom Food standards until 2010.
- 24 Freedom Food standards stipulate a minimum slaughter age of 56 days.
- 25 The use of artificial light is permitted by Freedom Food standards until 2012.
- 26 Free-range standards stipulate a maximum stocking density of 25kg/m<sup>2</sup>. Conventional systems permit a maximum stocking density of 59kg/m<sup>2</sup>. Free-range standards stipulate a minimum slaughter age of 56 days.
- 27 Sales and welfare data: see footnote 21; origin data from The Co-operative Protein Category team, January 2010.
- 28 Excludes further prepared products (eg, breaded chicken products).
- 29 Sales and welfare data: see footnote 21; origin data from The Co-operative Frozen Category team January 2010.
- 30 Excludes further prepared products (eg, breaded chicken products).
- 31 UK-only sourcing has been in effect for fresh pork and premium products since 2006, sausages since October 2007 and bacon since 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.
- 32 Piglets are born and reared outdoors until around 40kg (approx. 3 months of age), without the use of farrowing crates.
- 33 Freedom Food standards stipulate that 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. Freedom Food standards stipulate pigs are weaned at a minimum of 28 days; conventional UK standards permit weaning at 21 days.
- 34 Sheep are born and reared on open hills throughout the year. There are no boundaries or fences to keep different farm flocks apart.
- 35 See footnote 27.
- 36 See footnote 29.
- 37 Sales and welfare data: see footnote 27.
- 38 Soil Association standards stipulate stocking densities approximately half of those for conventional fish farms.
- 39 Sales and welfare data: see footnote 29.
- 40 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.
- 41 Sales data from The Co-operative Food Finance, Buying and Marketing Analysis team, January 2010.
- 42 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.
- 43 Sales data from The Co-operative Food Finance, Buying and Marketing Analysis team, January 2010.
- 44 GlaxoSmithKline, Home Retail Group, J Sainsbury, Johnson Matthey, Next, PZ Cussons, Reckitt Benckiser, Rentrol, SSL International, Tesco, Unilever, Wm Morrison.
- 45 No responses were received from PZ Cussons, Reckitt Benckiser and SSL International.
- 46 The proponent states that gestation crates are used to confine pregnant sows and are generally too small for sows to turn around or lie down.

# Diet and health

## Indicators

Additives prohibited

Nutritional content: salt

Nutritional content: fats and sugar

Nutritional labelling

Promotions, marketing and information

## Targets 2009

- ✔ Apply traffic-light labelling that meets FSA criteria to 200 products that are outside the FSA priority list during 2009 (page 38).
- ✔ Ensure FSA salt targets published in 2006 are met in all relevant Co-operative own-brand product categories by the end of 2009 (page 37).
- ✔ Support at least one government diet and health initiative in-store every week throughout 2009 (page 38).
- ⚠ Increase participation in jogscotland to 5,000 in 2009 (page 39).
- ✔ Launch a targeted 'Health Club' mailing programme to raise awareness of healthy eating amongst member-customers in 2009 (page 38).

✔ **target achieved**   ⚠ **close to target**   ✖ **target not achieved**  
 = **on track**   ⬅ **behind schedule**

## Targets 2010

- Achieve an average overall reduction in salt and saturated fat levels in crisps and snacks range.
- Launch a new front-of-pack nutrition labelling scheme.
- Roll out traffic-light labelling to all relevant corporate website and magazine recipes.
- Extend The Co-operative Pharmacy Weight Management service to a total of 240 branches.
- Use in-store digital media to support key public health targets every week throughout 2010.

## Background

Today's consumers are presented with a choice of foods and products 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 health<sup>1</sup>.

## Materiality and strategy

The Co-operative's commitment to this issue can be traced back to the beginning of the modern co-operative movement, when the Rochdale Pioneers 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.

Over 100,000 members have endorsed a number of food quality, diet and health commitments for inclusion in The Co-operative Food Ethical Policy<sup>2</sup>, including: maintaining a leading position amongst UK retailers in the removal of additives, increasing the proportion of healthy offerings available to customers; and including clear, honest and progressive labelling on products. Reducing salt, saturated fat and sugar consumption, and utilising front-of-pack nutritional labelling are key issues for the food retail industry and are the focus of a number of government campaigns and initiatives to improve the nation's health. As such, The Co-operative Food considers these issues to be priorities for the business.

The Co-operative Food focuses its diet and health activities on the reformulation and labelling of own-brand products, along with the promotion and marketing of healthier products across both own-brand ranges and branded products. In addition, it continues to identify opportunities to promote aspects of a healthy lifestyle, through influencing and engaging members, customers and the wider community.

## Product ranges

During 2009, Co-operative own-brand products accounted for 46% of The Co-operative Food's sales by value (2008: 44%). In 2009, own-brand products fell into three main ranges: Simply Value (economy range), The Co-operative (standard range) and Truly Irresistible (premium range), along with four cross-range sub-brands: Healthy Living, The Co-operative Farms Grown by us, Fairtrade and Organic<sup>3</sup>. The Healthy Living range<sup>4</sup> currently includes products branded Healthy Living, in addition to 'Reduced' products and 'Naturally Healthy' products, which do not have Healthy Living branding. In 2010, a new Co-operative sub-brand, Healthier Choice, is to be launched. This will bring together all products from the existing Healthy Living range, under a consistent 'Healthier Choice' branding, with a view to making it easier for consumers to identify healthier products and make balanced food choices.

During 2009, reformulation and rebranding of Somerfield products to The Co-operative brand progressed, and as at January 2010, 30 Somerfield product categories had been rebranded to The Co-operative brand.

## Achievements

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

**1995** Challenges suppliers to reduce amount of fat and salt in own-brand products to help achieve the Department of Health's 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.

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

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

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

**2009** Meets Food Standards Agency (FSA) salt targets in all relevant own-brand product categories.

## Basic assurance

All own-brand fruit, vegetables and salad produced in the UK meet the terms of the Assured Produce Scheme (APS)<sup>5</sup>, 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 GlobalGAP, the worldwide standard for good agricultural practice. Standards in relation to meat, poultry and dairy are detailed on pages 31–33.

## Additives

An Additives Policy has been in place since 1985, and the business seeks to use additives as little as possible<sup>6</sup>, whilst recognising benefits in areas such as food safety. The Co-operative Food has removed additives of current scientific concern from products and maintains an awareness of customer and member expectations with regard to additives. Whilst future work may be required, for example, in light of new research and recommendations, The Co-operative Food is not, at present, actively progressing the removal of any further additives that are not already prohibited.

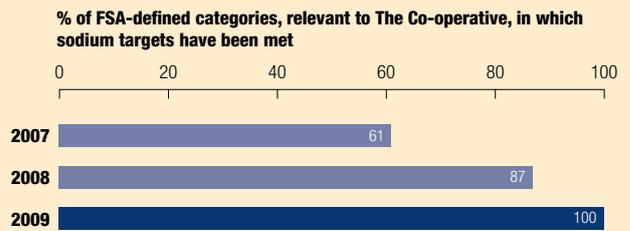
## Nutritional content

In 2008, the Government published 'Healthy Weight: Healthy Lives', which included a Healthy Food Code of Good Practice<sup>7</sup>, challenging the food and drink industry to support a range of measures aimed at improving the nation's diet. A number of initiatives that support this healthy eating agenda have been progressed, including support for traffic-light labelling, Green Dot labelling, increasing the promotion of healthy food and product reformulation.

Alongside the reformulation of products, with a view to making them healthier, 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. In addition, all products in The Co-operative Simply Value range<sup>8</sup> have nutritional levels no worse than those of standard and premium equivalents<sup>9</sup>. Somerfield products are required to comply with The Co-operative's nutritional policy as they are rebranded.

## Salt

### Progress against FSA sodium targets for product categories



Following the publication of targets for sodium levels in foods by the FSA in 2006, the target of meeting these across all relevant own-brand product categories by the end of 2009 was achieved.

Salt is the major source of sodium in the UK diet and The Co-operative Food seeks to reduce salt levels in specific own-brand products and ranges as they are reformulated. During 2009, the business launched a range of reduced-salt British wafer-thin ham, with products across the range containing 30% less salt than the previous recipe<sup>10</sup>. Work is underway to launch other reduced-salt products during 2010. For example, The Co-operative's crisps and snacks range will be reformulated to reduce salt and saturated fat content.

### Performance benchmark

The Food Standards Agency lists The Co-operative as one of three retailers to have met existing sodium targets across all relevant product ranges by March 2010<sup>11</sup>.

## 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 Programme<sup>12</sup> published in 2008. In July 2009, the FSA launched consultations on saturated fat and sugar<sup>13</sup>. The results of both consultations are due in 2010 and The Co-operative Food has committed to using the recommendations to develop its approach accordingly.

The New Product Development process<sup>14</sup> requires that the composition of reformulated 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. Additionally, a maximum sugar level of 5% is in place for all savoury products in the 'Healthy Living' range.

During 2009, work to reduce the saturated fat content of products progressed, with developments including:

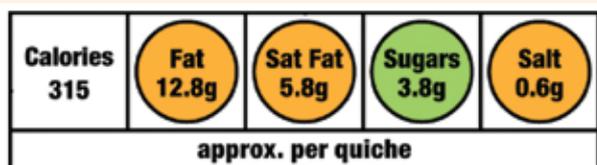
- Frozen ready meals range: 23% saturated fat reduction achieved through measures including the use of leaner meat and less oil and fat.
- Pasta sauce range: 15% saturated fat reduction by moving away from the use of high saturated fat ingredients, such as cream, oil, cheese and butter.
- Own-brand 1% fat milk: Launched in July 2009, this has 40% less fat than semi-skimmed milk.

## Labelling

The Co-operative Food seeks to be open and honest in its approach to labelling, and to provide information in a way that allows customers to make informed purchasing decisions about food products<sup>15</sup>.

### Traffic-light labelling

Traffic-light labelling enables 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. In 2008, following more than a decade of front-of-pack nutrition labelling, The Co-operative Food committed to roll out traffic-light labelling across own-brand products<sup>16</sup>, as they were launched or rebranded. © By the end of 2009, traffic-light nutrient signposting had been applied to all products in FSA priority areas that were rebranded/reformulated, and rolled out to 631 products outside the FSA priority list.



Traffic-light label. Front-of-pack traffic-light labelling makes it easier for consumers to seek out healthier products and to eat more healthily.

### Green Dot labelling

'Green Dot' labelling was launched in January 2009. These labels incorporate nutritional messages, such as 'high fibre', 'low saturated fat', and 'rich in omega 3', within a green dot graphic<sup>17</sup> and are used alongside traffic-light labelling to enable customers to easily identify healthier choices. Green dots are applied to own-brand product packaging, regardless of the product range within which they fall, that do not carry any 'red' traffic lights, and that fulfil the relevant nutritional criteria. As of December 2009, 840 green dot products were on sale, making up almost a third of the own-brand offering, and accounting for 15% of overall sales<sup>18</sup>. During 2010, The Co-operative Food will continue to promote green dot products through in-store media.



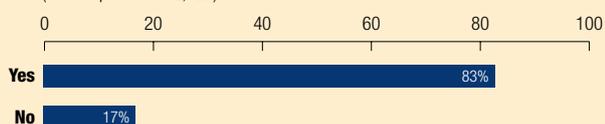
Green Dot labelling incorporating nutritional messages.

### InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted 11–17 January 2009 (page 111)

Question: 'Have you tried our healthier Green Dot products?'

(total responses: 302,120)



### Performance benchmark

In 2008, of the eight supermarkets surveyed by the National Consumer Council<sup>19</sup>, The Co-operative was ranked second in its use of colour-coded (traffic-light) signposting in line with FSA criteria, and sixth in its use of Guideline Daily Amounts.

### Promotions, marketing and information

Healthier eating options are promoted in-store, using devices such as shelf-edge labelling, till screens and radio, as well as on The Co-operative Food website. Additionally, the Customer Relations team (page 110) acts as a first point of contact for all customer queries relating to products and their ingredients.

The Co-operative Food prohibits the marketing or advertising to children of products that are high in fat, sugar or salt. This 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 and aimed specifically at children, being located near the point of purchase.

As part of its responsible approach to promotional activity, the business stipulates that healthier products<sup>20</sup> should constitute a minimum of 25%<sup>21</sup> of all price promotions<sup>22</sup>. This is monitored at the end of each promotional period to ensure compliance. During 2009, 32% of promotions were for healthier products.

© The Co-operative Food supported at least one government diet and health initiative in every store, every week throughout 2009. Initiatives supported were: The Department of Health's Change4Life programme and Know your Limits campaign, the FSA's salt and saturated fat reduction campaigns, and the Waste and Resources Action Programme (WRAP) Love Food, Hate Waste campaign.

© A 'Health Club' mailing programme was launched in 2009, to raise awareness of healthy eating amongst member customers. 500,000 received direct mailings and emails that included healthy recipes, exercise tips and money-off vouchers for fruit and vegetables.

The Co-operative Pharmacy launched its Healthy Heart initiative during 2009. A total of 21 branches offer customers a health evaluation, which includes checks on blood pressure, cholesterol, body mass index (BMI) and blood glucose. Also launched during 2009 were an Allergy Check service (at the same 21 Pharmacy branches), and a Weight Management service, which, by the end of 2009, was offered at 85 Pharmacy branches, and is to be extended to a total of 240 branches in 2010. Selected branches of The Co-operative Pharmacy offer free NHS services to customers on other health issues, including smoking cessation, sexual health and minor ailments.

### Performance benchmark

In 2008, of the eight supermarkets surveyed by the National Consumer Council<sup>23</sup>, The Co-operative was ranked second on its in-store promotions of fruit and vegetables, and had the lowest number of promotions for fatty and sugary foods. The Co-operative was also ranked joint first for not displaying sweets at the checkout and for in-store promotion of the five-a-day message.

## Community involvement

### Food education: From Farm to Fork

From Farm to Fork<sup>24</sup> is designed to enable children from primary schools to visit one of The Co-operative's working farms, providing them with a learning experience that promotes greater insight into how food crops are grown and harvested, and how important healthy eating is. The programme, which started in 2005, was extended to a further Co-operative Farm, Down Ampney, during 2009, bringing the total number of sites running the programme to eight. In 2009, 632 classes, totalling some 17,500 children, visited Co-operative Farms.

### Promoting exercise

In 2009, The Co-operative was the lead sponsor of jogscotland for a fourth year. jogscotland aims to contribute to improvements in physical activity levels and health, through co-ordinated programmes of walking, jogging and running.

© In 2009, participation in the jogscotland 5k Challenge events, sponsored by The Co-operative, increased by over 30% to 4,771 over five venues, and participation in the corresponding junior runs at these events increased by over 200%, with junior runs taking place at all venues for the first time.

The Co-operative is also promoting 'Walking Buses' as a healthier way for children to travel to school (page 65).



Promoting exercise through jogscotland. The Co-operative Group was a lead sponsor of the initiative in 2009.

## Influence and action

### GovNet event

In March 2009, The Co-operative Food sponsored the GovNet Obesity Conference. The conference brought together over 400 health, education and local government professionals, central and local government speakers from across the UK, as well as other stakeholder groups. The event focused on the latest and most effective strategies in dealing with the obesity crisis. Sponsorship is set to continue in 2010.

### Read more in this Report

- Support for, and sales of, organics (pages 31–34).
- Animal welfare (pages 30–35)
- The Co-operative Food Chemicals Strategy (pages 82–83).
- The Co-operative Food Pesticides Policy (pages 83–84).
- Healthier travel to school: Walking Buses (page 65).

## Accompanying notes

- 1 [www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/food/food\\_matters1.pdf](http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/food/food_matters1.pdf)
- 2 [www.co-operative.coop/food/ethics](http://www.co-operative.coop/food/ethics)
- 3 Healthy Living, The Co-operative Farms and Fairtrade products can sit in any range; Organic products can sit in The Co-operative or Truly Irresistible ranges only.
- 4 The Healthy Living range accounted for 1.8% of own-brand product sales in 2009.
- 5 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 Co-operative is represented on the APS Technical Committee. [www.assuredproduce.co.uk](http://www.assuredproduce.co.uk)
- 6 [www.co-operative.coop/food](http://www.co-operative.coop/food)
- 7 [www.food.gov.uk/news/newsarchive/2008/jul/healthyfoodcode](http://www.food.gov.uk/news/newsarchive/2008/jul/healthyfoodcode)
- 8 The Simply Value range accounted for 0.4% of own-brand product sales in 2009.
- 9 Of the 93 products that make up the Simply Value range, 39 have comparable equivalents in the standard ranges. 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.
- 10 Products in the range contain 30% less salt compared to the previous product.
- 11 Asda and Waitrose have also met the targets. [www.food.gov.uk/news/newsarchive/2010/mar/saltcommitments](http://www.food.gov.uk/news/newsarchive/2010/mar/saltcommitments)
- 12 [www.food.gov.uk/multimedia/pdfs/satfatprog.pdf](http://www.food.gov.uk/multimedia/pdfs/satfatprog.pdf)
- 13 Draft recommendations on saturated fat and added sugar reductions, and portion size availability, for biscuits, cakes, pastries, buns, chocolate confectionery and soft drinks. [www.food.gov.uk/multimedia/pdfs/consultation/consultsatfat.pdf](http://www.food.gov.uk/multimedia/pdfs/consultation/consultsatfat.pdf)  
Draft recommendations on promotion of lower-fat products, including dairy products, fat and saturated fat reductions for meat products, and portion size availability for savoury snacks. [www.food.gov.uk/consultations/ukwideconsults/2009/promolowfatprodssatfatreductions](http://www.food.gov.uk/consultations/ukwideconsults/2009/promolowfatprodssatfatreductions)
- 14 All products that are new, relaunched or rebranded must go through this process.
- 15 [www.co-operative.coop/food/ethics/diet-health](http://www.co-operative.coop/food/ethics/diet-health)
- 16 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).
- 17 '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. The Green Dot nutritional messages are: 5-a-day, low saturated fat, low fat, low sugar, high fibre, source of fibre, source of calcium, wholegrain, and rich in omega 3.
- 18 Green Dot sales comprised 33% of own-brand sales and 16% of total sales (excluding non-food products).
- 19 National Consumer Council (2008) 'Cut price what cost?'. Supermarkets surveyed were: The Co-operative, Sainsbury's, Waitrose, Marks & Spencer, Asda, Tesco, Somerfield and Morrisons.
- 20 Healthier products being defined as either: produce, products passing through the FSA nutrient profiling model used by OFCOM, or any of The Co-operative Food's Healthy Living range.
- 21 25% of promotions, by number.
- 22 Food promotions exclude non-food grocery and beers, wines and spirits.
- 23 Ibid footnote 19.
- 24 [www.fromfarmtofork.co.uk](http://www.fromfarmtofork.co.uk)

# Ethical finance

## Indicators

Ethical finance: The Co-operative Bank

Socially responsible investment: The Co-operative Asset Management

### Targets 2009

- ✔ Devise and implement a Co-operative Investments shareholder engagement programme on the effects of neonicotinoid pesticides on bee population decline (page 43).
- ✔ The Co-operative Investments to launch two new ethically screened investment funds (page 45).
- ⊞ 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 Co-operative's international development activities (page 46).
- ⬅ Consider a distinctive social and ethical consumer proposition for the general insurance business (page 46).

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

### Targets 2010

- The Co-operative Asset Management (TCAM) to integrate climate change impacts into fund analysis on all core equity investments.
- TCAM to co-file shareholder resolutions at Royal Dutch Shell plc and BP plc regarding tar sands operations.
- Consider a distinctive social and ethical consumer proposition for the general insurance business.
- Launch a Social Banking Unit to bring together banking services for the environmental, social and charity sectors.

## Materiality and strategy

The Co-operative Financial Services (CFS) is the group of businesses that comprises The Co-operative Bank (including **smile**), The Co-operative Insurance, The Co-operative Investments, The Co-operative Asset Management (TCAM) and, from August 2009, Britannia. CFS' core business activity is the provision of financial services – banking, insurance and investments – to corporate, business and personal customers. In 2009, following the merger, CFS had an operating profit of £178.3m and total assets at year-end of £68.8bn. Loans and advances to bank customers were £34.1bn and deposits £32.5bn<sup>1</sup>. Investments totalled £25.5bn<sup>2</sup>, including listed equities of £4.6bn<sup>3</sup>. In relation to the provision of ethical finance and investments, CFS seeks to be the leading retail bank and institutional investor in the financial services industry.

The bank launched its Ethical Policy<sup>4</sup> in 1992, with the most recent iteration being launched in 2009 following extensive customer consultation. It covers all assets and liabilities held on the bank's balance sheet (eg, retail and syndicated loans, corporate leasing, retail deposits and savings, and treasury dealings), and the investment of all retained balances. From 1 August 2009, the Ethical Policy extended to include Britannia's assets and liabilities (see below). The Policy is currently unique in UK retail banking, in so far as it contains explicit clauses, mandated by bank customers, that restrict the provision of financial services to certain activities and sectors. An Ethical Engagement Policy<sup>5</sup> was launched in June 2005, and is implemented by TCAM on behalf of The Co-operative Investments. The Ethical Engagement Policy guides TCAM's approach to engagement with investee companies. TCAM discloses its entire UK and overseas voting record via its website<sup>6</sup>.

## Assurance

The bank's Ethical Policy implementation and TCAM's responsible investment activity are, like the rest of this Report, subject to rigorous third-party verification (pages 12 and 13). 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. Assurance provider, Two Tomorrows, has provided a high level of assurance (pages 117–118) over the bank's Ethical Policy implementation and associated data. In order to do so, auditors investigated, using 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 – merger with Britannia

The merger of The Co-operative Bank and Britannia Building Society took effect on 1 August 2009. At the point of merger, Britannia's assets and liabilities were transferred to the bank's balance sheet and became subject to the bank's Ethical Policy.

An extensive six-month ethical audit established that the vast majority of customers were compatible with the bank's Policy. The audit reviewed over 13,000 facilities and identified 25 that would be proscribed by the Policy. In 15 instances facilities were withdrawn. Progress, or otherwise, on the disposal of the remaining facilities will be covered in subsequent Reports. As with the application of the Policy to bank customers, the ethical audit of Britannia customers was subject to independent assurance by the sustainability auditors, Two Tomorrows.

From the point of merger, applications for all new and renewal facilities for Britannia customers have been subject to the process established for new-to-bank customers<sup>7</sup>.

## The Co-operative Bank

### Screening of finance

Following the merger (page 6), facilities are provided to some 89,000 corporate, business and wholesale market customers<sup>8</sup>. 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 biannual basis.

For large relationship customers<sup>9</sup>, 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 EIRIS<sup>10</sup>, the leading independent ethical investment research organisation. During 2009, the bank's Ethical Policy Unit reviewed 441 (2008: 356) potentially problematic financial opportunities. Of these, 43 (10%) were found to be in conflict, and the business opportunity declined (2008: 36, or 10%). In 2009, the annualised gross income foregone by the bank as a result of ethical screening was an estimated £17.7m (2008: £16m)<sup>11</sup>.

**Bank – ethical screening referrals and outcomes**

	2006	2007	2008	2009
Declined	29	32	36	43
Accepted	271	316	320	398
Total	300	348	356	441

On the basis of customer confidentiality, the bank is generally unable 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. In addition, Two Tomorrows liaises with CFS' Internal Audit function to pursue a broader level of assurance on the quality of the referral process in operation across the business.

**Performance benchmark**

The Co-operative Bank was named Sustainable Bank of the Year by the Financial Times in June 2010, out-performing 26 entrants from across 17 countries.

**Performance benchmark**

Research undertaken by the Ethical Consumer Research Association in 2009<sup>12</sup> 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 website<sup>13</sup> 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 provider.

An Ethical Policy training programme is available to all staff via the intranet, within bank staff induction programmes, and as part of annual training reviews for customer-facing departments. In 2009, the programme was completed by 682 members of staff (2008: 1,112 ●), broadly proportionate with reduced bank recruitment in 2009. In early 2009, the programme was updated to incorporate developments arising from the 2009 Ethical Policy review.

**All business referrals by issue 2009**

	Estimated income foregone 2009
<b>Animal welfare</b> 63 finance opportunities were referred in connection with animal welfare, of which four were declined. Issues of concern included: animal testing for household products; and retail of fur. For further details, see page 34.	£1,111,000
<b>Ecological impact</b> 154 finance opportunities were referred in connection with ecological impact, of which 16 were declined. Issues of concern included: support for fossil fuel extraction and production; unsustainable biofuel production; and manufacture of chemicals linked to long-term health concerns. For further details, see pages 65, 79 and 85.	£899,000
<b>International development and human rights</b> 152 finance opportunities were referred in connection with international development and human rights, of which 20 were declined. Issues of concern included: ownership by, and transfer of armaments to, oppressive regimes. For further details, see page 25.	£822,000
<b>Social inclusion</b> Seven finance opportunities were referred in connection with financial inclusion, of which two were declined. For further details, see page 49.	£358,000
<b>Diversity</b> Nine finance opportunities were referred in connection with diversity, of which one was declined. For further details, see page 54.	£1,000
<b>Other</b> 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 2009, 56 finance opportunities were referred to the Ethical Policy Unit in connection with potential ethical/sustainability issues, none of which were declined.	£0
<b>Total</b>	£3,191,000

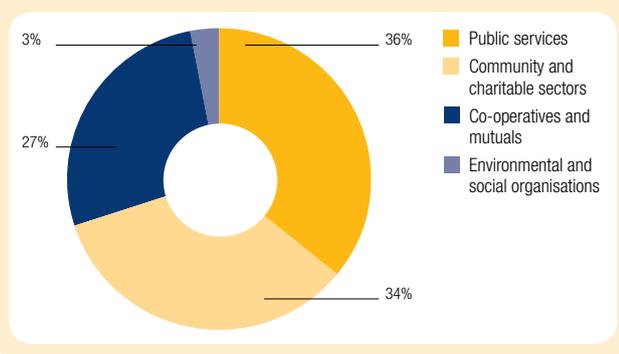
**Corporate and business banking customer profile**

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 are considered to make a particularly positive contribution to society. Analysis shows that 52% (2008: 54%) of liabilities and 25% (2008: 23%) of assets are derived from business activities that have a distinct co-operative, ethical or social purpose. Britannia's support for the social housing sector contributed to the increase in 'positive' assets of £1,095m in 2009. 'Positive' liabilities increased by 33%, or £495m, in 2009, with growth primarily in the 'co-operative' and 'public services' sectors. In 2009, consideration was given to establish a Social Banking Unit to bring together banking services for the environmental, social and charities sectors with a view to launching in 2010.

**Average bank liabilities (eg, deposits)**

	2007	2008	2009 [former bank in square brackets]
Total (£m)	2,103	2,749	3,814 [3,628]
Positive contribution to society (£m)	1,232 (59%)	1,492 (54%)	1,987 (52%) [1,886 (52%)]

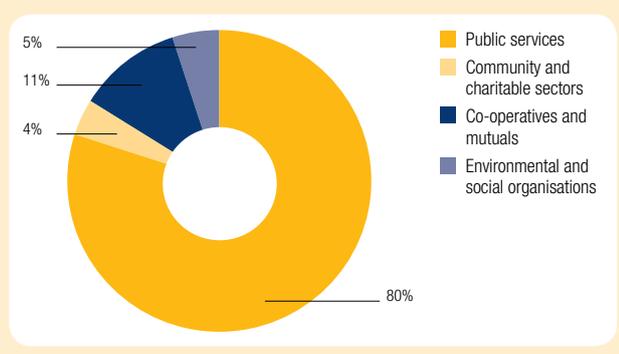
**Bank liabilities: positive contribution to society (Total: £1,987)**



**Average bank assets (eg, loans and overdrafts)**

	2007	2008	2009 [former bank in square brackets]
Total (£m)	2,706	3,450	7,785 [4,107]
Positive contribution to society (£m)	751 (28%)	795 (23%)	1,890 (24%) [1,040 (25%)]

**Bank assets: positive contribution to society (Total: £1,890)**



**The Co-operative Asset Management**

**Investment strategy**

TCAM employs a focused, active investment approach, having divested of the majority of its passive holdings in 2008. TCAM 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 TCAM fund managers.

**Performance benchmark**

UK general public's social, environmental and ethical ranking of financial services providers<sup>14</sup>

	2005	2006	2007	2008	2009
The Co-operative	1 (14%)	1 (18%)	1 (14%)	1 (9%)	1 (17%)
HSBC	=2 (3%)	=2 (2%)	2 (4%)	2 (6%)	2 (6%)
Lloyds TSB	=4 (2%)	=2 (2%)	n/a	3 (2%)	3 (3%)
Barclays	=2 (3%)	=2 (2%)	n/a	4 (2%)	4 (3%)
Halifax	=4 (2%)	=2 (2%)	n/a	5 (1%)	5 (2%)

**Approach to engagement**

During 2009, TCAM'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 42 and 43 respectively). Engagement on specific areas of corporate governance concern (eg, 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 TCAM 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.

**UK voting**

At year-end 2009, 67% of equity holdings by value were listed on the UK Stock Exchange (2008: 70%). A UK Corporate Governance and Voting Policy sets out positions with respect to voting outcomes<sup>15</sup>. TCAM 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 2009, 207 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 (2008: 285). In 10 instances (2008: 19), a response from the company was forthcoming and, in three cases (2008: five), this resulted in a change to the proposed vote.

In 2009, TCAM voted on 3,882 UK resolutions tabled by management (2008: 5,229), and was represented at four annual general meetings (2008: three). Opposition to management voting (whereby votes were cast against a resolution or an abstention was cast) accounted for 417, or 11% of the votes cast (2008: 570, or 11%), and confirmed TCAM's status as one of the most active and assertive institutional investors in the UK. The major areas of opposition were executive incentives, executive remuneration and board independence.

## Ethical and sustainability engagement, 2009

Concern	Companies	Push for change
<b>International development and human rights (policies and systems)</b> Limited attention to human rights issues presents a cause for concern where companies generate significant income in developing countries.	<b>Energy</b> – Aggreko	Notwithstanding the company's positive impact with regard to the provision of emergency power supply in post-conflict and post-disaster situations, company urged to adopt policies and systems to address human rights risks within its sphere of influence (see page 25).
<b>International development and human rights (oppressive regimes)</b> There are many oppressive regimes across the world; however, Sudan presents a compelling case for urgent action. Since 2003, an estimated 200,000 Darfurians have been killed, 2 million displaced and 3.5 million made reliant on humanitarian aid.	<b>Engineering</b> – Weir Group	Engagement commenced in 2007, urging company to establish a human rights policy to formalise its approach to human rights and political risk in countries in which it operates (see page 26).
<b>Biodiversity (pesticides)</b> The use of pesticide products containing neonicotinoids is considered to be a contributory factor in the decline in bee numbers across the world.	<b>Chemicals</b> – Bayer AG	Company urged to consider the implications arising from a restriction on use of neonicotinoid pesticides on plants where bees are known to forage (see page 79).
<b>Climate change (unconventional oils)</b> Increasing investment by oil companies in unconventional fossil fuels, such as Canadian oil sands and US oil shales, risks dangerously increasing atmospheric CO <sub>2</sub> levels and causing local ecological disaster.	<b>Oil &amp; gas</b> – BP & Shell	Engagement commenced in 2008. TCAM co-filed shareholder resolutions requesting that companies report on the investment risks associated with Canadian oil sands projects and their plans to address them (see page 66).
<b>Climate change (coal-fired power generation)</b> 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 brown-coal power station in Victoria is 37% more carbon-intensive than a power station using conventional coal <sup>16</sup> .	<b>Utilities</b> – International Power	Engagement commenced in 2008, urging company to adopt meaningful and challenging targets for reducing the carbon intensity of its operations (see page 67).

## UK voting

Category	Resolutions tabled by management			Voted against resolution and management			Abstained on resolution and against management		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Report and accounts	712	392	293	52	26	15	78	50	39
Board independence: director election	2,622	1,568	1,138	192	53	60	231	142	61
Remuneration report: Executive	657	371	303	149	74	73	131	110	79
Shares: Executive incentives	219	137	80	83	26	20	23	42	22
Political donations	141	95	83	9	1	1	0	2	0
Other governance	4,483	2,736	1,985	64	12	14	41	32	33
<b>Total</b>	<b>8,834</b>	<b>5,299</b>	<b>3,882</b>	<b>549</b>	<b>192</b>	<b>183</b>	<b>504</b>	<b>378</b>	<b>234</b>

**Votes in 'opposition' to acceptance of report and accounts on basis of poor social, ethical and environmental risk reporting**

	2006	2007	2008	2009
Votes against	40	31	12	5
Abstentions	38	62	45	27

**Annual reporting** TCAM votes against accepting the report and accounts of UK-listed companies that fail completely in respect of SEE risk disclosure<sup>17</sup>, and which operate in sectors deemed to be medium or high SEE risk. Where there is limited disclosure (or no disclosure in low-risk sectors) abstentions are registered. For the

poorest-performing companies<sup>18</sup> within medium- and high-risk SEE categories TCAM will, as part of its considerations, factor into voting decisions current SEE risk disclosure, previous voting history and engagement on SEE issues.

In 2009, TCAM voted on the acceptance of UK company report and accounts on 293 occasions (2008: 392) and, in 54 instances, voted against, or abstained on, the acceptance of report and accounts (2008: 76). Of these 54 votes, 15 related to instances where a vote against was registered, of which five<sup>19</sup> related to SEE matters (2008: 12); and 39 related to instances where a vote to abstain was appropriate, of which 27 related to SEE matters (2008: 46). Voting rationale continues to be publicly disclosed on the website on a quarterly basis<sup>20</sup>.

Of the 12 companies voted against in 2008, TCAM retained holdings in four in 2009<sup>21</sup>. Of these, improvements in SEE reporting progressed at two. In one instance, TCAM was able to support the resolution on the company's report and accounts in 2009 (Brit Insurance Holdings plc), and, in one instance, an abstention was deemed appropriate (London Stock Exchange Group plc). However, in two instances (Carnival plc and Umeco plc), persistent SEE concerns meant that votes continued to be registered against these companies' report and accounts in 2009. In both cases, this represented the fifth consecutive year that such a vote had been registered. Of the 45 companies where abstentions were registered in 2008, TCAM retained holdings in 26 companies in 2009. Of these, 17 companies improved their disclosure sufficiently for TCAM to subsequently support the resolution to receive their report and accounts, whereas one did not make any improvements, and a vote against was registered in 2009.

**Executive remuneration** In 2009, the remuneration resolution was voted against in 73 cases (2008: 74) and, in 79 cases, an abstention was posted (2008: 110). In five instances<sup>22</sup>, the remuneration resolution was ultimately defeated. This is the highest number of remuneration resolutions defeated in a single year, and reflects the extent to which pay and bonus structures have been implicated in the current financial crisis. In two cases (Bellway and Royal Dutch Shell), TCAM attended AGMs to highlight its concerns over remuneration and bonuses.

**Board independence** In line with the Combined Code on Corporate Governance, TCAM considers that, generally, at least half the board, excluding the Chair, should comprise independent non-executive directors (NEDs). In smaller companies, TCAM believes that there should be at least two independent NEDs, with the Chair being independent upon appointment. Votes against were registered in 60 cases (2008: 53) and votes to abstain registered in 61 cases (2008: 142). 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 that was at least one-half independent, excluding the Chair<sup>23</sup>.

## Overseas voting

At year-end 2009, 33% of equity holdings were listed outside the UK; principally in the United States, continental Europe and Japan (2008: 30%). During 2009, TCAM voted against, or abstained on, 4,941 overseas resolutions tabled by management (2008: 975). Voting continues to be publicly disclosed online on a quarterly basis<sup>24</sup>.

## 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. TCAM was faced with only two such resolutions in 2009, and voted to support one and registered an abstention on the other. This latter resolution was connected with a sustainability issue for Tesco plc (page 26).

In contrast, in the United States, 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, the 'burden of proof' is considered to rest with companies and not independent shareholders.

In 2009, TCAM's international shareholdings grew due, in part, to the launch of the Sustainable World Fund in October 2009. This is reflected in the increase in independent shareholder resolutions presented to TCAM from 119 in 2008 to 646 in 2009. Of these, 162 were opposed or an abstention registered (2008: 61) and 484 supported (2008: 58). In 151 cases (2008: 21), resolutions had ethical or sustainability components, of which 110 (73%) were supported (2008: 13, or 62%). These related to: climate change (28) (page 65), international development and human rights issues (28) (page 26), diversity issues (20) (page 54), animal welfare (nine) (page 35), social inclusion (four) (page 49), chemicals (three) (page 85), biodiversity (three) (page 79), waste and recycling (one) (page 73). A further 14 resolutions concerned other issues, including nuclear power, genetic modification and tobacco. The remaining 41 resolutions where an abstention was registered concerned: social inclusion (20) (page 49), climate change (four) (page 65) and international development (three) (page 26). A further 14 resolutions concerned other issues, including nuclear power and disclosure of prior governmental employment by directors.

## Overseas voting

Category	Total		Resolutions tabled by management						Resolutions tabled by independent shareholders					
			For resolution and management		Against resolution and management		Abstained on resolution and against management		For resolution and against management		Against resolution and for management		Abstained on resolution and against management	
			2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Board composition and election of directors	1,238	10,179	768	6,653	200	917	259	2,543	8	42	2	6	1	18
Remuneration	354	990	160	244	122	509	40	100	8	124	20	8	4	5
Other governance	1,394	3,428	987	2,291	122	406	232	466	27	181	19	49	7	35
Political contributions	2	27	0	0	0	0	0	0	2	27	0	0	0	0
Ethics and sustainability	21	151	0	0	0	0	0	0	13	110	5	0	3	41
<b>Total</b>	<b>3,009</b>	<b>14,775</b>	<b>1,915</b>	<b>9,188</b>	<b>444</b>	<b>1,832</b>	<b>531</b>	<b>3,109</b>	<b>58</b>	<b>484</b>	<b>46</b>	<b>63</b>	<b>15</b>	<b>99</b>

**Ethics and sustainability overseas voting by category**

Ethical Engagement Policy category	Number of resolutions		For independent resolution and against management		Against or abstain on independent resolution	
	2008	2009	2008	2009	2008	2009
Environmental sustainability (pages 65, 73, 79 and 85)	8	39	6	35	2	4
Human rights and armaments (page 26)	7	26	7	25	0	1
Social inclusion (page 49)	0	24	0	4	0	20
Diversity (page 54)	5	20	0	20	5	0
Animal welfare (page 35)	0	9	0	9	0	0
Trade and labour rights (page 26)	1	5	0	3	1	2
Other	0	28	0	14	0	14
<b>Total</b>	<b>21</b>	<b>151</b>	<b>13</b>	<b>110</b>	<b>8</b>	<b>41</b>

**Performance benchmark**

Research undertaken by the Ethical Consumer Research Association (ECRA) concluded that The Co-operative merited a 'Best Buy' in both its insurance<sup>25</sup> and investment<sup>26</sup> sector buyers' guides. These reports commend its 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'<sup>27</sup>.

**Social private equity investment**

Since 2007, CFS has committed £14.5m of shareholder capital to social private equity, of which to date £7.5m has been drawn down. Funds committed include:

- £5m committed to support UK start-ups in the most deprived areas, of which £2.9m drawn down<sup>28</sup>.
- £4.5m invested to support the solar, wind and waste sectors globally<sup>29</sup>.
- £3m committed to support small businesses in former coal-mining areas in the UK impacted by pit closures, of which £0.2m drawn down<sup>30</sup>.
- £2m committed to a sustainable property fund, of which £0.2m drawn down<sup>31</sup>.

**CFS – Sustainable Procurement and Supplier Policy**

CFS has 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 Trading Group and CFS procurement of goods not for resale. In four separate tenders, businesses were excluded from CFS supply arrangements during 2009:

- A division of a major European defence contractor was excluded from a hardware security contract. Business was engaged in the supply of military aircraft and missile systems to Middle Eastern and Southeast Asian states classified as oppressive regimes.
- Two businesses were excluded from a joint Trading Group and CFS gas supply contract. In one instance, the business had a significant presence in Burma. In the second instance, the business was part-owned by a European government considered an 'oppressive regime'.
- One business was excluded from a joint Trading Group and CFS electricity supply contract. The business had a significant presence in Burma.
- An insurance company with operations in Burma was excluded from a joint Trading Group and CFS insurance contract.

**Products and services**

**think card**

The think credit card supports ethical consumerism, whereby purchases from 17 specified ethical partners<sup>32</sup> attract preferential rates of interest. The ethical partners have been identified as organisations that provide ethical or sustainable products or services, or are considered to be 'ethical leaders'<sup>33</sup> in their sector. Upon activation of the card, the bank, in partnership with the RSPB, arranges for a third of an acre of Indonesian rainforest to be purchased and protected in the customer's name<sup>34</sup>. For every £100 spent on the card, a further 25 pence is donated to rainforest protection. Since the launch of the partnership in December 2008, £59,792 has been raised for the RSPB, enough to help protect 1,139 acres of rainforest.



Families living on the Harapan rainforest's edge are supported to generate an income using the rainforest's resources in a sustainable way via think card donations.

**Sustainable funds**

© In 2009, TCAM launched two new unit trusts: The Sustainable Diversified Trust – a cautious managed fund providing capital growth from a range of asset classes, mostly in the UK; and the Sustainable World Trust – a balanced fund of overseas equities and bonds. The new trusts operate the same 'best-in-class' approach to ethical investment as the established Sustainable Leaders Trust. The three sustainable funds place an increased emphasis on holding shares in businesses whose products or services make a net positive contribution to environmental and social well-being, and those companies that are considered corporate responsibility leaders in a particular sector. In addition, the funds withhold 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

In 2009, the Sustainable Leaders Trust achieved an 'A' rating from Old Broad Street Ratings (OBSR). The rating recognises the fund's strong research-based investment process and long-term investment approach with a focus on SEE and governance issues<sup>35</sup>.

## Performance benchmark

CFS is a signatory to the United Nations Principles for Responsible Investment (PRI), a voluntary investor initiative comprising six Principles<sup>36</sup> aimed at raising awareness of SEE and governance issues and providing a framework for investors to integrate such issues into the investment process. The current number of signatories stands at 689<sup>37</sup>. In the 2009 PRI Reporting and Assessment Survey, CFS ranked in the top quartile on four out of six Principles (2008: five out of six).

### Carbon offset – products

Carbon offsetting is a standard feature of all The Co-operative Bank's mortgages and virtually all new car insurance policies (page 63).

### 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 2009.

### International payments

⊙ Consideration is being given to the development of an arrangement whereby a deduction is made, at CFS' cost, from international payments fees, in order to support funding of The Co-operative's international development activities. Progress will be dependent on the development of new IT systems infrastructure, among other factors.

## Influence and action

### Corporate Governance

In September 2009, TCAM made a submission to HM Treasury's Walker Review of Corporate Governance of the UK Banking Industry. TCAM supported the review's recommendation for the chair of banks and other financial institutions' board committees to stand annually for re-election and, in addition, called for the annual re-election of all board members, in order to increase accountability to shareholders. TCAM also supported the Walker Review's recommendation that fund managers should disclose their voting record, calling for such disclosure to be mandatory.

### Good Companies Guide

The Observer/TCAM Companies Guide<sup>38</sup>, published for the third year in August 2009, focused on the issue of boardroom gender balance, and ranked the FTSE 350<sup>39</sup> on two considerations: policy and practice, and presence and seniority of women on the board. Alongside this, the Guide provided sector-specific analysis on the banking sector and commentary on recruitment.

## Read more in this Report

- Bank Ethical Policy declines – throughout the Report as detailed on page 41.
- Bank finance for renewable energy (page 65).

- TCAM engagements and overseas shareholder resolutions – throughout the Report as detailed on page 45.
- Basic bank account provision (page 48).
- Bank accounts for prisoners (page 48).
- Bank support for credit unions (page 48).
- Microfinance (page 25).
- Carbon offset products: mortgages and insurance (page 63).
- Charity credit cards (pages 26 and 79).

## Accompanying notes

- 1 As at 31 December 2009.
- 2 Including investment property.
- 3 Listed equities under management on behalf of policyholders, as at 31 December 2009.
- 4 [www.goodwithmoney.co.uk/ethical-banking](http://www.goodwithmoney.co.uk/ethical-banking)
- 5 Ibid.
- 6 [www.goodwithmoney.co.uk/ethical-insurance-and-investments](http://www.goodwithmoney.co.uk/ethical-insurance-and-investments)
- 7 Britannia International, based on the Isle of Man, presents an exception to this. Compliance with Manx law restricts the transfer of data from the Isle. Ethical evaluations are, therefore, conducted on site by trained staff and are subject to quarterly audit by the Social Goals department.
- 8 Including some 10,700 former Britannia customers.
- 9 Corporate banking customers with a turnover in excess of £1m.
- 10 Experts In Responsible Investment Solutions. [www.eiris.org](http://www.eiris.org)
- 11 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 2009 (£3,191,000) and income foregone from declines made in the years 2000–2008 (£14,537,000), on the basis that financial services provision will have retention beyond 12 months.
- 12 Ethical Consumer (May/June 2009), Issue 118.
- 13 [www.yourethicalmoney.org](http://www.yourethicalmoney.org). 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'.
- 14 One of the two measures supporting CFS' KPI of market-leading social responsibility. Source of data: TNS Omnibus (December 2009) – survey of UK general public's unprompted awareness of corporate responsibility. Representative sample, all adults aged 16+.
- 15 [www.coopinve.myzen.co.uk/downloads/voting-guide-05-10.pdf](http://www.coopinve.myzen.co.uk/downloads/voting-guide-05-10.pdf)
- 16 Why Brown Coal Should Stay in the Ground, Institute for Sustainable Futures, University of Technology, Sydney, May 2002.
- 17 Based on Association of British Insurers (ABI) guidelines on socially responsible investment – [www.abi.org.uk/Display/File/85/SRI\\_Guidelines.doc](http://www.abi.org.uk/Display/File/85/SRI_Guidelines.doc)
- 18 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.
- 19 Domino Printing Sciences plc, Colt Telecom Group SA, Headlam Group plc, Umeco Plc and Renishaw Plc
- 20 [www.goodwithmoney.co.uk/servlet/Satellite/1200903577492,CFWeb/Page/GoodWithMoney](http://www.goodwithmoney.co.uk/servlet/Satellite/1200903577492,CFWeb/Page/GoodWithMoney)
- 21 In the remaining eight cases, holdings were divested of, or companies were subject to mergers, meaning stocks were no longer held in 2009.
- 22 Bellway Plc, Royal Bank of Scotland Group plc, Provident Financial plc, Royal Dutch Shell plc and Punch Taverns plc.
- 23 Board Structure Report 2007, Deloitte & Touche LLP.
- 24 [www.co-operativeinvestments.co.uk/servlet/Satellite/1239949742617,CFWeb/Page/Investments-UnitTrustsAndISAs](http://www.co-operativeinvestments.co.uk/servlet/Satellite/1239949742617,CFWeb/Page/Investments-UnitTrustsAndISAs)
- 25 Ethical Consumer (Nov/Dec 2007), Issue 109.
- 26 Ethical Consumer (Mar/Apr 2008), Issue 111.
- 27 Ibid.
- 28 Bridges Ventures Community Development Venture Fund II.
- 29 Impax Environmental Markets plc.
- 30 Enterprise Ventures Growth Fund.
- 31 Bridges Sustainable Property Fund LP.
- 32 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, The Co-operative Electrical, The Co-operative Food and The Co-operative Insurance.
- 33 Leadership positions are identified via independent third parties, such as Ethical Consumer Research Association (ECRA).
- 34 [www.rspb.org.uk/supporting/campaigns/sumatra](http://www.rspb.org.uk/supporting/campaigns/sumatra)
- 35 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' where AAA is the highest. OBSR stated: 'any fund which receives an OBSR Fund Rating is exceptional of its type'. [www.obsr.co.uk](http://www.obsr.co.uk)
- 36 The six Principles are: '1: We will incorporate ESG issues into investment analysis and decision-making processes; 2: We will be active owners and incorporate ESG issues into our ownership policies and practices; 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest; 4: We will promote acceptance and implementation of the Principles within the investment industry; 5: We will work together to enhance our effectiveness in implementing the Principles; and 6: We will each report on our activities and progress towards implementing the Principles.'
- 37 [www.unpri.org/report09/](http://www.unpri.org/report09/)
- 38 The third Good Companies Guide was published in The Observer on 23 August 2009.
- 39 The Good Companies Guide analysed 295 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.

# Social inclusion

## Indicators

Access to outlets and channels

Basic bank account provision

Support for credit unions

Banking support for small businesses in deprived areas

## Targets 2009

-  Develop and implement an annual award scheme for The Co-operative StreetGames Young Volunteers by the end of 2009 (page 49).
-  Roll out the Credit Union Current Account to at least five credit unions in 2009 (page 48).

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

## Targets 2010

- Recruit a total of 3,000 young people in disadvantaged communities as StreetGames Young Volunteers by 2012.
- Roll out the Credit Union Current Account to a further six credit unions in 2010.

## Background

Social inclusion is achieved by promoting greater equality between the most disadvantaged groups and the rest of society. Factors such as unemployment, low income, poor skills, disability and discrimination can all contribute to social exclusion, preventing individuals from accessing many of society's opportunities.

Financial inclusion, which is borne of financial capability and the availability of suitable financial products and services, plays a key role in achieving social inclusion.

## Materiality and strategy

The Co-operative supports social inclusion as an employer, as a provider of goods and services, and via its community investment programme. The Co-operative explicitly recognises equality, equity and solidarity in its values<sup>1</sup>.

In the latest ethical policy consultations undertaken for the food, banking, and investments businesses, members and customers indicated their wish for the business to pursue measures that promote social and financial inclusion.

## Access to outlets and channels

### Food

The Co-operative Food aims to retain and invest in viable community stores, and is obliged to consult member-controlled area committees on intended store closures, store disposals and new developments. A detailed process involving the area committees and regional boards (page 89) is invoked if a store is considered to be underperforming or loss-making.

Following the merger with Somerfield, The Co-operative operates over 3,000 local community stores – each week serving over 21 million customers – and has a store in every single postal area in the UK bar one. Of The Co-operative Food outlets<sup>2</sup>, 18% (former Co-operative 18%; 2008: 18%) are located in deprived areas<sup>3</sup>. The Co-operative Food stores represent, on average, 25% (2008: 13%) of the food retail space provided in these deprived areas<sup>4</sup>. Additionally, 18% (former Co-operative 19%; 2008: 19%) of Co-operative stores are located in rural areas<sup>5</sup>.

There are 262 (2008: 252) Post Offices located in The Co-operative Food stores<sup>6</sup> throughout the country, further contributing to the range of services customers can access through stores. Of the stores containing Post Offices, 20% (2008: 18%) are located in deprived areas and 22% (2008: 21%) in rural areas.

### Pharmacy

The Co-operative Pharmacy has a role in ensuring people have good access to medicines and healthcare advice. Of the Co-operative Pharmacy branches, 26% (2008: 26%) are located in deprived areas and 13% (2008: 12%) in rural areas.

All branches offer a prescription collection service, with 92% also offering a home delivery service, which provides vital access to medicines for people who may be unable to easily access their local pharmacy.

### Financial services

The Co-operative Financial Services (CFS) businesses offer access to financial products and services through a variety of channels. Customers of The Co-operative Bank and former Britannia can carry out financial transactions at 89 and 245 branches respectively. While The Co-operative Bank and Britannia customers continue to carry out transactions through their respective branch networks and channels, from 2010, Co-operative Bank current accounts can be opened in Britannia branches, which can be managed using the telephone, internet or in Co-operative Bank branches. The Co-operative Bank's customers benefit from access to services via 2,127 cash machines (ATMs), the internet, telephone, Post Offices and a network of Financial Advisers. Britannia offers access to personal financial services through 56 ATMs and a postal banking service. These approaches enable customers to access many services from home.

Additionally, 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.

In December 2006, following lobbying by The Co-operative Bank<sup>7</sup>, 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 Co-operative Bank currently has 37 ATMs located in such communities, helping to meet basic banking needs in these areas. By the end of 2007, charges were removed from all Co-operative Bank ATMs – either by way of conversion to free machines, or physical removal of the ATM from the site.

## Ethical finance

### Banking support for small businesses in deprived areas

CFS' provision of finance to small businesses in deprived areas remains significantly above the industry average, despite a small decline in provision from 2008, in line with an overall decrease in lending across the industry.

### Performance benchmark

#### Financial support to small businesses<sup>8</sup> in deprived areas<sup>9</sup> as proportion of all equivalent Co-operative Bank activity

	2006	2007	2008	2009	Industry average 2009 <sup>10</sup>
Business current accounts	9.1%	8.0%	6.6%	6.6%	4.4%
Overdrafts	9.1%	6.5%	6.5%	5.9%	3.4%
Loans	9.0%	7.0%	6.4%	5.0%	3.5%
Loan and overdraft balances	16.2%	5.6%	8.9%	8.1%	3.9%

### 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 2009, the account became operational at a further seven credit unions, exceeding the 2009 target and bringing the total number of credit unions offering the account to 24. An average of 223 individual accounts were opened per week in 2009 (to November) bringing the total to 25,180 account holders, an increase of 66% on the previous year-end. 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 2009, the bank continued to support the Association of British Credit Unions' main annual conference and its newsletter, Credit Union News, through a contribution of £31,000.

The Co-operative Electrical launched a pilot partnership scheme with credit unions in October 2009, providing credit union members with the opportunity to buy online goods via a credit union loan. The scheme will be rolled out across the UK in 2010.

### Basic bank account provision

The Co-operative Bank offers a basic bank account, Cashminder. Features include: an option to pay bills by direct debit (which can yield bill reductions); the ability to have pensions and benefits paid directly into the account; and access to money via a debit card. Research commissioned by the British Bankers' Association in 2006 showed that over three-quarters of adults who had opened a basic bank account felt more confident in dealing with money as a result<sup>11</sup>. There was a 35% increase, to 182,000 (2008: 135,000), in the number of Cashminder accounts provided by the bank between January and November 2009.

### Performance benchmark

In 2009, The Co-operative Bank had a 2.4% market share in provision of basic bank accounts, which slightly exceeds its current account market share of 2.1%<sup>12</sup>.

### Bank accounts for prisoners

Throughout 2009, work continued on a pioneering project that seeks to enable prisoners to open a basic bank account while in prison. Following a pilot project at Forest Bank Prison, Salford, which started in 2006, The Co-operative Bank now accepts applications from 30 prisons, representing nearly 20% of UK prisons. The total number of accounts opened since the scheme began reached 3,633 in November 2009. This represents more than a two-fold increase since 2008 (1,400), illustrating the demand for accessible financial services amongst this population.

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. Research undertaken by John Moores University in 2009 found that, of a group of over 100 prisoners who opened an account before leaving prison, only 34% re-offended, nearly a third less than the national average of 47%<sup>13</sup>.

### Child Trust Funds

The Child Trust Fund is a long-term savings and investment account for children. Until 2010, the Government had made additional payments to children in lower income families through this account, to help them build up a lump sum for when they reach the age of 18. As at December 2009, 107,400 and 40,200 accounts were operating in former Britannia and CFS respectively. Of all accounts opened since the scheme launched<sup>14</sup>, 21% and 13% respectively received the additional payments made to children in lower income families. From 2011, additional payments will no longer be made to these accounts by the Government.

### Financial education

CFS promotes two financial education schemes, Fit4Finance and Number Partners. Number Partners is a national volunteering scheme that brings together business volunteers and primary schools to improve numeracy skills and achievement. In 2009 over 260 volunteers donated approximately 5,500 hours of their time to the programme, helping approximately 900 children. The Fit4Finance scheme was developed to help improve the financial skills and awareness of secondary school students. Workshops cover topics such as savings and interest, budgeting, and credit and debt. The programme supports the Financial Services Authority's National Strategy for Financial Capability, which is

intended to enable UK consumers to better manage their money. In 2009, over 200 employees coached 3,000 students, devoting over 1,100 hours of time. Evaluations completed after the full-day programme show a 40% improvement in the students' knowledge of personal finance. In 2009, £16,500 was allocated for both education programmes.

Additionally, improving student numeracy is a key objective of CFS' education initiative, Enterprise4Education (formerly Project Formation), which also seeks to develop pupils' interview skills and understanding of the world of work. The programme works with 22 schools and colleges near CFS' offices in Skelmersdale, as well as 15 schools and colleges in and around Manchester and Stockport. In 2009, 680 CFS employees donated 5,170 hours of time to Enterprise4Education and 4,300 young people aged 7–19 benefited from workshops and activities. Following the merger, the above initiatives will become part of the new CFS Skills4Schools programme during 2010.

**Affordable housing**

The Co-operative Bank's partnership with Places for People provides a shared equity scheme, assists 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<sup>15</sup>. As at November 2009, the bank had processed 4,782 Ownhome applications, and completed 1,999 mortgages, with an average value of £109,000 and an average loan-to-value ratio of 63%. In 2009, the Government announced funding would be withdrawn for the third year of the scheme, due to commence in April 2010. Due to the popularity of the product and its open-market availability, the allocation for 2009/10 has been filled, and the bank has stopped taking new mortgage applications. The bank is exploring potential alternatives to this scheme.

**Wholesale Loan Fund**

In 2007, The Co-operative Bank provided a loan facility of £3m to the Wholesale Loan Fund, launched by Greater London Enterprise. The fund, which totals £3.7m, provides capital to locally-based Community Development Financial Institutions, who, in turn, lend to less advantaged entrepreneurs. As at November 2009, the fund had enabled 184 businesses to start up, maintain jobs, or grow. Approximately a third of all loans from the fund are made to businesses led by women, and half of all loans are made to business owners of an ethnic minority background.

**Bank screening of finance**

During 2009, seven finance opportunities (2008: seven) were referred to the Ethical Policy Unit in connection with issues of financial inclusion, of which two were declined (2008: five) at an estimated cost of £358,000 in terms of gross income foregone.

**The Co-operative Asset Management overseas shareholder resolutions**

In 2009, The Co-operative Asset Management (TCAM) was presented with 24 overseas shareholder resolutions relating to social inclusion, of which four were supported and 20 votes of abstention were offered.

**Financial inclusion-related business declines in 2009**

	Estimated income foregone 2009
<b>Personal loans and loan brokerage provider</b> £10m lending facility for business providing short-term loans at interest rates of up to 200%, as well as brokerage services at charges which were considered exploitative.	£325,000
<b>Cheque encashment</b> £900,000 lending facility for businesses engaged in cheque encashment and provision of short-term loans at interest rates of up to 700%. Charges and interest rates were considered exploitative.	£33,000

**The Co-operative Asset Management overseas shareholder resolutions**

Company	Resolution	Vote registered
21 businesses <sup>16</sup>	To adopt principles for comprehensive healthcare reform (eg, for universal and affordable healthcare).	Abstained (20) <sup>17</sup> , supported (one)
JPMorgan Chase & Co, Bank of America Corp, Citigroup Inc.	To report on predatory lending practices.	Supported

**Community involvement**

**The Co-operative StreetGames Young Volunteers**

The Co-operative StreetGames Young Volunteers programme is a joint initiative between The Co-operative and the national charity StreetGames that was launched in 2007 (see the Inspiring Young People section in the online version of this Report ).

Operating in the 20% most deprived wards in England and Wales, the programme gives young people aged 16–25 the opportunity to develop their sports coaching and community leadership skills through volunteering. The Co-operative invested £228,000 in the project in 2009. The partnership with StreetGames enables the business to make a targeted impact in disadvantaged communities. For some volunteers, this is a route into paid employment; for others, it leads them to set up their own youth-led schemes and initiatives.

By the end of 2009, the scheme had involved 1,157 volunteers, who had donated 27,000 hours of time to their local communities and enabled over 13,000 young people to participate in activities. By 2012, it is intended that over 3,000 young volunteers in deprived communities will have developed their sporting and community leadership skills through the programme.

🎯 The Co-operative has launched a national annual awards scheme, which rewards the most deserving volunteers, based on improved skills, qualifications attained, personal achievements and impact on other young people. Six regional finalists were recognised for their achievements in 2009.



A volunteer coaches young people at a local StreetGames project.

### Offenders' art exhibitions

In 2009, The Co-operative entered into a two-year relationship with the Koestler Trust to manage and host two annual exhibitions of offenders' art in Scotland and the North West of England, and also sponsored an awards exhibition in London. The Trust aims to help offenders, secure patients and detainees to lead more positive lives by motivating them to participate and achieve in the arts. In August 2009, an exhibition of artwork was held at The Filmhouse during the Edinburgh Festival and was seen by an estimated 26,000 people. The North West exhibition was held in February 2009 in Manchester.

The Co-operative also sponsored the main Koestler Awards exhibition at the Southbank Centre in London. The exhibition featured over 150 new artworks from across the UK, selected from a record 5,876 entries. In total, over £90,000 was invested in offenders' art exhibitions in 2009.

## Influence and action

### Bank accounts for prisoners

In March 2009, The Co-operative Bank wrote to the then Minister for Prisons, David Hanson MP, introducing research<sup>18</sup> into the impact of its work to enable prisoners to open bank accounts. This prompted a meeting with the Minister, at which it was agreed that a roundtable be convened with the objective of bringing together and engaging other financial institutions. The roundtable was held in October 2009, hosted by the new Minister for Prisons, Maria Eagle MP. The bank was invited to showcase its activities and used the opportunity to reinforce some of the key recommendations of the 'Banking on a Fresh Start' research; in particular, calling on other financial institutions to become involved in prisoner banking. The bank published updated research in December 2009, and will utilise its new research publication, 'Still Banking on a Fresh Start', to further influence policy makers and financial services providers.

### Post Office closures

The Co-operative Retail Trading Group (CRTG; see page 92) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices. In addition, CFS offers transactional banking through the Post Office, and the Post Office network is recognised as a valuable channel for its customers.

In early 2009, The Co-operative, in conjunction with the CRTG, made a submission to the Business & Enterprise Select Committee inquiry into the future shape of the Post Office network and was subsequently invited to give oral evidence. This welcomed discussions about an expansion in the delivery of government and local authority services through the Post Office network and outlined The Co-operative's desire to develop a more strategic partnership with Post Office Limited. The Select Committee's subsequent report and recommendations addressed some of the key points highlighted by The Co-operative: highlighting, for example, the need for Post Office Limited to develop partnerships with multiple operators and take their needs into account when developing new services. CRTG continues to seek to influence future developments of the network by fostering a stronger, strategic partnership with Post Office Limited.

## Read more in this Report

- Diversity, including: gender, age, ethnicity, sexual orientation and disability (pages 51–55).
- The Co-operative Community Plan (page 15).
- Work on Inspiring Young People (online version of this Report [↗](#)).
- Work experience programme for socially excluded groups (online version of this Report [↗](#)).

## Accompanying notes

- 1 [www.ica.coop/coop/principles.html](http://www.ica.coop/coop/principles.html)
- 2 Including rebranded and existing Somerfield stores.
- 3 Where deprived areas correspond with the most deprived 20% of areas identified in the Indices of Deprivation 2007, [www.communities.gov.uk/indices](http://www.communities.gov.uk/indices)
- 4 Analysis is based on all food stores within a one-mile radius of Co-operative Food stores.
- 5 Analysis excludes stores in Northern Ireland.
- 6 Including four former Somerfield stores.
- 7 The Co-operative Group Sustainability Report 2006, page 59, [www.co-operative.coop/corporate/sustainability/overview/downloads-and-archives](http://www.co-operative.coop/corporate/sustainability/overview/downloads-and-archives)
- 8 Refers to businesses with an annual debit turnover of up to £1m.
- 9 Where deprived areas are defined as those 5% of postcode sectors equating to the 2% most deprived electoral wards in Great Britain.
- 10 British Bankers' Association (December 2009), Lending to Small Businesses in Deprived Areas 2009, [www.bba.org.uk](http://www.bba.org.uk)
- 11 British Bankers' Association (March 2006) 'Basic Bank Accounts give customers confidence in handling their finances'.
- 12 Basic bank account market share is based on British Bankers' Association overall market figures (basic bank accounts and financial inclusion 2nd quarter of 2009), and current account stock market share data from GfK NOP, December 2009.
- 13 Jones, Paul A (2009) Still Banking on a Fresh Start, Liverpool John Moores University.
- 14 Figures for CFS and Britannia data are correct as at 31 August and 31 December 2009 respectively.
- 15 Product offers equity loans of between 20% and 40% (part funded by the Government, part funded by Places for People) that can 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.
- 16 Altria Group Inc, Abbott Laboratories, Apple Inc, Bank of America Corp, Boeing Co, Cintas Corporation, Coca-Cola Enterprises, ConocoPhillips, DIRECTV Group Inc, Fedex Corp, Ford Motor Co, Google Inc, Honeywell International Inc, J C Penney Company Inc, Lowe's Companies Inc, Microsoft Corp, Nucor Corp, Raytheon Co, Southwest Airlines Co, Sysco Corp, Yum Brands Inc.
- 17 TCAM considered that the aim of the proponents was the adoption at a national level of a universal healthcare system, considered a political issue outside the remit of the board's duty to manage the company. Therefore abstention was considered appropriate.
- 18 Jones, Paul A (2008) Banking on a Fresh Start, Liverpool John Moores University.

# Diversity

## Indicators

Gender

Ethnicity

Disability

Age

Accessibility of products and services

## Targets 2009

- ← Design and deliver diversity awareness training to all CFS employees (page 52).
- ✓ Develop and introduce a new Employee Recruitment Strategy at CFS that has been 'diversity-proofed' (page 52).
- ✓ Complete the Trading Group diversity data capture programme in The Co-operative Food stores in four regions by the end of 2009 (page 51).
- ✓ Commence the roll-out of the Trading Group diversity data capture programme to one further business by the end of 2009 (page 51).
- ✓ Formalise disability objectives for the Trading Group and CFS by the end of 2009 (page 52).
- ← Achieve the Royal National Institute of Blind People (RNIB) 'See it Right' web accessibility standard for The Co-operative's main website by the end of 2009 (page 54).

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

## Targets 2010

- Complete the Trading Group diversity data capture programme in Co-operative Food stores in the three remaining regions by the end of 2010<sup>1</sup>.
- Roll out Trading Group diversity data capture programme to one further business by the end of 2010.
- Design and implement a publicly available CFS strategy, policy and governance structure for diversity for the merged business.
- Deliver diversity awareness training to all CFS employees during 2010.
- Formalise disability objectives for the Trading Group and CFS in 2010.

## Background

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

Increasing women's participation in the labour market and reducing gender segregation in the workplace is estimated to be

worth between £15bn and £23bn to the UK economy<sup>2</sup>. Of the people employed in the UK, 8.7%<sup>3</sup> are from ethnic minorities. There are over 10 million disabled people in Britain who, together, have an estimated annual spending power of £80bn<sup>4</sup> and, by 2020, the proportion of the labour force over the age of 50 is predicted to rise to 31%, compared with 25% in 2005<sup>5</sup>.

## Materiality and strategy

The Co-operative'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 Trading Group and Co-operative Financial Services (CFS) work to an agreed set of Diversity Principles. These Principles embody a commitment to address diversity, in relation to employees, customers, membership and community involvement in the primary areas of gender, ethnicity, physical ability, age, sexual orientation and religion or belief. The Principles have informed the development of a Trading Group Diversity Policy, and the Trading Group also has a publicly available Diversity Strategy<sup>6</sup>. Following the merger (page 6), CFS is to review its previous activity on diversity with a view to developing a new, aligned strategy, policy and governance structure, which will supersede the current CFS Diversity Policy<sup>7</sup>.

A Diversity Steering Group (DSG) meets quarterly to provide oversight of diversity issues within the Trading Group. During 2009, the DSG included representatives from the Executive team, The Co-operative Group Board, the Values & Principles (V&P) Committee (page 10) 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 Co-operative's membership and participation in governance (page 91).

## Accounting

Diversity information relating to employees is recorded separately for the Trading Group<sup>8</sup>, CFS and former Britannia employees. Former Somerfield employee diversity data is not available to report. Further details of reporting periods for diversity data is available in the online Report [↗](#).

### Completeness of employee diversity data 2009<sup>9</sup>

	Trading Group	CFS
Gender	100%	100%
Ethnicity	n/a	82%
Disability	n/a	100%
Age	100%	100%

⊞ To better manage employee data, the Trading Group has developed a new human resources system, which includes fields for six diversity strands: gender, age, disability, ethnicity, sexual orientation, and religion and belief. A programme to capture missing diversity data in the new system has been rolled out to The Co-operative Food stores in the Central & Eastern, South West, Cymru/Wales and South East regions, and across The Co-operative Travel. In 2010, the data capture programme will be rolled out to The Co-operative Food stores in the three remaining regions<sup>10</sup> and to a further Co-operative business.

## 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 has appointed four diversity champions and these champions have helped establish gender, disability, and Lesbian, Gay, Bisexual and Transgender (LGBT) employee networks. Customers and other stakeholders can access diversity information via the main Co-operative website<sup>11</sup>.

☉ A comprehensive diversity awareness training programme has been developed and will be delivered to all CFS employees during 2010. ☉ A CFS Employee Recruitment Strategy, which includes an appreciation of the benefits of recruiting as diverse a selection of individuals as possible, was launched in June 2009.

### Respect works

The Trading Group operates a Respect works policy to encourage appropriate behaviour in the workplace, which is accompanied by a Respect works diversity modular training programme. Four sessions on championing respect in the workplace were held in October 2009, training 60 managers from across the family of businesses. The programme is to be rolled out to the Legal Services' senior management team in early 2010.

A CFS Respect for All Policy was launched in May 2009. The Policy covers expected conduct in the workplace and relates to all employees and contractors of CFS in all work-related situations.

## Workforce composition

### Gender

#### Proportion (%) of female employees and female managers<sup>12</sup>

Year	Trading Group		CFS (former CFS in brackets)	
	Female employees	Female managers	Female employees	Female managers
2005	61	52	n/a (45)	n/a (38)
2006	63	54	n/a (47)	n/a (39)
2007	64	53	n/a (49)	n/a (41)
2008	64	50	n/a (50)	n/a (42)
2009	64 <sup>13</sup>	53	58 (51)	46 (43)

#### Performance benchmark

Women account for 46% of the UK's general workforce<sup>14</sup>, whilst 64% of Trading Group and 58% of CFS employees are women. In 2008, the Trading Group achieved a 'Silver' ranking in the Opportunity Now<sup>15</sup> gender equality benchmark.

The Trading Group has a senior women's network that offers long-term support to help maximise potential, mentor and coach other female employees, and to assist with raising the visibility of senior women within the business. The network held workshops for managers in April and October 2009.

In 2009, CFS was asked, along with 50 other financial services businesses, to take part in the Equality and Human Rights Commission (EHRC) Inquiry into Sex Discrimination and the Gender Pay Gap in the Financial Services Sector. As part of its submission, CFS evidenced its commitment to transparent pay and flexible working policies<sup>16</sup>, which is considered important by the EHRC in reducing the gender pay gap.

The CFS head office has a 'Tommy's Room'<sup>17</sup> facility providing a dedicated space, available at all times, for expectant employees and new mothers. CFS maintained its Tommy's accreditation in 2009, which means that employees can access an information service and written guidelines on any pregnancy-related queries. A total of 191 information packs, which advise about the facilities available, were provided to employees during the year.

### Ethnicity

#### Proportion (%) of employees and managers from ethnic minority groups

Year	Trading Group		CFS (former CFS in brackets)	
	Employees	Managers	Employees	Managers
2005	10	7	n/a (6)	n/a (3)
2006	10	10	n/a (6)	n/a (3)
2007	7	8	n/a (6)	n/a (3)
2008	7	8	n/a (6)	n/a (3)
2009	7	n/a <sup>18</sup>	5 (6)	3 (3)

The Trading Group and CFS are both members of Race for Opportunity (RfO)<sup>19</sup>, a campaign with UK organisations to improve employment opportunities for ethnic minorities.

### Disability

#### Proportion (%) of disabled employees

Year	Trading Group		CFS (former CFS in brackets)	
	Employees	Managers	Employees	Managers
2005		n/a		n/a (2)
2006		n/a		n/a (3)
2007		1		n/a (3)
2008		1		n/a (2)
2009		4		2 (2)

The Trading Group and CFS are both members of the Employers' Forum on Disability (EFD), 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 former CFS completed the EFD Disability Standard; a management tool for employers to accurately evaluate and measure performance on disability. Completion of the standard generated a comprehensive diagnostic report on disability performance for the businesses. ☉ Both the Trading Group and CFS will formalise disability objectives, as a result of the actions identified in the diagnostic reports, in 2010.

The Trading Group and CFS are holders of the 'Two Ticks' symbol, awarded by JobCentre Plus, which signals agreement to five commitments connected with the recruitment, employment, retention and career development of disabled people<sup>20</sup>. In 2009, CFS provided customer-facing employees with updated information on 'Serving Customers with Particular Needs'.

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 these people want to work<sup>21</sup>. For a number of years, selected Co-operative Food stores<sup>22</sup> have been providing work placements for Mencap clients through the Mencap Pathway programme<sup>23</sup>. Since 2008, over 110 Mencap clients have participated in work trials in Co-operative Food stores. The Co-operative has committed to permanently recruit all participants who complete their work trial successfully and who wish to take up a position, regardless of whether a vacancy existed at the store – a guarantee offered by no other Mencap partner.

**Performance benchmark**  
At the Springboard Awards for Excellence in November 2009, The Co-operative won the 'Diversity Employment Award' for its Mencap programme.

**Age**

**Proportion (%) of employees in each age band<sup>24</sup>**

Year		≤24	25–34	35–49	50–64	65+
2005	Trading Group	29	18	31	22	0
	CFS	15	27	43	15	0
2006	Trading Group	29	18	31	21	1
	CFS	18	27	40	15	<1
2007	Trading Group	26	18	32	22	2
	CFS	20	26	39	15	<1
2008	Trading Group	26	18	32	22	2
	CFS	16	30	39	15	<1
2009	Trading Group	25	19	32	22	2
	CFS (former CFS in brackets)	14 (13)	32 (30)	39 (41)	15 (15)	<1 (<1)

**Performance benchmark**  
In the UK, 27% of people in employment are over 50 years of age<sup>25</sup>, whilst 24% of Trading Group and 15% of CFS employees are over 50 years of age.

The Trading Group and CFS are both members of the Employers' Forum on Age (EFA), which supports employers on age and employment issues.

**Sexual orientation**

Both the Trading Group and CFS are members of the Stonewall Diversity Champions programme, a good practice forum, which provides opportunities for employers to engage with one another on sexual orientation issues.

**Performance benchmark**

The Trading Group was ranked 112th in Stonewall's<sup>26</sup> Workplace Equality Index 2009 (2008: 29th)<sup>27</sup>. Stonewall also conducts an employee feedback questionnaire, which around 50 LGBT Trading Group employees completed in 2008<sup>28</sup>. The Trading Group scored average or above average on all indicators<sup>29</sup>.

Questions on sexual orientation are included in both the Trading Group's and CFS' employee attitude surveys, with a view to better understanding and engaging with LGBT employees. In 2009, 94% (2008: 94%) of Trading Group employees and 93% of CFS employees were willing to declare their sexual orientation.

In 2009, The Co-operative was the main sponsor of Manchester Pride<sup>30</sup> for the first time, and participated in the Manchester Pride parade. Additionally, The Co-operative is a member of the Northern Employers and Organisations Network (NEON), through which organisations can exchange ideas and best practice on LGBT advocacy.



Employees took part in the Manchester Pride parade, in which The Co-operative won the award for the 'best commercial entrant'.

**Religion and belief**

The CFS employee attitude survey includes a question on employee religion and belief. In 2009, 63% of employees identified themselves as having a religion or belief<sup>31</sup>.

**Proportion of CFS employees identifying a religion or belief**

Religion or belief	Proportion (%)
None	37
Buddhist	<1
Christian	55
Hindu	1
Humanist	<1
Jewish	<1
Muslim	3
Sikh	<1
Other religion or belief	2

## Products, services and communications

### Pharmacy: religion and belief

In 2009, Muslim patients fasting during Ramadan were offered help to manage their medicines by around 90 (2008: 40) Co-operative Pharmacy branches in areas with a high proportion of Muslim customers. Targeted marketing in several languages was used to advertise the free 'medicines check' service to Muslim patients. Branches taking part in the initiative gave advice to around 800 (2008: 400) Muslim patients, including around 300 (2008: 200) who were provided with specially-tailored reviews of their medicine use. In 2010, The Co-operative Pharmacy is planning to launch an additional service to help Muslim patients stop smoking during Ramadan.



Poster promoting The Co-operative Pharmacy 'medicines check'.

### Travel: disability

In 2009, The Co-operative Travel worked to develop a new service for disabled customers, which will be piloted in early 2010 in 40 branches. Each of the branches will have a specialist travel adviser trained in general disability awareness.

### Disability Discrimination Act (DDA) compliance

The Co-operative has a business-wide policy on DDA compliance. All businesses are required to work towards achieving the highest standards of DDA compliance and a Compliance Review Group monitors progress on this.

### Websites

The Co-operative considers that its main website and the Trading Group intranet meet level 'AA' of the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG)<sup>32</sup>. An accessibility page, providing guidance for site users, is available on The Co-operative's website<sup>33</sup>. Steps were taken in 2009 to improve the accessibility of the main website, with a view to meeting the Royal National Institute of Blind People (RNIB) 'See it Right' standard; this features most of W3C's 'AA' guidelines and some 'AAA' guidelines. The site will be audited by RNIB in 2010 with a view to achieving the 'See it Right' standard.

CFS' main website is considered to comply with the W3C 'AA' standard and is Shaw Trust-accredited for accessibility standards compliance<sup>34</sup>. The **smile** website is considered to comply with the W3C 'A' standard. CFS continues to work with Shaw Trust and aims to improve its accessibility accreditation rating to ensure full 'AA' compliance across the websites by the end of 2010.

## Corporate literature and labelling

During 2009, over 30,000 requests for alternative format information were fulfilled by the Trading Group and CFS (2008: 12,400)<sup>35</sup>. It is The Co-operative's practice to add Braille on all product packaging, where technically and commercially possible. During 2009, Braille packaging appeared on approximately 1,000 own-brand product lines.

## CFS and ethical finance

### Bank screening of finance

In 2009, nine finance opportunities (2008: seven) were referred to the Ethical Policy Unit in connection with discrimination, of which one was declined at a cost of £1,000 in terms of income foregone in 2009.

### Diversity-related business declines 2009

	Estimated income foregone 2009
<b>Non-governmental organisation</b> Banking facilities for a lobbying organisation. Leading members were linked to proscribed terrorist organisations and to statements inciting hatred.	£1,000

### The Co-operative Asset Management overseas shareholder resolutions

In 2009, The Co-operative Asset Management (TCAM) was presented with 20 overseas shareholder resolutions relating to diversity, all of which were supported.

Company	Resolution	Vote registered
Ten businesses <sup>36</sup>	To take steps towards gender parity on the company board.	Supported <sup>37</sup>
Anadarko Petroleum Corporation, Chesapeake Energy Corp, Eastman Chemical, Exxon Mobil Corp., Leggett & Platt, Murphy Oil Corp.	To amend policies to prohibit discrimination based on sexual orientation and gender identity.	Supported
Exxon Mobil Corp.	To review anti-discrimination policies in relation to corporate sponsorships and executive incentives.	Supported
Liberty Global	To take steps to ensure that women and minority candidates are in the pool from which Board nominees are chosen.	Supported
Manpower Incorporated	To promote the 'McBride Principles' to support workplace diversity and ban 'provocative religious or political emblems' in the workplace.	Supported

## The Co-operative Asset Management – gender survey

In 2009, TCAM carried out a survey into the number of executive director positions held by women in FTSE 350 companies. This found that only 242 of 2,742 such positions were held by women. Women account for over half of graduates in the EU and US, and, as such, significant talent is being lost through poor boardroom diversity. In addition, research shows that companies with more diverse boards have higher performance on key financial measures, such as return on equity, sales and invested capital<sup>38</sup>. TCAM has now pledged to start taking account of women's representation on boards when it assesses companies from an ethical, social and corporate governance perspective.

## Community involvement

### Charity of the Year

The Co-operative supported The Royal National Institute for Deaf People (RNID) as its Charity of the Year for 2009, raising £3.7m to help deaf or hard-of-hearing people in the UK (pages 17–18).



Over 1,150 runners took part in The Co-operative 5km Santa Dash in Manchester, November 2009, in support of RNID.

### Read more in this Report

- Flexible working (page 105).
- Employee Assistance Programme (page 105).
- Membership and elected member diversity (page 91).
- Sound sourcing: discrimination breaches (pages 23–24).

### Accompanying notes

- This will continue to help address the currently incomplete records for employee ethnicity and disability, and gather data on sexual orientation and religion and belief. The target excludes former Somerfield.
- Shaping a Fairer Future, Women and Work Commission 2006.
- House of Commons Committee of Public Accounts, Increasing Employment Rates for Ethnic Minorities, 34th Report of Session 2007/08.
- [www.eftd.org.uk/disability/disability-facts](http://www.eftd.org.uk/disability/disability-facts)
- [www.statistics.gov.uk/downloads/theme\\_labour/projections\\_LMTJan06.pdf](http://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](http://www.co-operative.coop/corporate/diversity/diversitystrategy)
- The CFS Diversity Policy was launched in May 2009.
- Data from Plymouth & South West Society, which merged with The Co-operative in September 2009, was not available to report at the time of publication. Relevant information from the society will be included in future Sustainability Reports.
- An historic breakdown of the completeness of employee diversity data is available in the online version of this Report [↔](#).
- Scotland & Northern Ireland, North and North West Regions.
- [www.co-operative.coop/corporate/diversity](http://www.co-operative.coop/corporate/diversity)
- 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 £20,800 or more (excluding Co-operative Insurance Financial Advisers, who receive the majority of remuneration on the basis of commission).
- The proportion of female employees varies significantly across the different businesses: ranging from over 87% in specialist retail businesses, to 16% in specialist commercial businesses.

- Office for National Statistics Economic and Labour Market Review – January 2009 Edition. [www.statistics.gov.uk/elmr/01\\_09/downloads/Table2\\_01.xls](http://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. The Trading Group and CFS are both members of Opportunity Now.
- CFS has a published pay structure; it undertakes an annual pay review in negotiation with its trades unions; it has a bonus scheme developed in consultation with its trades unions; and it has a flexible working policy that supports work/life balance for colleagues at all levels of the organisation.
- [www.tommys.org](http://www.tommys.org)
- It is not possible to report on the proportion of Trading Group managers from an ethnic minority group as this data is not captured by the Talkback survey, from which 2009 ethnicity data was drawn (see [↔](#)).
- [www.bitc.org.uk/workplace/diversity\\_and\\_inclusion/race/rfo.html](http://www.bitc.org.uk/workplace/diversity_and_inclusion/race/rfo.html)
- [www.direct.gov.uk/en/DisabledPeople/EmploymentSupport/LookingForWork/DG\\_4000314](http://www.direct.gov.uk/en/DisabledPeople/EmploymentSupport/LookingForWork/DG_4000314)
- [www.mencap.org.uk/page.asp?id=1703](http://www.mencap.org.uk/page.asp?id=1703)
- 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.
- The figures for the proportion of employees in each age band are expressed as a proportion of the relevant total workforce.
- Office for National Statistics Economic and Labour Market Review, January 2009 Edition. [www.statistics.gov.uk/elmr/01\\_09/downloads/Table2\\_02.xls](http://www.statistics.gov.uk/elmr/01_09/downloads/Table2_02.xls)
- Stonewall campaigns for equality for lesbians, gay men and bisexuals. [www.stonewall.org.uk](http://www.stonewall.org.uk). The 2009 Index refers to 2008 performance.
- A number of changes were made to the survey compared with the previous year and so, despite some progress by the business on Lesbian, Gay, Bisexual and Transgender (LGBT) issues during 2008, the Trading Group ranked outside the top 100 for the first time. For example, the Trading Group scored highly for diversity training and LGBT role models, but fell down on community engagement and career development, [www.stonewall.org.uk/workplace/1477.asp](http://www.stonewall.org.uk/workplace/1477.asp)
- The feedback questionnaire was conducted in 2008, with results published in 2009. A feedback questionnaire was also conducted in 2009; results will be published in 2010 and reported in the 2010 Sustainability Report.
- Indicators are: LGBT-friendly workplace culture, commitment to equality, easy to be out at work, confident reporting anti-bullying, straight employees well-informed, recommend employer to other LGBT people, supportive line managers, and supportive senior management.
- Manchester Pride is an annual festival which raises money for a variety of LGBT organisations and groups within Greater Manchester. [www.manchesterpride.com](http://www.manchesterpride.com)
- The figure for employees identifying themselves as having a religion or belief is calculated as a percentage of the 91% of employees who gave a response to this question.
- The World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG) are the globally-accepted standards 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), [www.w3.org](http://www.w3.org)
- [www.co-operative.coop/help/accessibility](http://www.co-operative.coop/help/accessibility)
- Shaw Trust is a national charity providing training and work opportunities for people with disabilities. [www.shaw-trust.org.uk](http://www.shaw-trust.org.uk)
- The marked increase in requests for alternative formats was due to increased completeness of CFS data, with data captured for insurance and life-savings documents for the first time in 2009.
- BCE Inc (two resolutions); Bank of Montreal, Bank of Nova Scotia, Bombardier Inc; Canadian Imperial Bank of Commerce; Manulife Financial Corp; Power Corp Canada; Royal Bank of Canada; Toronto Dominion Bank and Wal-Mart Stores Inc.
- TCAM has opposed resolutions proposing the use of quotas to achieve gender parity in the past. However, in 2009, following research into board diversity for the Good Companies Guide (page 46), this view was revised and TCAM has supported these resolutions.
- CaIPERS (2008) Board Diversification Strategy: Realising Competitive Advantage and Shareowner Value.

Image: Fishing nets at one of the fisheries The Co-operative is supporting to achieve MSC certification (page 75).

## Contents

- 57** Climate change
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# Focus on ecological sustainability

## Strategy

As a large and diverse business, The Co-operative 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; The Co-operative aims to maintain its leadership in the area of climate change and attain/maintain at least median positioning in other environmental areas. The Natural Step Framework<sup>1</sup> is utilised as a set of guiding principles when evaluating complex environmental issues across the business.

<sup>1</sup> 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](http://www.forumforthefuture.org/our-approach/tools-and-methodologies/TNS)

## Key developments: 2009

- Ecological sustainability accounting systems were extended to include former Britannia and former Somerfield.
- Water was reported on for the first time in a consolidated Co-operative Group Report (online version of this Report .
- Assertive campaigning activity continued throughout 2009, in particular, in relation to marine reserves (pages 80–81), toxic fuels (page 66) and the decline of the honeybee (page 80).

# Climate change

## Indicators

Energy: carbon dioxide emissions

Energy: usage

Transport: distribution/business mileage

Transport: carbon dioxide emissions

Carbon offset: products and operations

## Targets 2009

-  Reduce energy consumption across The Co-operative by 20% by 2010 and 25% by 2012, based on 2006 levels (page 58).
-  Generate 15% of energy requirements from sustainable energy sources by 2012, based on 2006 levels (page 59).
-  Reduce greenhouse gas emissions from refrigerant leakages in The Co-operative Food's stores by 20% by 2011, based on 2007 levels (page 60).
-  Reduce transport CO<sub>2</sub> emissions from The Co-operative Food's distribution fleet by 15% by 2013, based on 2005 levels (page 62).
-  Maintain carbon neutrality across CFS, The Co-operative Travel and The Co-operative Clothing (page 63).
-  Phase out the sale of tungsten incandescent light bulbs in The Co-operative Food's stores by 2010 (page 64).
-  Progress design of the new head office complex to deliver BRE Environmental Assessment Method (BREEAM) 'outstanding' rating (page 59).
-  Deliver a climate change Membership outreach initiative in partnership with Stop Climate Chaos (page 28).
-  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 (page 65).
-  Progress a climate change impacts and adaptation initiative (page 59).

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

## Targets 2010

- Reduce energy consumption across The Co-operative by 20% by 2010 and 25% by 2012, based on 2006 levels.
- Generate 15% of energy requirements from sustainable energy sources by 2012.
- Reduce greenhouse gas emissions from refrigerant leakages in The Co-operative Food's stores by 50% by 2013, based on 2006 levels.
- Maintain transport CO<sub>2</sub> emissions from The Co-operative Food's distribution fleet at 15% below 2005 levels.

## Targets 2010 continued

- Attain a post-construction BREEAM 'outstanding' rating for new head office complex.
- The Co-operative Bank to commit £200m to finance renewable energy projects in 2010.
- Conduct further product carbon footprinting work in The Co-operative Food.

## Background

During 2009, the issue of climate change was almost continually in the political and media spotlight:

- In March, the International Scientific Congress on Climate Change<sup>1</sup> concluded that, given the high rates of observed emissions, the worst-case Intergovernmental Panel on Climate Change (IPCC) scenario trajectories (or even worse) are being realised.
- At the G8 Summit in July, leaders endorsed the need to keep global temperature rise below 2°C above pre-industrial levels, and agreed on a long-term goal of reducing global emissions by at least 50% by 2050 with an 80% or more reduction goal for developed countries by 2050<sup>2</sup>.
- In December, the Met Office released data showing that the first decade of this century (2000 to 2009) was the warmest on record<sup>3</sup>.
- The United Nations Framework Convention on Climate Change (UNFCCC) met in Copenhagen in December. While significant progress was made on the provision of finance for the developing world, its Accord<sup>4</sup> was not legally binding and, even if fully implemented, will not hold global temperature rises below 2°C.

## Materiality and strategy

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

The Environmental Strategy, which has been agreed via the Values & Principles (V&P) Committee (page 10), continues to identify climate change as its top environmental priority. Following extensive member consultation in 2008, 'combating climate change' has been designated to be one of three community priorities (page 15). In the 2007 Co-operative Food Ethical Policy consultation (page 11), members endorsed a commitment to reduce the carbon footprint of The Co-operative Food's products. In the latest Ethical Policy consultations undertaken by The Co-operative Bank and The Co-operative Insurance, members and customers indicated their wish for the former to avoid finance to businesses involved in the extraction of fossil fuels and those involved in the distribution of fuels with a higher global warming impact; and the latter to use its power as an institutional investor to encourage investees to reduce their reliance on fossil fuels, switch to renewable energy and promote energy efficiency. Additionally, a number of Co-operative businesses are members of sector-wide agreements and initiatives. For example, The Co-operative Insurance is a partner of the Association of British Insurers' 'Climate Wise' initiative<sup>5</sup>, The Co-operative Food is a signatory to the British Retail Consortium's 'A Better Retailing Climate' initiative<sup>6</sup> and, in 2009, The Co-operative Travel was an active participant in Forum for the Future's 'Tourism 2023' initiative<sup>7</sup>.

The Co-operative'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 the interest of transparency, The Co-operative's greenhouse gas emissions have been reported in two ways: gross emissions (that treat electricity from renewables in the same way as 'brown' electricity, with a conversion factor of 0.54055kg CO<sub>2</sub> per kWh)<sup>8</sup>, and net emissions (that treat electricity from renewables as zero carbon and include operational offsets). Emissions factors used to calculate greenhouse gas emissions associated with other sources, such as transport and refrigeration, have been taken from the Department for Environment, Food and Rural Affairs (Defra) 2009 guidance<sup>9</sup> unless otherwise stated.

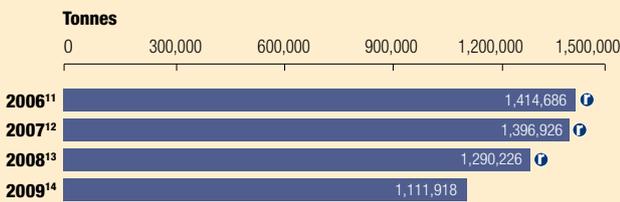
### Performance overview

⊙ The Co-operative's *gross* greenhouse gas emissions have reduced by 21% since 2006 (including former Somerfield and former Britannia) and reduced by 14% between 2008 and 2009. *Net* emissions have reduced by 40% since 2006 and reduced by 28% between 2008 and 2009.

Like every other major retailer and financial services provider, The Co-operative does not currently have accurate accounting systems in place for the great majority of its indirect emissions. It is recognised that these are likely to be significantly larger than its direct emissions. However, an increasing number of carbon footprinting initiatives are progressing as described on pages 63–64.

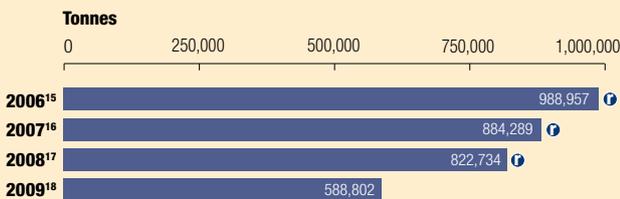
### The Co-operative's carbon footprint (tonnes CO<sub>2</sub>e)<sup>10</sup>

#### Total gross CO<sub>2</sub>e emissions



**Decrease 2006–2009: 21%**  
**Decrease 2008–2009: 14%**

#### Total net CO<sub>2</sub>e emissions



**Decrease 2006–2009: 40%**  
**Decrease 2008–2009: 28%**

### Energy

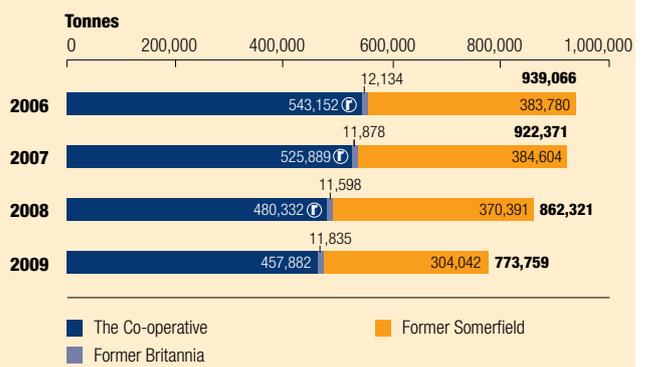
⊙ During 2009, energy consumption across The Co-operative (including former Somerfield and former Britannia) decreased by 12% compared with 2008 and by 19% compared with 2006. Gross and net CO<sub>2</sub> emissions have decreased by 18% and 47% respectively.

Comparison of like-for-like data, excluding former Somerfield, shows that energy consumption decreased by 6% compared with 2008 and by 17% compared with 2006. Electricity usage decreased by 3%, and gas usage decreased by 18% compared with 2008. Overall gross and net CO<sub>2</sub> emissions connected with energy consumption have decreased by 15% and 71%, respectively, since 2006. Former Somerfield's energy consumption decreased by 19% compared with 2008, with electricity and gas usage both reducing by 17% and 23% respectively. This reduction was achieved, in part, due to store disposals. CFS' overall energy consumption decreased by 5% in 2009, compared with 2008, and has dropped by 19% since 2003<sup>19</sup>. Former Britannia's overall energy consumption increased by 4% in 2009 compared with 2008, but has reduced by 2% compared with 2006<sup>20</sup>.

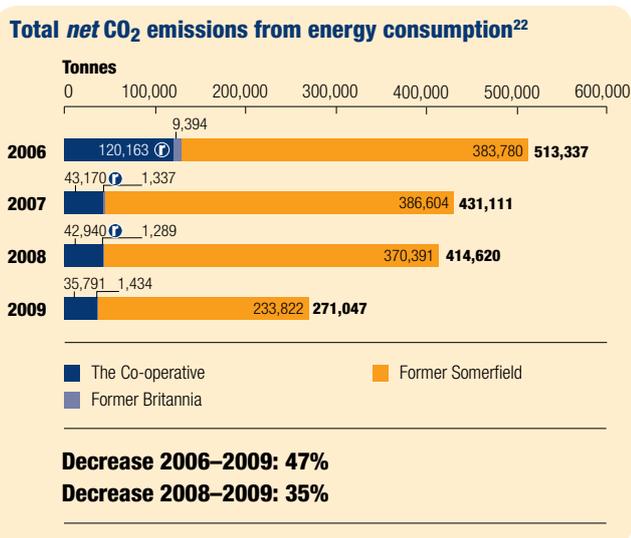
#### Energy consumption



#### Total gross CO<sub>2</sub> emissions from energy consumption<sup>21</sup>



**Decrease 2006–2009: 18%**  
**Decrease 2008–2009: 10%**



### Energy strategy

The Co-operative's energy strategy focuses on The Co-operative Food's stores, distribution and The Co-operative's head office operations, which comprise almost 90% of its energy use<sup>23</sup>. 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 £4.1m was committed in 2009, with a further £9.5m approved for the period 2010 to 2012 inclusive.

Initiatives delivered in 2009 include:

- Roll-out of retrofit measures to a further 736 premises (2008: 257), including 395 energy management systems, improved lighting systems and fridge controls.
- Improvements to the refit programme, including the use of Light Emitting Diodes (LEDs) and fitting night blinds on chillers to reduce energy wasted at night.
- Continued roll-out of automated gas readers: with a total of 794 premises, including the Manchester head office complex, now recording half-hourly gas usage, enabling better analysis of potential gas usage reductions to be carried out.

In 2008/09, six dedicated Food regional energy managers oversaw the continued training of around 3,000 employee Energy Champions. Every Co-operative Food store has an Energy Champion, supported by one of 250 area and 25 regional Energy Champion co-ordinators. In 2010, the Energy Champion programme will be extended to acquired Somerfield stores.

The Co-operative is developing new headquarter premises in Manchester. © The design that was granted planning permission achieved a BREEAM 'outstanding' rating<sup>24</sup>. © In 2009, as part of the initial design process, a review was undertaken to investigate the impact of projected temperature rises from climate change upon the building's cooling systems and energy consumption. As a result, the long-term impacts of climate change were considered in the design.

### Performance benchmark

The Co-operative ranked fourth in the Sunday Times 60 Best Green Companies list, published in May 2010, and was the highest ranking large business in the medium environmental impact category.

### Green electricity procurement

In October 2009, The Co-operative signed a new five-year electricity contract, which included former Somerfield premises and the majority of the former Britannia estate. The new contract will provide renewable electricity to over 5,500 sites, so that virtually all (over 98%) of the electricity supplied to The Co-operative will be sourced from good-quality renewable sources – mainly wind and hydro technologies. This makes The Co-operative one of the largest purchasers of green electricity in the world. In addition, The Co-operative has negotiated equivalent green electricity contracts (286GWh) on behalf of 20 independent co-operative societies. There is a 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 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 around 15% of CFS' electricity requirement (some 9GWh each year).

### Performance benchmark

In 2009, The Co-operative 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. The Co-operative also received this award in 2007, making it the only business to have won the award twice<sup>25</sup>.

The Co-operative Insurance was the first institutional property investor to transfer all contracts held for its investment property portfolio to green electricity (large-scale hydro and Climate Change levy-exempt sources) and believes it is still the only institutional property investor to have done this, sourcing some 9.2GWh in 2009 (2008: 9.4GWh).

### On-site renewables generation

The Co-operative has made significant progress in the development of its own renewables capacity. Planning permission has been granted for a 28MW, 14-turbine wind farm on Co-operative land in Goole, Yorkshire. This will be capable of supplying enough electricity to power more than 16,000 homes annually, and completion is anticipated by 2012. A 16MW, eight-turbine wind farm has been operational since 2006 on Co-operative farming land at Coldham, Cambridgeshire. All output from this wind farm is paired with The Co-operative's sites. Planning permission has been granted for a seven-turbine extension to Coldham wind farm, to be constructed in late 2010/early 2011. In February 2009, The Co-operative applied for planning permission for a 32MW wind farm, later revised down to 20MW, on third-party-owned land. © Output from The Co-operative's renewable energy installations in 2009 was approximately 29,800MWh (2008: 35,400MWh).



Coldham wind farm on The Co-operative land in Coldham, Cambridgeshire.

The Co-operative purchases electricity via a private wire to its local Food store from a co-operatively owned micro-hydro project in New Mills, Derbyshire. A second micro-hydro scheme was commissioned in December 2009 in Settle, Yorkshire, where The Co-operative will take part of the electrical output through a long-term power purchase agreement.

The Co-operative is an active supporter of micro-generation technologies, through its Green Energy for Schools programme (page 65) and on its buildings. This commitment includes the Solar Tower project<sup>26</sup>, the UK's largest solar power installation, with over 7,000 photovoltaic panels.



The 400ft solar tower at The Co-operative's Manchester head office.

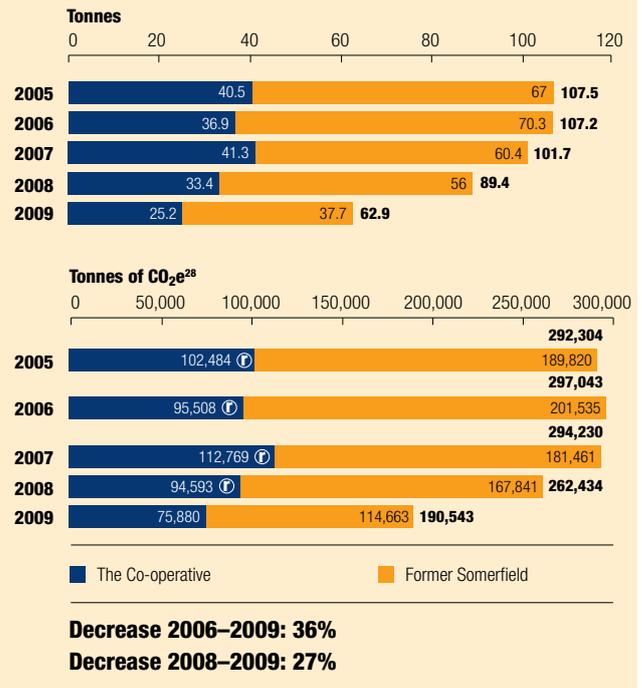
## Refrigeration and air conditioning

The Co-operative's refrigeration and air conditioning systems are a significant source of greenhouse gas emissions due to their use of hydrofluorocarbons (HFCs). The most significant source is refrigerant leakages from Food 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, though ozone depletion potential is similar. All HFCs and hydrochlorofluorocarbons (HCFCs) removed are passed to third parties for recycling or destruction.

## The Co-operative Food refrigeration<sup>27</sup>

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



In 2009, refrigerant gas emissions across Co-operative and former Somerfield stores and distribution centres reduced by 30% in terms of tonnes leaked, and 27% in terms of tonnes of CO<sub>2</sub>e. Since 2006, tonnes leaked and tonnes of CO<sub>2</sub>e have reduced by 41% and 36% respectively. The target to reduce greenhouse gas emissions from refrigeration in The Co-operative Food's stores by 20% by 2011, based on 2007 levels, was achieved in 2009. Comparison of like-for-like data for The Co-operative Food stores excluding former Somerfield shows a 33% reduction in tonnes of CO<sub>2</sub>e and a 39% reduction in gas leakages compared with 2007. This reduction was achieved as a result of better maintenance of equipment. Across The Co-operative Food's Regional Distribution Centres, refrigerant gas leakages and greenhouse gas emissions also reduced by 619kg and 1,505 tonnes of CO<sub>2</sub>e respectively, compared with 2008. In addition, former Somerfield's refrigerant gas leakages and greenhouse gas emissions fell by 38% and 37% respectively, compared with 2007. This reduction was achieved in part due to store disposal.

As at December 2009, 12% of existing cooling equipment across The Co-operative Food stores (including former Somerfield stores) relied on HCFCs, which are potent ozone depletors; however, legislation requires that usage of these is phased out by December 2014. In 2009, 700 stores were refitted with more energy-efficient HFC units, with a further 650 stores planned for refit in 2010. The continued installation of HFC systems was necessitated by the pressing need to progress The Co-operative rebrand programme, and the current immaturity and expense of non-organochlorine alternatives. However, a 'free heat' refrigeration system, which was trialled at The Co-operative's Norris Green store and uses the heat from the refrigeration system to provide space heating, was installed at a further 50 stores in 2009. Refit initiatives planned for 2010 include:

- All new standalone refrigeration units to run on hydrocarbons, which will lead to a greater number of stores having HFC refrigeration systems over time.
- The installation of further new carbon dioxide refrigeration systems.

- Extending the 'free heat' refrigeration system to a further 100 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 100 high-temperature refrigeration systems.
- The trialling of hydrocarbon air conditioning systems in two stores, which, if successful, when combined with new in-store refrigeration systems, will allow stores to be wholly or in part HFC-free.

### Performance benchmark

In 2009, The Co-operative Food participated in the Environmental Investigation Agency's<sup>29</sup> (EIA) survey of supermarket refrigeration technology. In total, 11 supermarkets responded to the survey, which assessed supermarkets' use of refrigerants and future plans. The Co-operative Food was ranked ninth.

### CFS air conditioning

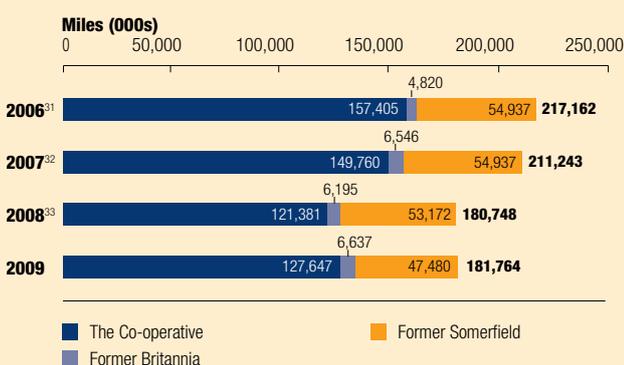
During 2009, HFC air conditioning units were replaced with hydrocarbon (HC) systems at 10 Co-operative Bank branches. This led to the removal of 46kg of HFC gases with a GWP of 69.9 tonnes of CO<sub>2</sub>, and the introduction of 34kg of HC gases with a GWP of just 102kg of CO<sub>2</sub>. During 2009, and in breach of the CFS Air Conditioning Policy, 37.4kg of the HCFC R417a with a GWP of 80 tonnes of CO<sub>2</sub> and 54.5kg of the HFC R410a with a GWP of 94 tonnes of CO<sub>2</sub> were introduced to systems at two CFS main offices and three bank branches. Preventative measures to ensure this is not repeated are to be put in place in 2010. During 2009, 75.3kg of refrigerant gases (including 2.3kg of organohalogenes) were released through leakages at CFS and former Britannia head office premises. In total, the GWP of the gases released was equivalent to 124 tonnes of CO<sub>2</sub>. 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 Care<sup>30</sup>.

## Transport

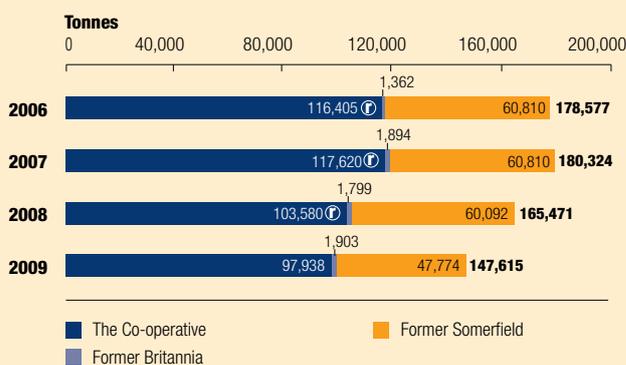
### Distribution/business mileage and emissions

The Co-operative Bank, The Co-operative Insurance and the Trading Group have reported on their transport impacts since at least 2003. Data for former Britannia and former United Co-operatives' transport impacts is unavailable prior to 2006 and 2007 respectively. Data for former Somerfield's transport impacts is only available for 2009 (with the exception of distribution mileage, which has the largest impact), necessitating the use of 2009 data as a proxy in previous years.

### Total mileage



### Total transport CO<sub>2</sub>e emissions<sup>34</sup>



### Transport CO<sub>2</sub>e emissions



Accounting systems connected with road distribution capture The Co-operative Food, The Co-operative Funeralcare and The Co-operative Clothing. In 2009, for the first time, mileage and associated CO<sub>2</sub> emissions from home deliveries for The Co-operative Food, The Co-operative Pharmacy, Sunwin Cash in Transit and home deliveries of the former Somerfield have been determined. Information is also captured for rail, air, company car, business mileage in employees' own cars and hire car journeys undertaken by The Co-operative's office-based employees.

Across The Co-operative and former Somerfield, reported mileage increased slightly by 1% and transport-related CO<sub>2</sub> emissions reduced by 11% during 2009. Since 2006, reported mileage and transport-related CO<sub>2</sub> emissions have reduced by 16% and 17% respectively. Comparison of like-for-like data, excluding former Somerfield, shows that reported CO<sub>2</sub> emissions connected with transport decreased by 5% despite mileage increasing by 5% (some 6.7 million miles) during 2009. The increase in mileage was due to the inclusion, for the first time, of home deliveries, which amounted to 16.4 million miles.

In 2009, The Co-operative's road distribution emissions (excluding home deliveries) decreased by over 9,200 tonnes of CO<sub>2</sub>, stemming from a reduction of over 7.5 million miles travelled by the fleet compared with 2008. Company car and employee car mileage showed a reduction in CO<sub>2</sub> emissions of 894 tonnes,

with a reduction in car mileage of 2.4 million miles. Across former Somerfield, reported CO<sub>2</sub> emissions connected with transport and mileage decreased by 23% and 18%, respectively, during 2009 compared with 2008. This decrease is due to a reduction in road distribution mileage (excluding home deliveries) of nine million miles and associated CO<sub>2</sub> emissions of over 13,700 tonnes and in part due to store disposal. In 2009, home delivery mileage across former Somerfield amounted to four million miles travelled and 1,577 tonnes of associated CO<sub>2</sub> emissions.

The Co-operative Food is a signatory to the British Retail Consortium's 'A Better Retailing Climate' initiative, and committed to a 15% reduction in CO<sub>2</sub> emissions from its distribution activities by 2013, based on 2005 levels. In 2009, The Co-operative Food's distribution mileage and associated CO<sub>2</sub> emissions (excluding former Somerfield) decreased by 21% (15.4 million miles) and by 18% (17,045 tonnes of CO<sub>2</sub>) compared with 2005 respectively. Although former Somerfield was not a signatory to the initiative, it achieved a 22% (9.4 million miles) reduction in its distribution mileage and a 24% (14,024 tonnes of CO<sub>2</sub>) reduction in its associated CO<sub>2</sub> emissions, compared with 2006, achieved in part due to store disposal. The Co-operative and former Somerfield Food Stores achieved a 22% reduction in distribution mileage and a 21% reduction in associated CO<sub>2</sub> emissions since 2005. It is intended that The Co-operative Food will include former Somerfield's distribution mileage and associated CO<sub>2</sub> emissions in future reports.

In September 2009, a new 'high-speed rail link' from Valencia, Spain to Dagenham, UK, was launched by Eddie Stobart and DB Schenker. This new service allows purpose-built containers to travel on board a dedicated train. The Co-operative Food, together with its partner Capespan, has used this service since its launch.

At the end of 2009, a Green Travel website<sup>38</sup> was launched, which encourages employees and visitors to the Manchester head office complex to utilise more sustainable transport options, including public transport and car sharing. It is intended that similar programmes will be developed for other regions in the future. An employee survey will be undertaken in 2010 to evaluate how effective the website and initiatives have been in changing commuting practices and reducing emissions from employee commuting.

During 2009, CFS' business mileage increased by 3%, compared with 2008, but has decreased by 52%, or 9.7 million miles, when compared with 2000<sup>39</sup>. Financial Advisers (FAs) travel extensively to visit customers in their homes, and their reported mileage and associated CO<sub>2</sub> emissions both reduced by 51% compared with 2008. This is largely as a result of the reduction in the number of FAs employed by the business. Overall CO<sub>2</sub> emissions from transport at CFS<sup>40</sup> increased slightly by 0.2%, compared with 2008, but have reduced by 52%, or 2,662 tonnes, when compared with 2000. Across former Britannia, reported business mileage increased by 7%. Similarly, overall CO<sub>2</sub> emissions connected with transport increased by 9% compared with 2008.

CFS policy requires that the business' existing 200 job requirement cars must have CO<sub>2</sub> emissions of less than 150g/km, and diesels must meet the Euro5 clean burn standard or have particulate filters. In early 2010, this CO<sub>2</sub> emissions cap will be reduced to 145g/km for all new cars entering the scheme. It is intended that the CO<sub>2</sub> cap will be reduced to 140g/km by 2012. At former Britannia, the vast majority of the 230 'essential use' cars already meet the 2012 target and have CO<sub>2</sub> emissions of less than 140g/km.

In 2009, 229 interest-free loans (with a value of £264,000) (2008: 163, value of £165,000) were taken up by employees for public transport season tickets.

### Biofuels

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, biofuel use is not actively pursued in The Co-operative's distribution activities. In 2009, The Co-operative 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.

The Co-operative Farms has a significant area (1,361 hectares) committed to oilseed rape for energy production. Its output in 2009 of 6,473 tonnes was used in biodiesel production. From 2010 onwards, the oilseed rape grown on Co-operative land will not be sold for use in biodiesel unless assurances are in place that carbon dioxide savings are significant.

### 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 research<sup>41</sup> 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 CO<sub>2</sub> emissions<sup>42</sup>. 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 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 Co-operative 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 Co-operative 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 Co-operative will only commit to operationalise carbon labelling at such a time as it is also possible to operationalise 'development labelling'.
- In parallel with improving an ability to account for, manage and reduce carbon within The Co-operative's supply chain, it will also aim to gain a better understanding and advancement of human development accounting and labelling.

## Carbon footprinting

In 2007/08, The Co-operative worked with the Carbon Trust to ascertain the carbon embodied within 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. It is also participating in the development of the Trust's new carbon footprinting methodology<sup>43</sup>. 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 CO<sub>2</sub>e and 600g CO<sub>2</sub>e for the Scottish and Spanish strawberries respectively. In 2009, the Blairgowrie farm trialed the viability of using coir (coconut husk) as an alternative growing media to peat, which was identified as the most significant element of the Scottish strawberries' higher carbon footprint. The trial provided an insight into the practical management issues surrounding coir usage. Initial results suggest that the trial has been successful and will be extended in 2010 to allow greater evaluation.

Additionally, The Co-operative has developed a new software tool in partnership with The University of Manchester, which allows the carbon footprint of products to be investigated more quickly and easily. The tool aims to contribute to The Co-operative Food's sustainable sourcing policies, by enabling quicker and more accurate decision-making around the climate change impacts of food and non-food products.

In 2009, the tool was used to analyse the carbon footprint of chickens reared under three different welfare standards. The carbon emissions embodied in The Co-operative's Elmwood, Free Range, and Organic chickens were estimated to be 4.6kg, 5.1kg and 6.4kg CO<sub>2</sub>e, respectively, per kilogram of chicken meat. Provisional findings are that a significant proportion of emissions are associated with feed and bedding for the chickens, whilst those from energy use and transport are relatively low. In late 2009, a 'use phase' element of the tool was developed to allow analysis of the greenhouse gas impacts of products following purchase by consumers, and this phase was incorporated into the calculation of the chickens' carbon footprint.

## Carbon offset – products and operations

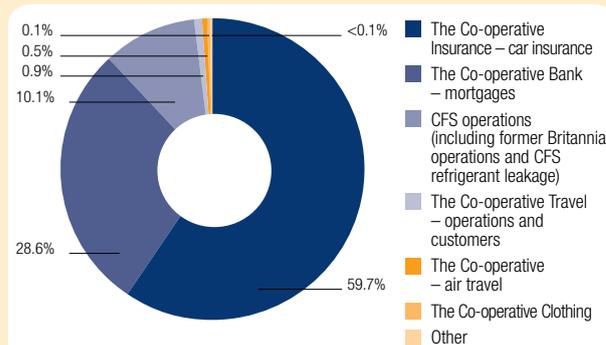
In 2009, substantial growth was seen in the total amount of carbon dioxide offset across The Co-operative's range of products and services that feature carbon offset elements. The largest increase was in The Co-operative Insurance as carbon offsets became a standard feature of nearly all motor insurance policies. During 2009, a total of 182,900 tonnes of CO<sub>2</sub> offset were purchased (2008: 96,900). 2009 reductions realised via Climate Care<sup>44</sup> on behalf of The Co-operative, detailed on page 26, are made up as follows:

- The Co-operative Bank offset one tonne of CO<sub>2</sub> for every mortgage it held – equivalent to a fifth of a typical UK home's CO<sub>2</sub> emissions. Carbon offsetting has been a standard feature of all The Co-operative Bank's mortgages since 2000 and accounted for over a quarter of offset payments in 2009.
- The Co-operative Insurance offset 20% of a typical car's CO<sub>2</sub> emissions for all standard motor insurance policies held, based on an average UK car travelling an average number of miles. This accounted for over half of offset payments in 2009.
- The Co-operative Travel continued to sell carbon offsets at its branches (an initiative that was launched in 2006). Offsets are sold in a series of bands, based on distance flown<sup>45</sup>. For example, a return flight to mainland Spain would fall into band

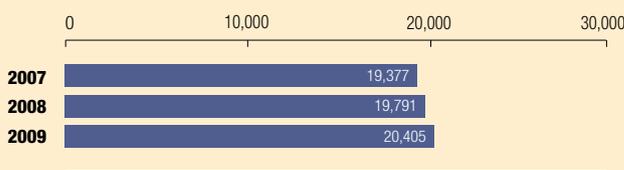
one and cost £3 to offset, whilst a return flight to Australia would fall into band eight and cost £50.

- CFS maintained its policy of going 'beyond carbon neutral' by offsetting all its remaining operational and business travel emissions, including those of Britannia, together with an extra 10% to cover legacy issues.
- The Co-operative Travel and The Co-operative Clothing maintained carbon neutral status by offsetting all their remaining operational and business travel emissions.
- Emissions from all Co-operative business flights were offset for the third year running.

### Total carbon offsets 2009: 182,900 tonnes of CO<sub>2</sub>



### Carbon offsets against operations (tonnes)



In 2009, The Co-operative's offsets were provided from the following projects:

#### • 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 2009, offset monies funded approximately 53,000 treadle pumps, which will avoid emissions of 25,300 tonnes of CO<sub>2</sub> over three years.



### • Energy-efficient cooking stoves in Cambodia

Energy-efficient cooking stoves reduce the amount of wood needed for cooking, which means less CO<sub>2</sub> is released. The reduced demand for wood helps to protect Cambodia's forests. In 2009, offset monies helped to fund the construction and supply of approximately 80,800 stoves, and will avoid emissions of 121,200 tonnes of CO<sub>2</sub> over four years.



### • Reforestation in the Kibale Forest National Park, Uganda

The 91 hectares reforested in 2009 will, ultimately, sequester 36,400 tonnes of CO<sub>2</sub>. This brings the total area of supported replanting to 370 hectares. Chimpanzees and forest elephants have begun to migrate into areas previously reforested by the bank. Further details of the Kibale project are provided on page 26.

The Co-operative 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 deforestation<sup>46</sup>.



## Other products and services

### Energy-inefficient goods

White goods and domestic lighting account for 56% of all domestic electricity consumption in the UK<sup>47</sup>. In April 2009, The European Commission announced new minimum performance standards for household appliances under the EU Eco-Design Directive. As a result, from July 2010, all fridges, freezers, washing machines and dishwashers that are energy rated less than 'A' must be removed from sale. Since 2007, The Co-operative Food has only stocked white goods (eg, fridges, freezers and washing machines) that are energy rated 'A' or above, or Energy Savings Trust Recommended, three years ahead of legislative requirements.

In March 2009, The European Commission confirmed the sale of incandescent light bulbs would be phased out between September 2009 and 2012. © In 2007, The Co-operative Food committed to phase out the sale of tungsten incandescent light bulbs by 2010. This was achieved by the end of 2009, with the cancellation of new orders for tungsten incandescent light bulbs. During 2009, the range of energy-efficient light bulbs sold in The Co-operative Food stores increased from 19 to 31 products and 1.4 million energy-efficient light bulbs were sold.

## CFS and ethical finance

### Bank screening of finance

During 2009, 55 (2008: 34) bank finance opportunities were referred to the Ethical Policy Unit in relation to climate change, of which 13 were declined (2008: 13) at a cost of £788,000 in terms of estimated income foregone.

### Climate change-related business declines 2009

	Estimated income foregone 2009
<b>Fossil fuel extraction and production</b> (three instances) £10m and £3m lending for two businesses involved in extraction of coal. £2m lending for a business involved in oil extraction in the UK and oil exploration across Europe and North Africa.	£553,000
<b>Engineering and support services</b> (eight instances) £3m property finance loan for the development of a liquefied natural gas storage facility. £1m lending for a subsidiary of a coal extraction business. £850,000 lending to a business engaged in the manufacture of coal mining conveyor systems and oil drilling rigs. £500,000 lending to an engineering business developing specialised drilling equipment for the extraction of hard-to-reach sources of fossil fuels. Overdraft and interbank facilities for two businesses engaged in the manufacture of cabling and drilling lines for oil and gas extraction. Banking facilities for a business engaged in the manufacture of software for oil exploration. Banking facilities for a business involved in the design and supply of distribution systems for the extraction of fossil fuels from subsea wells.	£150,000
<b>Higher global warming impact fuels</b> (two instances) £2m lending and banking facilities to businesses engaged in the production of biofuels from vegetable feedstocks. The businesses were unable to provide assurance that feedstocks had been produced without rainforest clearance, or to demonstrate a significant net CO <sub>2</sub> benefit over conventional fuels.	£85,000

### Bank finance for renewable energy

In 2009, the bank approved finance of £7.8m for four wind farm projects, including: two loans of £3m and £2.8m for the construction of two on-shore wind farms in Aberdeenshire, together generating 4.8MW, and two loans of £1m for the construction of single 800kW wind turbines in Aberdeenshire and the Western Isles in Scotland. In addition, the bank invested £7.5m in two Combined Heat and Power facilities at NHS Trust sites, and £875,000 in a hydro power plant.

### The Co-operative Asset Management engagement

**Power generation** In early 2009, The Co-operative Asset Management (TCAM) urged International Power, a UK-based power generation company, to adopt meaningful targets for reducing the carbon intensity of its operations. International Power operates two brown coal power stations in Victoria, Australia. Brown coal contains more moisture and produces less energy than conventional coal, and a typical Australian brown coal power station is 37% more carbon-intensive than a conventional equivalent<sup>48</sup>. In response, the company has indicated its intention to adopt a group-wide carbon-intensity target and carbon-focused KPIs.

### The Co-operative Asset Management engagement

**Tar sands** In 2009, TCAM co-signed a letter to the US Securities and Exchange Commission, organised a letter to 19 oil companies, and co-filed shareholder resolutions at two oil company AGMs, all calling for greater disclosure on the impacts of tar sands developments. See page 66 for details of these engagements.

### The Co-operative Asset Management overseas shareholder resolutions

In 2009, TCAM was presented with 32 overseas shareholder resolutions relating to climate change, of which 28 were supported and abstentions were registered for four.

Company	Resolution	Vote registered
Exelon Corp.	To report on how action taken by the company to reduce global climate impact has affected mean global temperature.	Supported <sup>53</sup>
Exxon Mobil Corp.	To report on scenarios for developing leadership in sustainable energy technologies.	Supported
Freeport McMoRan Copper & Gold, Inc.	To select a candidate with environmental expertise for election to the company Board of Directors.	Supported
Kansai Electric Power Company (two resolutions)	To base all operations on global CSR standards, and to report on alternative energy sources.	Abstained <sup>54</sup>
Yum Brands Inc.	To report on measures taken to ensure sustainability of food supply chains affected by global warming.	Supported

## Community involvement

### Green Energy for Schools

The Co-operative's Green Energy for Schools (GEFS) programme enabled schools across the UK to install solar panels at no cost and supported the subsidised installation of small wind turbines, biomass boilers and ground source heat pumps. Since the programme's launch in 2007, The Co-operative has committed £2m and a further £1m has been secured from the Government's Low Carbon Buildings Programme. © In 2009, 60 schools installed photovoltaic panels, 11 schools installed small wind turbines, six schools received a biomass boiler and three schools installed ground source heat pumps. Since its launch, over 85,000 children have benefited from the GEFS programme and 185 installations had been completed by December 2009.

### Walking Buses

The Co-operative Walking Buses initiative helps children to walk to school together in safety, by providing schools with: high-visibility vests and snap bands for children and adult helpers; posters for use in school; and a banner for the school railings to promote the bus to children and parents. Evaluation of the 2007 pilot initiatives established that, in four of the five schools that participated, over 50% of the children walking with the bus previously made the journey by car. Additionally, in three of the five schools, punctuality, fitness and attendance improved. Almost 150 applications to establish Walking Buses were received during 2009, and over 120 active buses were established during the year. In total, over 220 active Walking Buses have been created since the initiative's launch.

Company	Resolution	Vote registered
11 businesses <sup>49</sup>	To prepare a sustainability report.	Supported
Six businesses <sup>50</sup>	To adopt targets for greenhouse gas emissions reduction.	Supported
Exxon Mobil Corp.; Halliburton Company	To adopt a policy for renewable energy research, development and sourcing.	Supported
Great West Lifeco Inc.; Mirant Corp.	To report on business risks and impacts associated with climate change and environmental legislation.	Supported
Citigroup Inc.; JPMorgan Chase & Co.	To report on the environmental impacts of the company's implementation of the Carbon Principles.	Abstained (Citigroup), Supported (JPMorgan) <sup>51</sup>
ConocoPhillips	To report on the environmental damage that would result from the expansion of the company's Canadian tar sands operations.	Supported
Chugoku Electric Power Co.	To call for a transition into sustainable energy generation.	Abstained <sup>52</sup>
Enbridge Inc.	To report on environmental risks associated with an oil distribution project.	Supported



Co-operative Walking Buses saved over 150,000 car journeys in 2009.

## Influence and action

As part of its approach to tackling climate change, The Co-operative is actively involved in public policy lobbying and seeks to support the creation of a legislative and policy framework that will bring about a low carbon economy.

### Toxic Fuels

CFS' Toxic Fuels campaign was launched in February 2009, and highlights the environmental and financial risks associated with unconventional fossil fuels, such as Canadian tar sands, and calls for a halt to expansion plans. There are three main aspects to CFS' activities: support for the Beaver Lake Cree Nation's legal action; TCAM's engagement with companies involved in unconventional oil; and calls on Government to introduce mandatory greenhouse gas reporting and liability disclosure.

- CFS support for the Beaver Lake Cree Nation legal action** – 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 life. The Beaver Lake Cree have constitutionally protected treaty rights to hunt, fish and gather plants and medicines within their ancestral lands and have commenced a legal challenge to enforce recognition of these rights<sup>55</sup>. 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 elders' depositions for use in the court case.



"Our responsibility to this land, our ancestors, and our future generations cannot be surrendered or abandoned."

Chief Al Lameman of the Beaver Lake Cree Nation.

© Benjamin Ealovega/WWF-UK.

- In September 2009, 13,000 CFS customers voted on the 'Customers Who Care' charity vote, resulting in £100,000 being distributed proportionately to the vote. £54,000 was provided to Beaver Lake Cree's charitable trust to help progress their legal challenge. £32,000 was provided to the David Suzuki Foundation to undertake a scientific assessment of the impact tar sands development is having on endangered wildlife. £14,000 was provided to the student campaigning group People & Planet to raise the profile of the issue in the UK.
- The Co-operative Asset Management tar sands engagements and influence** – In February 2009, TCAM co-signed a 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 risk such unconventional oil reserves have.

In July 2009, TCAM organised a letter<sup>56</sup> to 19 oil companies<sup>57</sup> involved in extracting the tar sands of Alberta. Facilitated by the UN-PRI, and endorsed by over 40 major European and North American Institutional Investors representing over US\$3 trillion of assets, the letter asked companies to provide greater disclosure on how they are dealing with social, environmental and regulatory risk in connection with the tar sands developments, and to meet good standards of management. Engagement will continue during 2010 following analysis of oil company responses.

In December 2009, a coalition of institutional investors, including TCAM, filed shareholder resolutions at Royal Dutch Shell plc and BP plc regarding their tar sands operations. The resolutions request that the companies report on the investment risks associated with Canadian tar sands projects and their plans to address them, citing high levels of greenhouse gas emissions, environmental damage and impacts upon indigenous communities. The Royal Dutch Shell plc resolution received the backing of 141 investors, including fund managers, pension funds, foundations and faith groups, making it the largest ever mobilisation of investors in support of an independent resolution in the UK<sup>58</sup>.

- Mandatory greenhouse gas reporting and disclosure** – In April 2009, CFS and WWF organised the tabling of Early Day Motion (EDM) 1250 'Reporting on carbon liabilities'. Between April and November, 4,500 CFS and WWF customers, members and supporters contacted their MP and some 200 MPs eventually signed the EDM, which finished in the top 50 of 2,410 EDMs tabled during the 2008/09 parliamentary session<sup>59</sup>.

In August 2009, CFS responded to the Department for Environment, Food and Rural Affairs consultation on draft guidance on how to report on greenhouse gas emissions, and recommended that mandatory carbon reporting should be introduced as soon as possible. In September 2009, The Co-operative held 'Climate Clinic' fringe events with WWF at the Labour, Conservative and Liberal Democrat party conferences on the need for mandatory carbon reporting. In November 2009, The Co-operative wrote to both the Secretary of State for Business, Innovation and Skills, and the Secretary of State for Environment, Food and Rural Affairs calling for the introduction of mandatory carbon reporting. A further letter of support, co-signed by The Co-operative, was sent in January 2010 by the Aldersgate Group to the Secretary of State for Business, Innovation and Skills.

- Research into carbon capture and storage in the Alberta tar sands** – In October 2009, CFS and WWF Canada published a report 'Carbon capture and storage in the Alberta oil sands – a dangerous myth'<sup>60</sup>. The study found that whilst the amount of CO<sub>2</sub> emitted during production needs to be reduced by around 85% to make tar sands oil comparable with conventional oil, even the most optimistic forecasts for carbon capture storage (CCS) would only see production emissions reduced by 30% to 50% across the industry by 2050. It also found that the projected production emissions from tar sands developments under the most optimistic scenarios for CCS would be greater than the whole of Canada's 2050 carbon budget, were it to reduce emissions by 80% compared with 1990 levels. The maximum potential of CCS would also be insufficient to reduce lifecycle emissions of tar sands oil to levels needed to meet emerging international low carbon fuel standards such as those in California and the EU.



Oil sands consist of oil trapped in a complex mixture of sand, water and clay. The production of oil sands emits on average three times more carbon than conventional oil production.

© Jiri Rezac/WWF-UK.

### Carbon accounting

In January 2009, The Co-operative responded to a Department of Energy and Climate Change (DECC) consultation on 'carbon units, the net UK carbon account and carbon accounting'. The 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.

### Heathrow third runway

As part of its Ethical Strategy (page 24), 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 case<sup>61</sup>. Despite the Government confirming its policy to support the development of a third runway at Heathrow Airport in January 2009<sup>62</sup>, The Co-operative maintained its opposition to the scheme. This included The Co-operative Travel writing to the Secretary of State for Transport questioning the need for a third runway and highlighting its environmental impact.

### Low Carbon Buildings Programme (LCBP)

In April 2009, The Co-operative's Chief Executive wrote to the Minister of State for Energy and Climate Change, and raised concerns about completion of The Co-operative's 'Green Energy for Schools' scheme given the shortage of match funding. In July 2009, The Co-operative was pleased to see the movement of £2m from a different LCBP grant stream (biomass), and a 'top-up' from the 2010 budget of £5m by the Government. This enabled the majority of outstanding photovoltaic grant applications to be fulfilled, including all of the Green Energy for Schools installations.

### Feed-in tariffs for renewables

The Co-operative responded to DECC's Renewable Electricity Financial Incentives Consultation emphasising that the rate of return for renewables supported by feed-in tariffs should be above 10% and that Government should be more ambitious about the level of electricity generation that could stem from feed-in tariff-supported schemes. The Co-operative also co-signed a letter<sup>63</sup> to the Secretary of State for Energy and Climate Change in December 2009, asking for greater ambition for electricity to be generated from feed-in tariff supported schemes.

### International climate change talks

In December 2009, The Co-operative signed the 'Copenhagen Communiqué on Climate Change' which urged political leaders at the United Nations Climate Change Conference in Copenhagen, Denmark, to press for: credible measurement, reporting and verification of emissions, measures to deliver a robust GHG emissions market, measures to promote low-carbon technologies, a framework for developing countries, an adaptation strategy, a mechanism to reduce emissions from deforestation and forest degradation in developing countries, and a comprehensive global approach to emissions from international aviation and shipping.

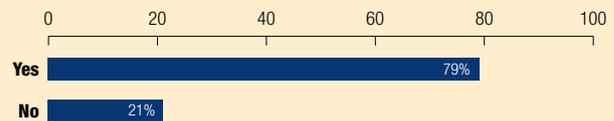
### The Wave

🕒 The Co-operative mobilised members to take part in The Wave climate change march, held in London on 5 December 2009. For further details, see page 28.

### InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted 4–10 October 2009 (page 111).

**Question: 'Is an ambitious global climate change deal needed?'**  
(total responses: 210,478)



### Read more in this Report

- 'The Wave' climate change march (page 28).
- Carbon offset projects: biodiversity (page 77).
- Carbon offset projects: international development (page 26).
- The Community Plan: combating climate change (page 15).
- Educating young people on environmental issues, including climate change: Waste Works (page 74).
- Local sourcing (page 96).
- The Co-operative Travel Ethical Strategy (page 24).

### Accompanying notes

- 1 [www.climatecongress.ku.dk/about](http://www.climatecongress.ku.dk/about)
- 2 [www.g8italia2009.it/static/G8\\_Allegato/Chair\\_Summary\\_1.pdf](http://www.g8italia2009.it/static/G8_Allegato/Chair_Summary_1.pdf)
- 3 <http://news.bbc.co.uk/1/hi/8400905.stm>
- 4 [www.denmark.dk/NR/rdonlyres/C41B62AB-4688-4ACE-BB7B-F6D2C8AAEC20/0/copenhagen\\_accord.pdf](http://www.denmark.dk/NR/rdonlyres/C41B62AB-4688-4ACE-BB7B-F6D2C8AAEC20/0/copenhagen_accord.pdf)
- 5 [www.goodwithmoney.co.uk/climatewise](http://www.goodwithmoney.co.uk/climatewise)
- 6 [www.brc.org.uk/retailingclimate](http://www.brc.org.uk/retailingclimate)
- 7 [www.forumforthefuture.org/projects/tourism-2023+](http://www.forumforthefuture.org/projects/tourism-2023+)
- 8 As per guidance from the Department for Environment, Food and Rural Affairs (2009).
- 9 [www.defra.gov.uk/environment/business/reporting/conversion-factors.htm](http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm)
- 10 Carbon dioxide equivalent (CO<sub>2</sub>e) is used to compare the Global Warming Potential (GWP) of different greenhouse gases (methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) relative to CO<sub>2</sub>. For example, CO<sub>2</sub> has a GWP of one, whilst N<sub>2</sub>O has a GWP of 310.
- 11 Data covers The Co-operative, former United Co-operatives, former Somerfield and former Britannia. Note: transport data was unavailable for former United Co-operatives and former Somerfield for 2006, necessitating the use of 2007 data as a proxy. Refrigerant data covers The Co-operative, former United Co-operatives and former Somerfield Food stores and distribution centres.
- 12 Data covers The Co-operative, former United Co-operatives, former Somerfield and former Britannia. Note: company and private car data was unavailable for former Somerfield for 2007, necessitating the use of 2008 data as a proxy. Refrigerant data covers The Co-operative, former United Co-operatives and former Somerfield Food stores and distribution centres.
- 13 Data covers The Co-operative, former Somerfield and former Britannia. Note: company and private car data was unavailable for former Somerfield for 2008, necessitating the use of 2009 data as a proxy. Refrigerant data covers The Co-operative and former Somerfield Food stores and distribution centres.
- 14 Data covers The Co-operative, former Somerfield and former Britannia. Refrigerant data covers The Co-operative and former Somerfield Food stores and distribution centres.

- 15 Ibid footnote 11.
- 16 Ibid footnote 12.
- 17 Ibid footnote 13.
- 18 Ibid footnote 14.
- 19 CFS energy consumption 2009: 53,020MWh; 2008: 55,690MWh; 2007: 54,838MWh; 2006: 58,502MWh; 2005: 60,816MWh; 2004: 63,191MWh; 2003: 65,293MWh.
- 20 Former Britannia energy consumption 2009: 24,190MWh; 2008: 23,351MWh; 2007: 24,183MWh; 2006: 24,717MWh.
- 21 Figures provided here apply a conversion factor of 0.54055Kg/KWh for fossil fuel and renewable electricity and 0.18358Kg/KWh for gas.
- 22 Figures provided here apply a conversion factor of 0.54055Kg/KWh for fossil fuel, zero for renewable electricity and 0.18358Kg/KWh for gas.
- 23 The Co-operative committed to reduce its energy consumption following a study undertaken in conjunction with the Carbon Trust, [www.carbontrust.co.uk/pages/default.aspx](http://www.carbontrust.co.uk/pages/default.aspx)
- 24 The BRE Environmental Assessment Method (BREEAM) assesses buildings against a set of criteria and provides an overall score that will fall within a: PASS, GOOD, VERY GOOD, EXCELLENT or OUTSTANDING rating. [www.breem.org/index.jsp](http://www.breem.org/index.jsp)
- 25 [www.r-e-a.net/events/events/awards/pioneer](http://www.r-e-a.net/events/events/awards/pioneer)
- 26 For further information, refer to the 2008/09 Co-operative Group Sustainability Report, page 67 .
- 27 Refrigerant data covers The Co-operative, former United Co-operatives and former Somerfield Food stores and distribution centres only.
- 28 CO<sub>2</sub>e emissions factors are calculated by applying relevant Defra 2009 conversion factors.
- 29 [www.eia-international.org](http://www.eia-international.org)
- 30 [www.jpmorganclimatecare.com](http://www.jpmorganclimatecare.com)
- 31 Transport data was unavailable for former United Co-operatives and former Somerfield for 2006, necessitating the use of 2007 data as a proxy.
- 32 Transport data was unavailable for former Somerfield for 2007 (with the exception of distribution mileage), necessitating the use of 2008 data as a proxy.
- 33 Transport data was unavailable for former Somerfield for 2008 (with the exception of distribution mileage), necessitating the use of 2009 data as a proxy.
- 34 CO<sub>2</sub>/CO<sub>2</sub>e emissions are calculated by applying relevant Defra 2009 'conversion factors' for each mode of transport to the distance travelled.
- 35 Data covers The Co-operative: Food, Funeralcare, Clothing and former Somerfield.
- 36 In addition to business areas listed in footnote 35, data covers home deliveries for The Co-operative Food, The Co-operative Pharmacy, Sunwin Cash In Transit and former Somerfield.
- 37 Data covers rail, air, company car, business mileage in employees' own cars and hire car journeys.
- 38 [www.co-operative.coop/greentravel](http://www.co-operative.coop/greentravel)
- 39 Excludes business mileage associated with Co-operative Financial Advisers.
- 40 Excludes CO<sub>2</sub> emissions associated with Co-operative FAs.
- 41 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.
- 42 Melamed, C (2007) Sometimes it's ethical to buy air-freighted goods, The Guardian, 2 March 2007.
- 43 [www.carbon-label.com](http://www.carbon-label.com)
- 44 CO<sub>2</sub> offset by Climate Care in 2009 includes 21,283 t CO<sub>2</sub>e relating to UK business operations at CFS (including Britannia), The Co-operative Clothing, The Co-operative Travel and Group air travel emissions, and 161,585 t CO<sub>2</sub>e relating to offsets connected with customers' services and products. In addition, a further 66 tonnes were offset for travel associated with promotional events and campaigns.
- 45 For all flights, distance travelled is calculated using the greater circle distance between airports. For long-haul flights (Bands 4 to 6), customers' CO<sub>2</sub> 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 CO<sub>2</sub> equivalent figure. For further information, please refer to [www.jpmorganclimatecare.com](http://www.jpmorganclimatecare.com)
- 46 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.
- 47 Energy Savings Trust (2006), The Rise of the Machines.
- 48 Institute for Sustainable Futures, University of Technology Sydney (May 2002), 'Why Brown Coal Should Stay in the Ground.'
- 49 Bed Bath & Beyond Inc.; Apple Inc.; Berkshire Hathaway Inc.; Boston Properties Inc.; Dover Corp.; Fifth Third Bancorp.; Las Vegas Sands Corp.; MGM Mirage; SanDisk Corporation; Southern Company; and Ultra Petroleum Corp.
- 50 Chevron Texaco Corp.; ConocoPhillips; Dominion Resources Inc.; Dynegy Inc.; Exxon Mobil Corp.; and Lennar Corp.
- 51 In the case of Citigroup in April 2009, TCAM followed the advice of the investor research and advisory consultancy PIRC and abstained, based on implicit bias towards coal-fired power generation in the text of the resolution. However, when presented with the same resolution at JPMorgan in May 2009 TCAM took the view that the additional exploration of the issue requested by the resolution would allow investors to make an informed judgement on risks relating to their investment.
- 52 TCAM considered that insufficient information was available in respect of these resolutions, and an abstention was considered appropriate.
- 53 TCAM considered that such disclosure would benefit shareholders, notwithstanding that the proponents challenged the link between anthropogenic carbon emissions and climate change.
- 54 TCAM considered that insufficient information was available in respect of these resolutions, and an abstention was considered appropriate.
- 55 Further information on the Beaver Lake Cree can be found at: [www.co-operativecampaigns.co.uk/toxicfuels/ourCampaign.php](http://www.co-operativecampaigns.co.uk/toxicfuels/ourCampaign.php)
- 56 [www.co-operativecampaigns.co.uk/toxicfuels/downloads/UNPRI-investor-letter-on-oil-sands.pdf](http://www.co-operativecampaigns.co.uk/toxicfuels/downloads/UNPRI-investor-letter-on-oil-sands.pdf)
- 57 BP/Husky, Canadian Oil Sands Trust, Chevron, CNRL, Connacher, ConocoPhillips, Devon Energy, EnCana, ExxonMobil/Imperial, Jacos (JAPEX), Marathon, Nexen/Opti-Canada, Petrobank, PetroCanada, Shell, Statoil, Suncor, Syncrude and Total/Deer Creek.
- 58 [www.fairpensions.org.uk/tarsands/resolutions](http://www.fairpensions.org.uk/tarsands/resolutions)
- 59 <http://edmi.parliament.uk/EDMI/EDMIDetails.aspx?EDMID=38374&SESSION=899>
- 60 [www.co-operativecampaigns.co.uk/toxicfuels/downloads/CCS-in-the-Alberta-oil-sands-a-dangerous-myth.pdf?id=1985810](http://www.co-operativecampaigns.co.uk/toxicfuels/downloads/CCS-in-the-Alberta-oil-sands-a-dangerous-myth.pdf?id=1985810)
- 61 [www.co-operativetravel.co.uk/ethical-strategy/runway-developments](http://www.co-operativetravel.co.uk/ethical-strategy/runway-developments)
- 62 [www.dft.gov.uk/pgr/aviation/heathrowconsultations/heathrowdecision/decisiondocument/decisiondoc?page=1#1001](http://www.dft.gov.uk/pgr/aviation/heathrowconsultations/heathrowdecision/decisiondocument/decisiondoc?page=1#1001)
- 63 [www.r-e-a.net/policy/REA-policy/RET/coalition](http://www.r-e-a.net/policy/REA-policy/RET/coalition)

# Waste and packaging

## Indicators

Waste disposed

Waste reused/recycled

## Targets 2009

-  Extend the consolidation of waste management contracts across The Co-operative to further improve accounting systems for general and recycled waste streams (page 69).
-  Maintain less than 50% of total waste arisings being sent to landfill from The Co-operative Food (pages 72 and 73).
-  Develop further projects to support the reduction in The Co-operative Food's own-brand packaging by 15% by 2010 (page 70).
-  Continue to increase the amount of waste recycled through the Manchester recycling centre (page 72).
-  Reduce total waste arisings and maintain a 70% reuse/recycling rate across CFS' main offices (page 73).
-  Deliver 40 'Love Food, Hate Waste' events during 2009 to support a reduction in household food waste (page 71).
-  Progress brochure recycling from The Co-operative Travel (page 73).
-  Increase the amount of cardboard and polythene recycled by The Co-operative Food (page 72).

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

## Targets 2010

- Extend the consolidation of waste management contracts across The Co-operative to further improve accounting systems for general and recycled waste streams.
- Maintain less than 50% of total waste arisings being sent to landfill from The Co-operative Food.
- Reduce the carbon impact of The Co-operative Food's packaging by 10% by 2012, compared with 2009<sup>1</sup>.
- Reduce total waste arisings and maintain a 70% reuse/recycling rate across CFS' main offices, excluding the former Britannia estate.
- 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 Commercial and Industrial (C&I) waste<sup>2</sup>. The retail sector is the largest contributor, generating some 13 million tonnes<sup>3</sup>. In addition, the sector contributes 5.2 million tonnes<sup>4</sup> of packaging waste to the 35 million tonnes of municipal waste generated annually<sup>5</sup>.

In 2009, 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 between 1999 and 2008. 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 2009<sup>6</sup>.

There is a growing public awareness of, and activity around, waste and packaging issues, evident in the increase in municipal recycling in England from 35% to 38% and the reduction in municipal waste sent to landfill by 1.2 million tonnes between the years 2007/08 and 2008/09<sup>7</sup>. As at October 2009, 94% of UK households received a doorstep or kerbside collection service from their local council for recyclable materials<sup>8</sup>.

## Materiality and strategy

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

The Co-operative's Environmental Strategy, which has been agreed via its Values & Principles (V&P) Committee (page 10), identifies better waste management as one of The Co-operative's top environmental priorities. Furthermore, in the latest ethical policy consultations undertaken in relation to the food, banking and investments businesses, members and customers indicated their wish for the business to pursue measures that promote sustainable waste management.

## Accounting

The Co-operative is able to report on waste arisings across the majority of its businesses. Waste arisings from the operations of former Somerfield and former Britannia in the years 2006 to 2009 are reported. Additionally, for the first time, waste to landfill from Sunwin Cash in Transit and soil waste to landfill from The Co-operative Farms have been accounted for. The accuracy of the waste to landfill tonnage for The Co-operative Clothing has improved, as it is now based on the average weight of sample bins as opposed to the industry standard previously used. Also in 2009, for the first time, the tonnage of point of sale material recycled by The Co-operative Travel and the tonnage of cardboard, plastic and paper recycled by The Co-operative Electrical have been determined.  Further consolidation of waste management contracts will be required to improve the accuracy of waste reporting.

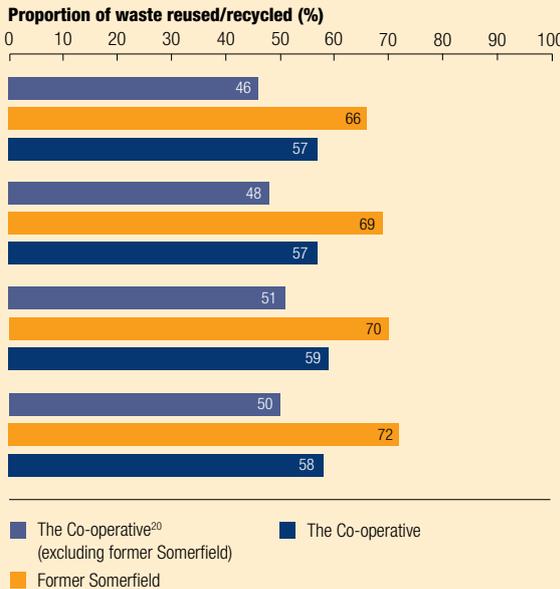
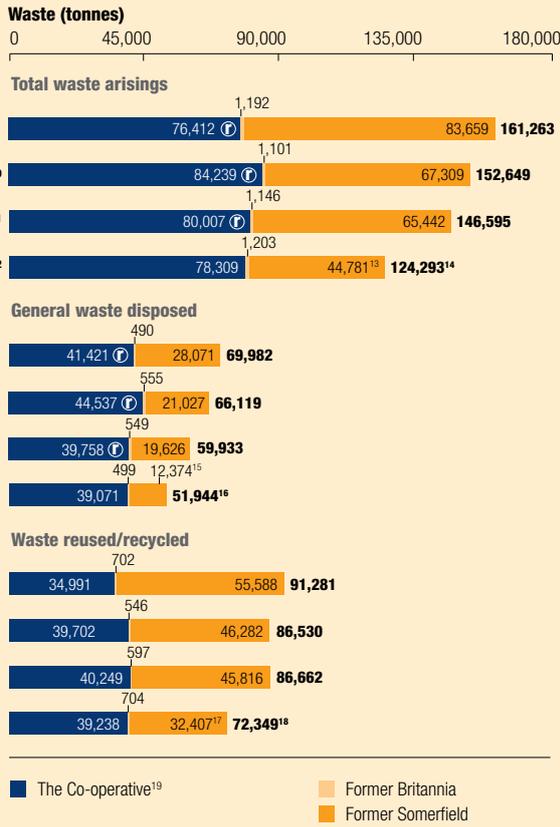
## Performance overview

The total reported waste arisings and general waste disposed from the former Co-operative estate has reduced by 5,900 tonnes (7%) and 5,500 tonnes (12%), respectively, since 2007. The reuse/recycling rate has remained stable at around 50%.

Total reported waste arising from former Somerfield has reduced by 38,900 tonnes (46%) since 2006; however, this is largely due to store disposals. Despite these reductions the recycling rate has increased by 6% since 2006 and in 2009 was 72%.

Total waste arisings and general waste disposed across former Somerfield and The Co-operative have reduced by 36,900 tonnes (23%) and 18,000 tonnes (26%), respectively, since 2006, whilst the reuse/recycle rate has remained stable at around 58%.

Performance overview



Reducing waste

Packaging waste

Following the end of the Courtauld agreement in 2009<sup>21</sup>, The Co-operative has pledged commitment to Courtauld II. Courtauld II will run from 2010 to 2012, with targets to reduce: the carbon impact of packaging, UK household food waste and waste in the supply chain.

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 considerations<sup>22</sup>.

In February 2007, The Co-operative Food announced a target to reduce own-brand primary packaging by 15% by 2010, based on 2006 levels<sup>23</sup> and, later that year, restated it to include transit packaging. At the end of 2009, The Co-operative Food had achieved a 12% reduction in own-brand primary packaging and a 25% reduction in transit packaging, resulting in a combined reduction of 16% (15,403 tonnes) and therefore meeting its 15% packaging reduction target.

Own-brand packaging reduction projects developed in 2009 by The Co-operative Food include<sup>24</sup>:

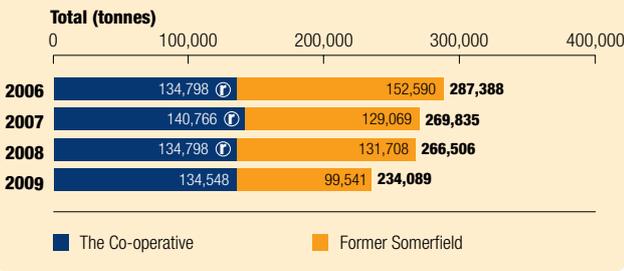
Initiative	Projected annual savings
Reduction in weight of laundry detergent and fabric conditioner plastic bottles and increase in concentration of these products.	44 tonnes of plastic per annum.
Reduction in weight of premium pasta sauce glass bottles.	29 tonnes of glass per annum.
Reduction in weight of 100g coffee glass jars.	21 tonnes of glass per annum.
Reduction in weight of plastic trays on a variety of fresh beef products.	15 tonnes of plastic per annum.
Reduction in weight of cardboard outer packaging and plastic film on frozen pizza from one supplier.	Five tonnes of card and plastic per annum.
Reduction in weight of plastic bottles and caps of various disinfectant products.	Three tonnes of plastic per annum.

In January 2010, one of The Co-operative Food's wine suppliers developed the world's lightest screw-cap bottle, which is 30% lighter than the average wine bottle.

Against the background of a 31% increase in sales at former Co-operative Food since 2007<sup>25</sup>, total primary packaging levels (branded and own-brand) have reduced by 5% (6,218 tonnes). This can be attributed, in part, to the packaging reduction projects progressed by The Co-operative Food, and is also a result of packaging reductions in branded products.

As glass accounted for 56% of primary packaging in 2009, it will continue to be a priority area for packaging reduction in 2010. Additionally, in line with Courtauld II's carbon reduction priorities, increasing the recycled content will also be an area of focus.

**Total primary packaging handled (tonnes)<sup>26</sup>**



**Primary packaging handled by material (tonnes)<sup>27</sup>**



**Food waste**

In the UK, 6.7 million tonnes of food is thrown away by households each year, approximately 60% of which could have been eaten. This equates to one-third of all food that households purchase. To reduce food waste generated by customers, The Co-operative Food and Membership teams delivered 46 'Watch Your Waste' events in 2009, in support of the 'Love Food, Hate Waste' campaign and the Courtauld Commitment<sup>28</sup>, exceeding the 2009 target. It is estimated that 4,600 members attended the events, which included advice on menu planning, the meaning of use by/sell by dates and food storage.



'Watch Your Waste' Membership event in Carlisle.

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. For example, messages on banana packaging are designed to ensure customers know to store the fruit at room temperature, and not put it in the refrigerator.

**Carrier bags**

The Co-operative Food and former Somerfield were signatories to a Government initiative to reduce the number of single-use carrier bags distributed to customers by 50% by May 2009, based on 2006 levels. Former Co-operative achieved a 60% reduction, and former Somerfield a 67% reduction for 2009 compared with 2006, with 334 million and 275 million single-use bags, respectively,

being distributed in 2009. Overall, the reduction in carrier bags in 2009 compared with 2006 was 63% (one billion carrier bags).

These reductions were achieved through a number of initiatives, including:

- The launch, in February 2007 in The Co-operative Food stores, of a reusable Fairtrade cotton carrier bag.
- The launch, in February 2007 in former Somerfield stores, of a free plastic bag for life for customers who recycled five single-use carrier bags.
- Use of in-store signage, radio and till-screen messages, communicating the benefits of reducing carrier bag usage, in a number of The Co-operative Food stores in November 2008.
- The removal of single-use bags from prominent display at checkouts in The Co-operative Food stores from April 2008 and training of employees to ask customers if they need a bag.
- The launch, in February 2009 in former Somerfield stores, of nylon and cotton bags for life, 560,000 of which were distributed in 2009.



The Co-operative bag for life.

**Travel brochures**

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 enabled The Co-operative Food to save 5,422 tonnes of cardboard in 2009<sup>29</sup>.



CFS donations of IT equipment: Items were sent to charities including Digital Links and NSPCC in 2009.

In 2009, CFS donated/sold for reuse 1,349 items of IT equipment, including monitors, PCs, laptops and printers equivalent to 15 tonnes. Donated items were sent to charities, such as Digital Links International and the NSPCC. CFS was the first British business 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<sup>30</sup>. In addition, The Co-operative head office passed 1,187 items, equivalent to 12 tonnes of IT equipment, to their asset management contractor for reuse.

## Recycling waste

### Cardboard and polythene

The largest streams of waste that are recycled by The Co-operative and former Somerfield are cardboard and polythene, accounting for 87% of the total tonnage of waste reused/recycled in 2009. ☉ The Co-operative Food recycled 33,448 tonnes of card and polythene in 2009<sup>31</sup> (2008: 34,184 tonnes). Although this is a slight reduction compared with 2008, it can be accounted for by the increased use of returnable crates, which has reduced the amount of cardboard waste generated by stores. In 2009, former Somerfield recycled 29,802 tonnes of cardboard and polythene.

### Packaging

The Co-operative manages compliance with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007<sup>32</sup> on behalf of much of the UK retail Co-operative Movement. Under these regulations, The Co-operative is obligated<sup>33</sup> 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 2009, The Co-operative entailed obligations in all of the six material-specific categories: paper (9,920 tonnes), glass (37,365 tonnes), aluminium (1,343 tonnes), steel (4,163 tonnes), plastic (7,500 tonnes) and wood (5 tonnes). In addition, it had a balanced recycling and recovery obligation of 10,580 tonnes<sup>34</sup>. Former Somerfield also entailed obligations in all of the six material-specific categories: paper (5,411 tonnes), glass (18,556 tonnes), aluminium (521 tonnes), steel (2,632 tonnes), plastic (4,119 tonnes) and wood (37 tonnes) and a balanced recycling and recovery obligation of 5,882 tonnes. For both The Co-operative and former Somerfield, these recycling obligations were 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) Regulations<sup>35</sup> in January 2007, producers and retailers in the UK are responsible for financing the environmentally sound disposal of WEEE. The Co-operative entails obligations as both a producer and distributor of electrical and electronic equipment. It is a member of the Valpak producer compliance scheme and the retailer take-back scheme, which help to ensure it meets the requirements of the regulations. The former Somerfield estate entailed obligations as a distributor only, and is a member of the Valpak retailer take-back scheme<sup>36</sup>. WEEE generated by The Co-operative's business activities will be taken back for recovery, reuse or recycling by suppliers as part of contractual agreements.

In 2009, The Co-operative recycled 1,917 tonnes of WEEE, including 1,884 tonnes of electrical equipment from The Co-operative Electrical, which were taken back at their end of life from customers; 11 tonnes of IT equipment from CFS; and 22 tonnes of IT equipment from the Manchester head office complex.

## Batteries

The Waste Batteries and Accumulators Regulations 2009 came into force on 1 February 2010. The Co-operative Food entails obligations as a distributor of batteries and is a member of the Valpak distributor compliance scheme. In line with the requirement of the regulations, all stores take back any brand of battery provided it is of a size sold by that store.

## Biodegradable waste

Some 95% of animal by-product food waste from The Co-operative Food (1,136 tonnes) and former Somerfield stores (729 tonnes) was recovered/recycled in 2009; for example, for use in pet food and as food for fishing bait<sup>37</sup>.

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, continued in 2009. 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, their use will be reassessed.

## The Co-operative recycling centre

In addition to the recycling obligations placed on The Co-operative by environmental legislation, office waste continued to be recycled through the recycling centre based at the Manchester head office complex. ☉ In 2009, the centre recycled a total of 786 tonnes (2008: 1,431 tonnes) of The Co-operative's waste<sup>38</sup>. The reduction in the tonnage recycled at the centre is, in part, due to cans, cups and bottles now being recycled by the general waste contractor for head office sites.

## Other recycled waste

Additional recycling to that sorted by The Co-operative recycling centre took place in 2009, including the recycling of:

- 703 tonnes of wood and 2,472 litres of solvent from The Co-operative Funeralcare.
- 882 tonnes and 704 tonnes of various streams, including paper, cardboard, cups, cans, bottles, furniture, toner and fluorescent tubes from CFS and the former Britannia estate respectively.
- 407 tonnes of various streams, including furniture, toner and fluorescent tubes from the head office buildings.

- 212 tonnes of tyres, oil and paints from The Co-operative Motor Group.
- 286 tonnes of travel brochures (2008: 194 tonnes), paper, cardboard and plastic from The Co-operative Travel.
- 218 tonnes of plastic sacks, containers, cardboard, tyres and oil from The Co-operative Farms.
- 94 tonnes of cardboard, plastic and paper from The Co-operative Electrical.
- 70 tonnes of cooking oil from The Co-operative Food and 918 tonnes from former Somerfield.
- 26 tonnes of cardboard from The Co-operative Pharmacy.
- 16 tonnes of cardboard from The Co-operative Clothing.
- Six tonnes of paper from The Co-operative Legal Services.

**Performance benchmark**

⦿ In 2009, former CFS reduced its overall waste arisings and recycled 897 tonnes (2008: 1,440 tonnes) of its waste (excluding general waste to landfill from the bank branches), resulting in a stable CFS reuse/recycling rate above 70%<sup>39</sup>. This recycling rate is considerably higher than that of the average office, which stands at 7.5%<sup>40</sup>.

**Recycled content in products and packaging**

Recycled content in own-brand products and in the packaging of own-brand products continues to be an area of focus. Two products – own-brand 100% recycled toilet tissue and kitchen towels – currently utilise waste paper from The Co-operative Recycling Centre as part of a closed-loop scheme. Recycled materials are also used in a number of own-brand packaging lines, including: the majority of green glass wine bottles, washing powder boxes and tissue boxes from one supplier<sup>41</sup>.

In addition, 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. Approximately 2,200, or two-thirds, of own-brand products now carry 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 recycled<sup>42</sup>.

**Waste disposal**

**Waste landfilled**

Business	Tonnes
⦿ The Co-operative Food	31,409 <sup>43</sup>
Former Somerfield	12,336 <sup>44</sup>
The Co-operative Pharmacy	2,851 <sup>45</sup>
The Co-operative Travel	1,158 <sup>46</sup>
The Co-operative Farms	1,118
The Co-operative Funeralcare	1,103 <sup>47</sup>
Former Britannia	499
The Co-operative Motor Group	367 <sup>48</sup>
Former CFS	278 <sup>49</sup>
The Co-operative Electrical	191
Manchester head office complex	161
Sunwin Cash in Transit	61 <sup>50</sup>
The Co-operative Clothing	16 <sup>51</sup>
The Co-operative Legal Services	15

In addition to waste disposed directly to landfill, The Co-operative Funeralcare sent 269 tonnes of clinical waste and one tonne of spray booth filters to be autoclaved/incinerated; The Co-operative Food and former Somerfield sent 60 tonnes and 38 tonnes of animal by-products respectively to be rendered/incinerated<sup>52</sup>; The Co-operative Motor Group sent 11 tonnes of hazardous waste, including spray booth filters and cleaning rags to be reprocessed and disposed; and The Co-operative Farms disposed of two tonnes of asbestos. 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 through the use of additives. The Co-operative Food introduced Britain's first degradable plastic carrier bag in 2002, and own-brand sliced bread bags and self-select fresh produce bags were made degradable in 2004 and 2006 respectively. New research commissioned by Defra in January 2010<sup>53</sup> found that the use of these additives to make packaging degradable has no environmental benefit and, as a result, The Co-operative has ceased to use them in its carrier bags. Work is underway to remove them from other grocery packaging.

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, biodegradability and recyclability in the choice of packaging of own-brand products.

**CFS and ethical finance**

**The Co-operative Asset Management overseas shareholder resolution**

In 2009, The Co-operative Asset Management (TCAM) was presented with one overseas shareholder resolution relating to waste and packaging, which called on Pepsico Inc. to publish targets to increase beverage container recovery and recycling rates in the USA. The resolution was supported.

## Community involvement

### Waste Works

In September 2007, The Co-operative Group opened Waste Works, an education facility based at The Co-operative Recycling Centre. The Waste Works facility is 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 Watch, and offers a curriculum-linked education programme to Key Stage 2 school pupils (aged 7–11) and community groups. As at January 2010, the facility has welcomed over 12,000 visitors.



Children enjoying workshop activities at the Waste Works Education Centre.

### Read more in this Report

- Support for Waste and Resources Action Programme (WRAP) Love Food, Hate Waste campaign (page 38).
- Energy use (page 58).

### Accompanying notes

- In line with WRAP's Courtauld II target and methodology.
- [www.defra.gov.uk/evidence/statistics/environment/waste](http://www.defra.gov.uk/evidence/statistics/environment/waste)
- Defra (2007) Waste Strategy for England, page 66.
- Sustainable Development Commission (2008) Green, Healthy and Fair, page 48.
- [www.defra.gov.uk/evidence/statistics/environment/waste/kt/wrkf19.htm](http://www.defra.gov.uk/evidence/statistics/environment/waste/kt/wrkf19.htm)
- [www.defra.gov.uk/environment/waste/topics/index.htm](http://www.defra.gov.uk/environment/waste/topics/index.htm)
- Materials Recycling Week, 13 November 2009, page 13.
- [www.defra.gov.uk/environment/waste/about/index.htm](http://www.defra.gov.uk/environment/waste/about/index.htm)
- 80% complete, with reliance on extrapolation at The Co-operative Pharmacy, The Co-operative Funeralcare and The Co-operative Travel.

- Ibid.
- 85% complete, with reliance on extrapolation at The Co-operative Pharmacy and The Co-operative Travel.
- Ibid.
- Reduction in waste arisings is largely due to store disposals.
- CFS total waste arisings in 2009: 2,378 tonnes (2008: 2,893 tonnes **♣**; 2007: 2,747 tonnes **♣** and 2006: 2,598 tonnes **♣**).
- Reduction in waste disposed is largely due to store disposals.
- CFS general waste disposed in 2009: 777 tonnes (2008: 856 tonnes **♣**; 2007: 891 tonnes **♣** and 2006: 826 tonnes **♣**). Excludes branch network waste to landfill data for the former CFS estate.
- Reduction in waste recycled is largely due to store disposals.

- CFS waste reused/recycled in 2009: 1,601 tonnes (2008: 2,037 tonnes **♣**; 2007: 1,906 **♣** and 2006: 1,772 tonnes **♣**).
- Includes The Co-operative and former United Co-operatives data, both before and after the 2007 merger.
- Includes former United Co-operatives data, both before and after the 2007 merger. Former Britannia data is included; this proportion is not presented separately as the percentage is negligible.
- The Co-operative 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.
- [www.co-operative.coop/corporate/sustainability/packagingpolicy](http://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, 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, 2007/08 and 2008/09 [www.co-operative.coop/corporate/sustainability/overview/downloads-and-archives](http://www.co-operative.coop/corporate/sustainability/overview/downloads-and-archives)
- In 2009, The Co-operative Food accounted for 98% of total packaging handled by The Co-operative.
- Data includes tonnages from co-operative societies that merged with United Co-operatives prior to its merger with The Co-operative. These include Yorkshire Co-operative Society from 2002 and Leeds Co-operative Society and Sheffield Co-operative Society from 2006.
- Includes the former Somerfield estate tonnages. Graph excludes wood and other packaging materials, such as cork, which account for very small tonnages.
- [www.wrap.org.uk/retail/case\\_studies\\_research/report\\_the\\_food\\_we.html](http://www.wrap.org.uk/retail/case_studies_research/report_the_food_we.html)
- Derived by assuming The Co-operative accounts for 77.6% of the Co-operative Retail Trading Group collections in 2009, based on the number of cases sent out through Regional Distribution Centres to each society.
- [www.tier1.com](http://www.tier1.com)
- 31,666 tonnes of cardboard and 1,782 tonnes of polythene, derived by assuming The Co-operative accounts for 77.64% of the Co-operative Retail Trading Group collections in 2009, 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 and former Somerfield are obligated as 'sellers' at 48%, pack/fillers at 37% and importers at 100%. The 2009 targets for materials were: glass (80%), paper (68.5%), aluminium (38%), steel (68.5%), plastics (27%) and wood (21%). Overall recovery (which includes energy recovery and composting) is set at 73%, 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 2009 was, therefore, based on 134,798 tonnes of packaging handled by The Co-operative and 131,708 tonnes of packaging handled by the former Somerfield estate in 2008.
- [www.opsi.gov.uk/si/si2006/ukSI\\_20063315\\_en.pdf](http://www.opsi.gov.uk/si/si2006/ukSI_20063315_en.pdf)
- The Co-operative producer obligation based on 2,876 items and distributor obligation based on 224,045 items of electrical and electronic equipment produced/sold in 2009. The former Somerfield distributor obligation based on 55,703 items of electrical and electronic equipment sold in 2009.
- As defined in The Animal By-Products Regulations 2005.
- 2009 figure includes various recyclates from CFS' main offices (537 tonnes) and the Manchester head office complex centre (249 tonnes).
- Excludes former Britannia.
- Envirowise 2008, GG256 Green Efficiency: running a cost-effective environmentally aware office. [www.envirowise.gov.uk/uk/Our-Services/Publications/GG256-Green-Officiency-Running-a-cost-effective-environmentally-aware-office.html](http://www.envirowise.gov.uk/uk/Our-Services/Publications/GG256-Green-Officiency-Running-a-cost-effective-environmentally-aware-office.html). CFS re-use/recycling rate: 2009: 76% (2008: 82%).
- Further details were reported in The Co-operative Group Sustainability Report 2008/09, page 82.
- Sanderson, P (2008) Recycling Logo aims to cut confusion, Materials Recycling Week, 11 April 2008, page 6.
- Including 29,056 tonnes of waste from Food stores and 2,353 tonnes of waste from Regional Distribution Centres, extrapolated from 97% and 40% samples respectively. It is estimated that 10,000 tonnes of The Co-operative Food's waste to landfill is food waste. This figure does not take into account food waste that is thrown away but not logged as being disposed of.
- From investigating a sample of former Somerfield bins, it has been estimated that 9,539 tonnes of the former Somerfield estates waste was food waste.
- Extrapolated from a 72% sample.
- Extrapolated from a 65% sample.
- Extrapolated from a 77% sample.
- Extrapolated from data for 50 weeks of 2009 from a 61% sample.
- Excludes bank branches.
- Extrapolated from data for 50 weeks of 2009 for a 57% sample.
- Extrapolated from data for 50 weeks of 2009.
- This represents the 5% of animal by-product waste (mainly contaminated packaging) that cannot be recovered/recycled.
- Defra (2010) Assessing the Environmental Impacts of Oxo-degradable Plastics Across Their Life Cycle <http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=16263#Description>

# Biodiversity

## Indicators

MSC-certified fish species sold

MCS 'Fish to Avoid' species sold

FSC-certified timber products sold

Use of palm oil in own-brand products

Peat content of growing media sold

Biodiversity initiatives

Biodiversity enhancement

## Targets 2009

- ← Progress the sourcing of sustainable palm oil within The Co-operative Food (page 77).
- ✓ Increase the number of Marine Stewardship Council (MSC)-certified fish products sold by The Co-operative Food (page 75).
- ✓ Agree funding for four UK fisheries to progress MSC certification (page 75).
- ← Achieve FSC certification for The Co-operative Food's greaseproof paper by 2010 (page 77).
- ✓ Raise, through the RSPB credit card, £400,000 for Britain's threatened wetlands during 2009 (page 79).
- ⊞ Progress wildflower seed trials on The Co-operative Farms' sites as part of Plan Bee, during 2009 (page 78).
- ✓ Ensure 50% of The Co-operative Travel's point-of-sale material is FSC-certified by end 2009 (page 77).

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

## Targets 2010

- Ensure all own-brand fish products are labelled as 'Responsibly Sourced'.
- Ensure no own-brand products contain fish from the Marine Conservation Society's (MCS's) 'Fish to Avoid' list.
- Ensure palm oil used in all own-brand products is 100% certified sustainable palm oil (CSPO) by 2015.
- Complete the conversion of at least 15 own-brand products to CSPO during 2010.
- Progress wildflower seed trials on The Co-operative Farms' sites, as part of Plan Bee, during 2010.
- Pursue 'Graduate Status' for The Co-operative Food within the WWF-FTN in 2010.
- Raise, through the RSPB credit card, £400,000 for Britain's threatened wetlands during 2010.
- Ensure 90% or more of The Co-operative Travel's point-of-sale material remains FSC-certified during 2010.
- Achieve FSC certification for The Co-operative Food's greaseproof paper during 2010.

## Background

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. Furthermore, it suggested 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 underway<sup>1</sup>. A recent Natural England report identified nearly 500 plants and animals that have become extinct in England, virtually all in the last two centuries. Nearly 1,000 native species have also been given conservation priority status because of the severity of the threats facing them<sup>2</sup>.

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"<sup>3</sup>.

## Materiality and strategy

In the most recent ethical policy consultations undertaken for the food, banking and investments businesses, members and customers indicated their wish for The Co-operative to pursue measures to protect and promote biodiversity. As one of the country's largest farmers, The Co-operative has a direct impact on the UK's biodiversity. In total, over 20,000 hectares of land are farmed at 13 farm units in England and Scotland (of which over 10,000 hectares are owned by The Co-operative). Furthermore, implementation of a far-reaching Pesticides Policy, which has significant implications for biodiversity, is described on page 83. The business also exerts a significant impact on biodiversity via the products offered by The Co-operative Food, CFS' provision or non-provision of finance to businesses and its engagement with businesses to promote sustainability.

## 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. According to the United Nations Food and Agriculture Organisation, ocean fisheries appeared to reach maximum productivity limits in the late 1980s, and strong regional fishery management is now required to rebuild depleted stocks and prevent the collapse of other stocks.



Since 1998, The Co-operative Food has been a supporter of the Marine Stewardship Council (MSC) – an independent, global, non-profit organisation that uses a market-based approach to help improve the management practices of fisheries.

⊞ During 2009, the number of Co-operative Food own-brand products containing MSC-certified fish increased from 14 to 18<sup>4</sup>. The four MSC-certified products launched during 2009 were: Alaskan pollock fishcakes, hoki in parsley sauce, fresh hake Provençal and hake fillets. ⊞ In 2008, The Co-operative ring-fenced £200,000 to support the certification of UK fisheries to the MSC standard. Over half of this was committed in 2009 to support six fisheries through full MSC assessment, and the pre-assessment of a further one. Support has been provided to fisheries throughout England and Scotland, which include a wide variety of commercially valuable fish and shellfish species. Additional candidates for certification will be sought during 2010.

## Performance benchmark

The Co-operative Food was ranked first out of eight retailers in the Marine Conservation Society (MCS) 2009 Supermarket Survey. The Co-operative was praised for eliminating all fish from MCS's list of 'Fish to Avoid' from its shelves; for selling the largest volume of seafood from the 'Fish to Eat' list; for its campaigning work to bring about marine reserves; and its financial support to enable UK fisheries to become more sustainable.

### Top five results in the MCS 2009 Supermarket Survey

Ranking	Supermarket	Survey score
1	The Co-operative	80%
2	Sainsbury's	77%
3	Waitrose	75%
4	Marks & Spencer	75%
5	Morrisons	68%



Six fisheries were supported through MSC certification in 2009.

A Responsible Sourcing Policy<sup>5</sup> for both wild and farmed fish species 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 IUCN Red List, as well as stock assessments from NGOs, such as the MCS and Greenpeace.

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 standards<sup>6</sup>. Drift nets are not used to catch tuna<sup>7</sup>, nor are fish caught using the method known as 'setting on dolphins'<sup>8</sup>.
- The Co-operative Food buys most of its fresh salmon and trout from farms. Salmon is sourced from farms in Scotland and trout is sourced from a single farm in Southern England. In 2009, 49% (2008: 41%) of trout sold was farmed organically. Both conventional and organic farmed fish is produced to strict codes of practice, which cover aspects such as sourcing, feed, 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. The Co-operative Food continues to work with the industry to develop analogous systems for other farmed fish species.

- In 2007, huss (dogfish), skate and wild warm-water prawns were removed from all own-brand products stocked by The Co-operative Food. All warm-water prawns are sourced from well-established farms in Indonesia and Thailand, which are Global Aquaculture Alliance (GAA) certified. Farms in areas of mangrove forest depletion are not used.
- The MCS fishonline website rates fish species on a scale of one to five, where one is the most, and five the least, sustainable. Cod is rated four; however, The Co-operative Food's cod is sourced from fully exploited, but well-managed, Icelandic stocks. Haddock is also rated as four if caught from Faroese and west coast of Scotland fisheries. In 2008, The Co-operative Food replaced Faroese 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 2008<sup>9</sup>.

## Performance benchmark

In early 2010, The Co-operative Food was named as a 'Seafood Champion' by the Seafood Choices Alliance, a US-based organisation that campaigns to improve the sustainability of the global seafood sector. The award provides international recognition for outstanding leadership in promoting environmentally responsible seafood.

## 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.

The Co-operative Food is a member of the WWF-UK Forest and Trade Network (FTN), and reports that it purchased 30,800m<sup>3</sup> of timber products<sup>10</sup> in 2009 (2008: 33,200m<sup>3</sup>). As a member of the WWF-UK FTN, The Co-operative Food submits an annual report detailing its consumption of virgin and recycled forest products over the last year, together with an action plan containing at least three SMART 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 2009, The Co-operative Food reported that, once again, all wood products were of known origin and there was credible evidence of legal harvesting. Of this, 93% (2008: 96%) 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 6% sourced from recycled post-consumer waste (2008: 3%)<sup>11</sup> and 1% was known, legal-source virgin material, such as that certified by the Programme for Endorsement of Forest Certification (PEFC) Scheme. The Co-operative Food will pursue FTN Graduate Status during 2010. This confirms and recognises the achievements of members whose trade by volume in forest products is consistently more than 95% credibly certified and/or recycled post-consumer material. Graduate members are exempt from reporting, other than to confirm that their position remains unchanged.

### Total percentage of own-brand forest products supported by FSC certification

2006	2007	2008	2009
36%	67%	96%	93%



Amongst a plethora of forestry standards, FSC is probably the most respected by independent experts and campaigners. FSC-certified products sold by The Co-operative Food include: barbecue charcoal, wooden kitchenware, paper stationery, household paper, bagged growing media and wrapping paper. 2009 saw the launch of FSC-certified own-brand gift and bottle bags, and flushable bathroom and toilet wipes. In 2010, the business will begin the conversion of own-brand corked wines to use FSC-certified cork. Sourcing these corks will help preserve Mediterranean cork forests which offer a unique ecosystem and are rich in biodiversity<sup>12</sup>. The business will also continue to work with suppliers to achieve FSC certification of greaseproof paper.

The refurbishment of seven bank branches and one corporate banking centre in 2009 involved the use of FSC timber. In 2009, The Co-operative Funeralcare's FSC-certified foil on chipboard coffin range<sup>13</sup> made up approximately 44% of all coffins manufactured. Around 7% of coffins manufactured were either from solid wood<sup>14</sup>, sustainably grown wicker or recycled cardboard<sup>15</sup>. The remaining 49% was made up of a veneer coffin range. In 2009 The Co-operative Funeralcare manufactured approximately 100,000 coffins and caskets. During 2009, more than 50% of The Co-operative Travel's printed point-of-sale material was FSC-certified.

### Carbon offset

In 2009, in connection with The Co-operative's carbon offset programmes (page 64), £251,000 (2008: £136,000) supported reforestation in Kibale Forest National Park, Uganda. In 2009, reforestation, again, accounted for 20% of The Co-operative's offsets, and will continue to do so; given this is the commonly accepted level of CO<sub>2</sub> emissions attributable to deforestation and land use change. In total, the restoration of over 370 hectares of rainforest has been supported (since 2001) at a cost of £850,900. The areas planted on behalf of The Co-operative 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 work with villagers living near Kibale are given on pages 26–27. The project area has attained certification from the FSC, with the most recent audit highlighting several strengths in relation to biodiversity, including wetland conservation and the success of restoration activities.

### 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, and in the rapidly expanding biofuels industry. Globally, use is predicted to double by 2030 and triple by 2050 compared with 2000<sup>16</sup>. A report published by the United Nations Environment Programme (UNEP) in 2007 claims that palm oil plantations are now the leading cause of rainforest destruction in Malaysia and Indonesia<sup>17</sup>.

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 tonnes. In 2008, The Co-operative Food re-issued its product composition document, requiring all suppliers to provide data on the sources of palm oil and derivatives used in own-brand products<sup>18</sup>.

The business has been speaking with major palm oil suppliers regarding the availability of certified sustainable palm oil (CSPO), as developed by the Roundtable on Sustainable Palm Oil initiative (RSPO). Auditing of RSPO supply chains began in January 2008, with the first supplies becoming available late in 2008. In 2009, The Co-operative joined the GreenPalm web-based CSPO-certificate trading platform, but did not progress the actual sourcing of sustainable palm oil. 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 usage in products. These certificates can then be redeemed to show how a business is 'promoting the production of RSPO-verified sustainable palm oil'. Targets have been set to use only CSPO in all own-brand products by 2015 and for the conversion of products containing palm oil in 2010.

### Performance benchmark

In the 2009 WWF palm oil scorecard, The Co-operative Food was rated 19th out of 59 companies<sup>19</sup>. The Co-operative was well rated for its palm oil sourcing policy, but was marked down for not having a public, time-bound, targeted plan to use CSPO and for not using any CSPO at the time of the survey – issues that have subsequently been acted upon.

### Top five results, plus The Co-operative, from the 2009 WWF Palm Oil Buyers Scorecard

Ranking	Business	Score
1	Sainsbury's	26
2	Marks & Spencer	25.5
3	Migros	25
4	Young's/Findus	25
5	Unilever	24.5
19	The Co-operative	13

### Peat stewardship

#### 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 multipurpose compost. Sustainable alternatives are available, for which there has been limited uptake to date. The Co-operative Food's long-term goal is to meet the Government's 2010 target to completely phase peat out of the amateur gardener market by 2020<sup>20</sup>. To comply, The Co-operative Food has established annual dilution targets for peat. In 2009, The Co-operative Food sold 9,072m<sup>3</sup> of peat-related products (2008: 13,210m<sup>3</sup>) of which 36% was peat<sup>21</sup> (2008: 35%). The decrease in peat sales is believed to be a result of the poor weather conditions throughout 2009.

During 2009, plant baskets and tubs successfully used composted flower waste as growth media; this continued into 2010. The Co-operative 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.

#### Peat content (%) in own-brand products

Co-operative Organic Peat-Free Compost (40L)	0%
Co-operative Professional Multipurpose Compost with Added John Innes (50L)	27%
Co-operative Multipurpose Compost with Forest Gold Plus (20 and 70L)	40%
Co-operative Professional Growing Planter with Forest Gold Plus (28L)	40%
Co-operative Professional Bedding Plant Compost with Forest Gold Plus (20L)	40%
Co-operative Professional Decorative Bark Chips (70L)	n/a

#### 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, providing a home for populations of breeding birds, such as merlin and golden plover<sup>22</sup>, and nationally rare and significant plant communities. They are also an important recreational resource, with up to 22 million day visits being made every year<sup>23</sup>. Moors for the Future is Britain's largest upland conservation partnership project, implementing conservation, research and awareness-raising work in the Peak District. In spring 2009, The Co-operative Foundation, a charitable trust solely funded by The Co-operative (page 17), provided £78,290 to Moors for the Future for a project to develop a method for large-scale cultivation and spreading of Sphagnum moss<sup>24</sup>. The loss of Sphagnum has been a major factor in the erosion of blanket peat in the South Pennines<sup>25</sup>. The project is due for completion in 2011.



The Moors for the Future blanket peat restoration project in the South Pennines.

## Land stewardship

### The Co-operative Farms

In 2009, The Co-operative Farms managed a total of 20,726 hectares of land on a variety of different agreements. Of this land, 10,699 hectares were owned by The Co-operative. Of the land farmed as The Co-operative Farms, 10,070 hectares were intensively cultivated and 262<sup>26</sup> hectares were either unintensively cultivated or left fallow. Annual hedge cutting ended around 20 years ago, and hedges are now only cut every second or third year and are cut in late winter to allow the birds to harvest berries before cutting. A large, well-grown hedge also offers secluded nesting sites, and leaving a grass bank at the base of the hedge provides opportunities for ground-nesting birds. A significant number of grass field margins have been established on The Co-operative Farms as part of a commitment to the Defra Environmental Stewardship scheme<sup>27</sup>. 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 2009, 9,776 hectares (2008: 10,908 hectares)<sup>28</sup> of land, 94% of the total owned and intensively farmed, were managed under the Entry Level Stewardship (ELS) scheme. In 2009, grass margins accounted for over 243 hectares<sup>29</sup> (2008: 265 hectares) of the intensively cultivated land total.

Soil is a fundamental natural resource and provides essential support for biodiversity<sup>30</sup>. In 2009, a soil management refresher course was held for farm managers and assistant managers. Training covered the ways in which soil can be damaged, measures that can be taken to minimise damage (eg, correct choice of tyres and tyre pressures on farm machinery), and identification of damage and methods used to rectify it. Soil management was also included in the syllabus of a two-day agronomy induction programme for trainee arable managers joining the business during 2009. Managers were updated on changes to cross-compliance rules throughout 2009. In England, cross-compliance comprises 36 Good Agricultural and Environmental Condition standards and Statutory Management Requirements that set out requirements for farmers to protect soils and maintain a range of both habitat and landscape features.

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 is put in place each year.

🔄 As part of Plan Bee (page 80), The Co-operative Farms began a three-year project in 2009 to evaluate the benefit, to bees and other pollinators, of growing wildflowers in farm field margins. The research is taking place at two Co-operative Farms – Down Ampney and Stoughton<sup>31</sup>. The first wildflower seed mix was sown in April 2009; however, growth was disappointing due to wet weather, and both sites were replanted in September 2009. Final results for the impact on farm honeybee numbers will be available in autumn 2012.

#### 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. In 2009, the juice from these apples was used to produce The Co-operative Truly Irresistible English sparkling apple crush (750ml and 330ml).



Tillington Hills apple crush, part of The Co-operative's 'Grown by us' range.

### Support for organics

Organic produce is grown using a highly restricted range of pesticides and fertilisers. During 2009, the range of organic products offered within The Co-operative Food decreased (from 766 to 640), whilst sales decreased by 14% to £25m (2008: £28.9m). Own-brand organics accounted for 14% of the organic range at the end of 2009 (2008: 12%). 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 83.

## CFS and ethical finance

### Bank screening of finance

During 2009, 76 finance opportunities (2008: 43) were referred to the Ethical Policy Unit in connection with biodiversity, of which two were declined at a cost of £19,000 in terms of estimated income foregone in 2009.

### Biodiversity-related business declines 2009

	Estimated income foregone 2009
<b>Timber merchant</b> Banking facility for a business engaged in sourcing teak hardwood from Burma, and threatened species classified as 'vulnerable' <sup>32</sup> (eg, African Walnut, Brazilian Mahogany).	£10,000
<b>Equipment supplier</b> £200,000 lending to a business engaged in the manufacture and installation of small-scale palm oil processing mills in West and Central Africa. The business failed to incorporate sustainability matters into its proposition; in particular, the potential for the development of palm oil plantations to contribute to further deforestation.	£9,000

### Bank finance for business positively impacting on biodiversity

Banking support was provided to a co-operative engaged in reforestation projects involving smallholders in the Bolivian Amazon. Separately, banking services were provided to a manufacturer of furniture from recycled timber.

### The Co-operative Asset Management engagements

#### Neonicotinoid pesticides

The use of pesticide products containing neonicotinoids is considered to be a potential contributory factor in the decline in bee numbers across the world (page 80). Licences for neonicotinoids have been partly suspended in Germany, Italy and Slovenia, whilst their use in France has been restricted for a number of years. The Co-operative Asset Management (TCAM) is an investor in Bayer AG, the largest manufacturer of neonicotinoid pesticides. In 2009, TCAM engaged Bayer on the use of neonicotinoid pesticides on plants where bees are known to forage and urged Bayer to consider the implications arising from a restriction on such usage. Engagement is ongoing in 2010.

#### Forest stewardship

In 2009, TCAM endorsed the Forest Footprint Disclosure Project, an investor initiative, which is calling on businesses to disclose how their activities and supply chains contribute to deforestation. Two hundred companies from the Fortune Global 500 and FTSE 350, which were considered likely to have significant 'Forest Footprints' (particularly in tropical forests), were invited to participate.

TCAM subsequently selected eight businesses<sup>33</sup> in which it invests, where the issue was considered material for the company or significant in terms of likely forest footprint, and contacted them to prompt them to participate, prior to further engagement in 2010.

### The Co-operative Asset Management overseas shareholder resolutions

In 2009, TCAM was presented with three overseas shareholder resolutions relating to biodiversity, all of which were supported.

Company	Resolution	Vote registered
R R Donnelley & Sons, International Paper Co	To report on sustainable forestry practices.	Supported
Stora Enso	To cease procurement of timber from certain forests designated as rare wilderness areas.	Supported

### RSPB credit cards

Wetlands are an important and productive habitat, but are under threat from the demand for water, poor land management, agricultural drainage and housing development. Between 1999 and 2009, over £5.2m was raised for Britain's threatened wetlands via the Royal Society for the Protection of Birds (RSPB) credit cards (£408,912 during 2009<sup>34</sup>). Monies raised by the card are used for the creation and management of wetlands in the UK; £20,000 is required to manage 100 hectares of reedbed for one year. Nationally, the RSPB manages over 6,000 hectares of wetland and almost 4,000 hectares of reedbed and fens.

## Woodland Trust credit cards

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 Woodland Trust affinity 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 £91,000 (£30,908 in 2009), enough to help the Woodland Trust plant almost 12,000 trees.

## Bonus Account

The bank offers a youth account in support of animal welfare and conservation. Since 2003, the Bonus Account, in partnership with the Born Free Foundation, has provided £156,357 (£31,419 in 2009) 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.

## Influence and action

### Plan Bee

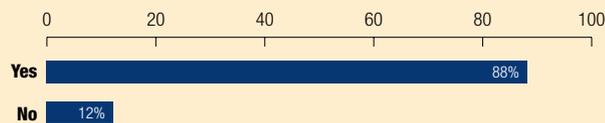
In January 2009, The Co-operative launched Plan Bee, a 10-point plan<sup>35</sup> to highlight the decline of the honeybee population. Plan Bee is centred on taking action on pesticides (see page 84), the funding of research into the causes of the decline in bee numbers and encouraging Co-operative members to take action in their own gardens.

### InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted 5–11 April 2009 (page 111).

**Question: 'UK bees are in decline – do we need to act now?'**

(total responses: 413,201)



During 2009, over 300,000 packets of wildflower seeds were distributed to members and customers. The flowers, once grown, will provide nutrition for bees. In February 2009, 3,500 members also attended Plan Bee launch events. These featured a screening of 'Vanishing of the Bees'<sup>36</sup>, a film about the declining bee population, and gardening advice from the RSPB's Homes for Wildlife unit. The film went on general release in the UK in October 2009 and was screened 98 times across 41 venues. Additionally, a street theatre production called 'Honey'<sup>37</sup> was supported at 17 festivals across the country.

The Co-operative Food developed a Plan Bee trailer for its Good with Food roadshow, which toured UK county and royal shows during 2009. The trailer raises awareness of the decline in bee numbers and provides practical advice on supporting bees in gardens. In total, 1.4 million people were given the opportunity to learn more about bees and how to support them through the roadshows. Other campaign initiatives include:

- Research underway to map native bee populations in the UK, and investigate the impact of pesticides on bees.

- The development of a wildflower seed mix, best suited for honeybees, to be grown on The Co-operative Farms is also underway, with seed trials carried out during 2009. The Co-operative Farms has over 500 hives across six of its farm units.
- A series of urban beekeeper training workshops, held between April and September, has provided training and materials to over 100 individuals in the Greater Manchester area.
- Additionally, in October 2009, The Co-operative launched a petition urging the Government to carry out a systematic review of the impact of pesticides on bees. As at December 2009, the petition contained 3,355 signatures.



Liam Gallagher voices his support for Plan Bee.

## Marine reserves

The Marine and Coastal Access Bill, announced in the Queen's Speech in December 2008, offered 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'.

Following the Queen's Speech, The Co-operative and the Marine Conservation Society (MCS) launched a new campaign calling for 'Marine Reserves Now!' Via a campaign website<sup>38</sup>, 4,258 members, customers and supporters were mobilised to write to their MP and call for the Marine and Coastal Access Act to include a statutory 'duty' to designate an 'ecologically coherent network' of Marine Protected Areas; recognise Highly Protected Marine Reserves (no-take reserves closed to commercial fishing); and recognise the general offence of 'damage' to a marine conservation zone (MCZ) to be extended to include reckless, as well as intentional, damage. The letter also called for political parties to adopt a policy/manifesto commitment for 30% Highly Protected Marine Reserves to be achieved by 2020 and attracted the signatures of 233 MPs to Early Day Motion (EDM) 337, making it the 15th most popular EDM from the 2,421 tabled during the 2008/09 parliamentary session.

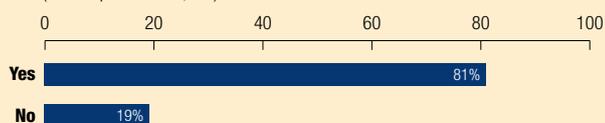
Throughout 2009, several meetings were held with the Fisheries Minister, Defra civil servants, the Shadow Environment Minister and key MPs to set out concerns with the then drafting of the Bill and to progress amendments.

In October, a letter from The Co-operative, Greenpeace, MCS and Marinet/Friends of the Earth was sent to cabinet ministers calling for the Bill's provision with regard to Highly Protected Marine Reserves to be strengthened. The letter highlighted the support of over 500,000 Co-operative Food customers who had voted to support the introduction of marine reserves.

## InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted 25–31 January and 30 August–5 September 2009 (page 111).

**Question: 'I support marine nature reserves to protect UK sea life'**  
(total responses: 649,327)



In November 2009, the Marine Act received Royal Assent and became law. Campaign successes included: the introduction of a 'duty' on Government to designate MCZs, with accompanying guidance stating that designation must contribute to an 'ecologically coherent network by 2012'; the offence of damaging an MCZ being amended to include reckless damage; a power to enable Government to remove the sea fishing defence loophole after the EU Common Fisheries Policy has been revised; and assurances that revised guidance will include a strengthened commitment to introducing Highly Protected Marine Reserves as part of the MCZ network.

### Deforestation

World forests are disappearing at the rate of 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', 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 committed £20,000 to support research by the RSPB into addressing deforestation in Sierra Leone. The project has initiated a review of forestry and wildlife laws to support sustainable financing, carbon trading and conservation, and helped establish a 200km<sup>2</sup> 'Transboundary Peace Park' between Sierra Leone and Liberia<sup>39</sup>. The project will initiate a pilot carbon project in the Gola Forest and surrounding community forests within Sierra Leone. The Co-operative's wider approach to climate change, including avoided deforestation, is further described on pages 57–68.

### Read more in this Report

- The Co-operative Food Pesticide Policy (page 83).
- Organic protein and dairy products (pages 31–34).
- Traditional animal breeds (pages 31–33).
- Climate change and deforestation (pages 57–68).
- Plan Bee: campaign to highlight the decline of the honeybee – prohibited pesticides (page 84).

### Accompanying notes

- |   |  |
|---|--|
| <p>1 WWF (2008) 2010 and beyond – Rising to the Biodiversity Challenge.</p> <p>2 Natural England (2010) NE233 – Lost Life: England's lost and threatened species.</p> <p>3 Birdlife International (2007) Wellbeing Through Wildlife in the EU.</p> <p>4 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</p> | <p>peppered smoked mackerel (not labelled MSC-certified); ready-to-eat smoked mackerel (not labelled MSC-certified); smoked kippers (not labelled MSC-certified); frozen salmon fillets; frozen hake Provençal; Alaskan pollock fishcakes; hoki in parsley sauce; hake Provençal; and hake fillets.</p> <p>5 Further information on The Co-operative Food's guide to the responsible sourcing of fish is available at <a href="http://www.co-operative.coop/food/food-and-drink/food/own-brand-fish">www.co-operative.coop/food/food-and-drink/food/own-brand-fish</a></p> <p>6 The Earth Island Institute monitors this claim. <a href="http://www.earthisland.org">www.earthisland.org</a></p> |
|---|--|

- 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.
- 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.
- 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.
- Data has not been verified by WWF-FTN.
- 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.
- [http://assets.wwf.org.uk/downloads/gftn\\_winter\\_newsletter\\_final.pdf](http://assets.wwf.org.uk/downloads/gftn_winter_newsletter_final.pdf)
- FSC mixed source 50% SW-COC-003477.
- The majority of which are made using mahogany or American red oak.
- Wood-grain effect cardboard contains 25% recycled content; white cardboard contains 63% recycled content.
- [www.greenpeace.org.uk/forests/palm-oil](http://www.greenpeace.org.uk/forests/palm-oil)
- C Nellemann, L Miles, BP Kaltenborn, M Virtue and H Ahlenius (Eds) (2007) The last stand of the orangutan – State of emergency: Illegal logging, fire and palm oil in Indonesia's national parks, United Nations Environment Programme.
- The product composition document requests that, for all new products and re-labelling of existing products, suppliers consider other types of oils, ideally from non-tropical sources before palm oil, in the formulation of a product, 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 Technical Manager, although, in these cases, sustainable palm oil will be a requirement.
- Fifth out of nine UK food retailers.
- [www.defra.gov.uk](http://www.defra.gov.uk)
- Includes bagged compost and compost for household and bedding plants.
- [www.jncc.gov.uk/default.aspx?page=2001](http://www.jncc.gov.uk/default.aspx?page=2001)
- 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](http://www.peakdistrict.gov.uk/tourism.pdf)
- 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 decompose, thus forming peat.
- 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.
- The amount of set-aside was significantly reduced in 2009 to 25 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.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx](http://www.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx)
- 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.
- This figure varied throughout 2009 as a result of land sales.
- Defra (2009) Safeguarding our Soils: A Strategy for England.
- Eight plots of fallow land, measuring 6m wide by 30m long, will be used on each site for the trial.
- Species are classified as 'vulnerable' by the IUCN Red List of Threatened Species that face a high risk of extinction in the wild in the medium-term future.
- BP, Cadbury, Home Retail Group, Next Retail, Reckitt Benckiser, Marks & Spencer, Whitbread and Tesco.
- Over £7.6m has been raised since 1989.
- [www.co-operative.coop/planbee](http://www.co-operative.coop/planbee)
- [www.vanishingbees.co.uk](http://www.vanishingbees.co.uk)
- [www.pif-paf.co.uk/shows.php](http://www.pif-paf.co.uk/shows.php)
- [www.marinereservesnow.org.uk](http://www.marinereservesnow.org.uk)
- [www.birdlife.org/news/news/2009/05/peace\\_park\\_west\\_africa.html](http://www.birdlife.org/news/news/2009/05/peace_park_west_africa.html)

# Persistent, bioaccumulative and toxic (PBT) chemicals

## Indicators

PBT chemicals reduction: food

PBT chemicals reduction: non-food

PBT chemicals reduction: goods not for resale

## Targets 2009

-  Complete the roll-out of The Co-operative Food's Pesticides Policy across all frozen vegetable and potato categories, using a web-based pesticides portal system to aid delivery (page 84).
-  Review The Co-operative Food's pesticides residue testing programme to increase the scope of testing, and improve results analysis and online reporting (page 84).
-  Progress the development of a Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) database within The Co-operative Food (page 83).
-  Review the European Chemicals Agency (ECHA) list of substances of very high concern (SVHCs) and amend The Co-operative Food's Chemicals Strategy as required (page 83).
-  Identify whether any products on sale within The Co-operative Food contain 0.1% or more of SVHCs by 2011 and notify ECHA (page 83).

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

## Targets 2010

- Complete the roll-out of The Co-operative Food's Pesticides Policy across frozen vegetable categories.
- Review The Co-operative Food's pesticides residue testing programme to increase the scope of testing, and improve results analysis and online reporting.
- Progress the development of a REACH database within The Co-operative Food.
- Extend the range of household products accredited to the EU Eco-label standard.

## Background

Over 100,000 synthetic chemicals are registered for use in the EU<sup>1</sup> and more than 400 million tonnes are produced globally each year<sup>2</sup>. However, minimal, or no, toxicity data exists for the majority of these chemicals, and most have never been adequately assessed for their human and environmental safety<sup>3</sup>.

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

The Co-operative Food and The Co-operative Farms consider safe management of synthetic chemicals as a priority.

In the latest ethical policy consultations undertaken for banking and investments, members and customers indicated their wish for the former to avoid finance to businesses involved in the production of PBT chemicals and the latter to use its power as an institutional investor to end the production of such chemicals. In the 2007 Co-operative Food Ethical Policy consultation (page 11), 98% of members endorsed the commitment to continue to be the UK's leading retailer in the removal of substances of concern, particularly additives and pesticides. Additionally, bank customers voted to ensure that their money would not be invested in businesses whose core activities contribute to the development of nanotechnology in circumstances that risk damaging the environment or compromising human health.

## 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). In addition, chemical groups for which there was emerging evidence of problematic impact (such as Bisphenol A and PVC) were also selected. The list is reviewed, and new chemicals added as merited, with the precautionary principle<sup>4</sup> 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 in the online version of this report . More than 45 chemical groups are now listed for screening, although, in some cases, legislation has severely restricted the options for usage; for example, cadmium<sup>5</sup>.

Detailed on page 83 are examples of recent decisions taken and their rationale, in connection with chemicals where there is concern but, as yet, no internationally established consensus.

In 2008, The Co-operative Food launched an own-brand ecological cleaning range consisting of seven products – laundry powder, laundry liquid, fabric conditioner, all-purpose cleaner, washing-up liquid, toilet cleaner and dishwasher tablets. At the time of launch, the range was the only brand in the UK to carry both the EU's Eco Flower logo and the BUAV 'Cruelty-Free' logo.

## Examples of decisions taken on chemicals listed for priority action

Chemical	Issue	Action taken
<b>Perfluorooctanoic acid (PFOA)</b>	A key processing agent in making non-stick and stain-resistant materials. Bioaccumulative and has been linked to reproductive problems <sup>6</sup> .	Removed from all non-stick bakeware in 2004.
<b>Perfluorooctane sulphonates (PFOSs)</b>	Persistent in the environment, bioaccumulative in the fatty tissue of living organisms and are toxic to humans and wildlife <sup>7</sup> . Present in polishes, paints and general-use cleaning fluids.	In 2008, removed from all of The Co-operative Food's own-brand products.
<b>Formaldehyde</b>	Carcinogenic to humans <sup>8</sup> . Used in household products, such as washing-up liquid, as a preservative.	Removed from all own-brand household products in January 2008.
<b>Phthalates – Diethyl phthalate (DEP), dibutyl phthalate (DBP) and diethylhexylphthalate (DEHP)</b>	Suspected of disrupting the body's hormone system <sup>9</sup> . DBP and DEHP are used as plasticisers in plastics and DEP is used in perfumes.	Removed from own-brand clingfilm and children's toys in 2003. DEP has not been used in own-brand products since 2005.
<b>Triclosan, often marketed under the name Microban®</b>	An antibacterial agent used in cleaning agents and toothpastes. Concerns exist about bioaccumulation <sup>10</sup> and the development of antibiotic resistance <sup>11</sup> .	Removed from all own-brand products in 2002.
<b>PVC (polyvinylchloride)</b>	A plastic with a wide variety of uses. If burned, can release toxic chemicals, including dioxins. These chemicals can bioaccumulate, and contribute to problems in development, reproduction, growth and behaviour <sup>12</sup> .	PVC is thought to account for only 1% of own-brand packaging, and is only used by permission where no alternative exists.
<b>Bisphenol A (BPA)</b>	Used in the manufacture of the plastic polycarbonate and as a can lining and a seal for jars. Believed to be a hormone disruptor <sup>13</sup> .	Since March 2004, all baby bottles sold have utilised polypropylene. To date, a solution for can linings and jar seals has not progressed.
<b>Parabens</b>	Widely used as a preservative in cosmetics and toiletries. Suspected to be hormone disruptors and carcinogens <sup>14</sup> .	As of 2005, progressive phase-out has commenced; however, currently, there are no suitable alternatives for 'leave-on' applications.
<b>Brominated flame-retardants, specifically polybrominated diphenyl ethers (PBDEs)</b>	Some specifically polybrominated diphenyl ethers (PBDEs) are known to bioaccumulate <sup>15</sup> .	Removed from all own-brand textiles with the application of the OekoTex Standard for human ecological safety of textiles.
<b>Artificial perfumes</b>	Used in a variety of household products. The two main groups, nitro musks and polycyclic musks, have been shown to be persistent and bioaccumulative <sup>16</sup> .	Nitro musks were removed from own-brand products in 2004 and polycyclic musks were removed in 2005.



The Co-operative Food's own-brand ecological cleaning range.

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)<sup>17</sup> is a European regulation that came into force in June 2007, the implementation of which will be phased in over an 11-year period until 2018<sup>18</sup>. The Co-operative supports the overall principles and objectives of the regulation and campaigned for its introduction in 2003 and 2004<sup>19</sup>. REACH reporting focuses on The Co-operative Food, by far the largest part of the business and one with the most significant potential impacts in this area. © During 2009, suppliers were contacted and asked to notify The Co-operative Food of products that contain substances of very high concern (SVHC). As of December 2009, over 80% of

suppliers had responded and confirmed that none were present. The Co-operative Food's list of Chemicals for Priority Action was reviewed and those SVHCs not already covered were added to the list<sup>20</sup>. The list will be reviewed annually going forward.

In line with the requirements of REACH, The Co-operative Food has committed to the following:

- Information on the use of an SVHC will be provided following any consumer queries, of which there have been none to date.
- © The ECHA will be notified as to whether any products contain 0.1% or more of SVHCs, by 2011.
- © Development of a REACH supplier database has been delayed until 2010 as a result of the integration with Somerfield. This will be populated with data regarding SVHC and pre-registration numbers and will be used to assess supplier compliance.

### 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'<sup>21</sup>. 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.

The Co-operative 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) has 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 banned (approximately 20) or restricted (approximately 30). 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 pesticides<sup>22</sup>. 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 2007<sup>23</sup>. Additionally, as part of The Co-operative's Plan Bee campaign (page 80), a further eight neonicotinoid pesticides were temporarily added to the prohibited list<sup>24</sup>, bringing the total to 106 in 2009. In 2009, The Co-operative Food specifically highlighted to suppliers the likely change in status of two pesticides on The Co-operative's lists as a result of planned reviews under international conventions: Paraquat from 'monitored' to 'prohibited' and Endosulfan from 'prohibited' to 'banned'<sup>25</sup>.

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.
- Monitored – pesticides may be used, but more benign alternatives should be considered and full justification for use should be made available to The Co-operative Food on request.

An internet-based pesticides portal, the Environmental Practice at Work (EPAW) system, is designed to help tier-one 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 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.

🕒 The roll-out of the Pesticides Policy to frozen vegetable and potato categories was completed in 2009; however, full roll-out of EPAW is behind schedule and will be completed in 2010. Derogations for use of prohibited pesticides significantly increased in 2009, largely as a result of the integration of Somerfield suppliers, and the addition of eight neonicotinoid pesticides to the Prohibited Pesticides List.

Regular audits are undertaken to ensure compliance with the Pesticides Policy. These comprise desk-based traceability audits<sup>26</sup>, 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 were 78 at the end of 2009, to ensure that growers further down the supply chain comply with its restrictions and all legal requirements, such as ensuring that the maximum residue limit (MRL)<sup>27</sup> for pesticides is not exceeded in any produce they handle.

#### The Co-operative Food pesticide residue analysis

Pesticide analysis results	2006	2007	2008	2009 <sup>28</sup>
Total number of samples tested	184	238	257	268
Average number of tests per product sample	84	82	82	140
Number of residues in excess of MRL	3	0	0	0
% samples with no residues	64	74	70	56
Prohibited pesticides detected without derogation	5	0	0	8
Banned pesticides detected	–	1	0	0
Derogations granted for prohibited pesticides	–	13	39	282

#### Performance benchmark

In March 2009, Pesticides Action Network published a study comparing the pesticides policies of 10 UK supermarkets. The Co-operative Food was named as one of three retailers doing the most to address different issues of concern on pesticide use and the contamination of food<sup>29</sup>.

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 2009, as a result of a change in suppliers, The Co-operative Food was made aware that, in breach of its Pesticides Policy, two banned pesticides, Cadusafos and Prothiofos, were used. For those fruit varieties where alternatives were not available, testing was used to ensure that no residues of the banned chemicals remained on these supplies. Work will be undertaken in 2010 to review alternative suppliers and pesticide options. In 2009, no MRL exceedances or banned pesticides were detected. Residues of prohibited pesticides, used without a derogation, were detected in eight tests; this will be followed up with the individual suppliers. The results of the Pesticide Residue Testing programme were reinstated on The Co-operative Food's website in October 2009<sup>30</sup>. 🕒 Work to review and improve the residue testing programme, by increasing the scope of testing, and providing better results analysis and online reporting, has been delayed and will begin in 2010.

## The Co-operative Farms' use of chemicals

The Co-operative Farms utilises 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.

### Fertiliser use

The Co-operative Farms applies fertilisers either via the soil for uptake by plant roots, or by foliar feeding for uptake through leaves<sup>31</sup>. Whilst fertilisers are not considered to be PBT chemicals, their use and excessive application can contribute to environmental problems, particularly waterway eutrophication<sup>32</sup>, and, therefore, minimal application is desirable.

Following a successful trial during 2007, The Co-operative Farms rolled out tractor-mounted crop nitrogen sensors in 2009. The sensors optimise field nitrogen fertiliser application. Information is assessed in real time, allowing application to be constantly adjusted as the tractor passes through the crop.

#### The Co-operative Farms' fertiliser purchases (kg/Ha)

	2006	2007	2008	2009
Nitrogen	113	244	224	180
Phosphorus	20	15	22	30
Potassium	14	15	14	24

In addition to the nitrogen sensors, exceptional circumstances led to a reduction in nitrogen application levels. In 2008, poor autumn weather meant it was too wet to establish oil seed rape in many areas. As a result, in 2009, there was an increase in the amount of winter and spring beans grown; crops that do not require nitrogen. In addition, low commodity prices for oil seed rape and wheat, relative to high nitrogen fertiliser prices, meant less nitrogen was applied on this year's crop.

### Pesticide use

In 2009, taking changes in crop mix into account, pesticide usage remained broadly comparable with 2008. A significant decrease in purchases of growth regulators, which are generally used to help establish the growth of arable crops, resulted from a change in cropping mix and the usage of alternative, higher efficacy products. An increase in solid insecticides was the result of increased potato cultivation, which requires careful nematode control to prevent root damage. A reduction in purchases of solid herbicides largely followed from the reduction in oil seed rape cultivation. Purchases of liquid herbicide reduced as a result of cropping mix changes and the use of alternative, lower volume products.

#### Pesticide, adjuvant<sup>33</sup> and growth regulator<sup>34</sup> purchases

Liquid (litres)	2006	2007	2008	2009
Herbicide	85,487	95,744	88,361	62,012
Fungicide	40,455	43,466	44,906	42,705
Insecticide	4,243	4,446	2,720	2,876
Adjuvant	9,225	10,618	11,279	11,544
Growth regulator	14,237	17,490	15,742	11,508

Solid (kg)	2006	2007	2008	2009
Herbicide	11,699	7,213	9,289	4,518
Fungicide	5,096	6,018	3,119	4,021
Insecticide	6,963	3,369	5,300	7,371
Molluscicide	57,794	94,485	104,388	67,930

## CFS and ethical finance

### Bank screening of finance

During 2009, 15 (2008: 15) finance opportunities were referred to the Ethical Policy Unit in connection with PBT chemicals, of which one (2008: one) was declined at a cost of £2,000 in terms of estimated income foregone.

#### Chemicals-related business declines 2009

	Estimated income foregone 2009
<b>Pigments manufacturer</b> Deposit-taking facility for a business engaged in the manufacture of cadmium pigments. Cadmium is considered bioaccumulative and carcinogenic to humans. Exposure causes organ damage to birds and mammals and affects growth and reproduction of aquatic invertebrates <sup>35</sup> .	£2,000

### The Co-operative Asset Management overseas shareholder resolutions

In 2009, The Co-operative Asset Management (TCAM) was presented with three overseas shareholder resolutions relating to chemicals, all of which were supported.

Company	Resolution	Vote registered
Dow Chemical Company	To report on the pace and effectiveness of the company's remediation project in an area impacted by dioxin exposure.	Supported
Avon Products Incorporated	To report on company policies on nanomaterial product safety.	Supported
Danaher Corporation	To report on policy options for eliminating exposure to mercury from dental filling products.	Supported

## Ethical procurement

### CFS: green office refurbishments

Designated CFS supplier contracts are screened against a range of toxic chemicals, based on the OSPAR List of Chemicals for Priority Action<sup>36</sup>, together with Bisphenol A and PVC. In 2009, work continued on the 'green branch' refurbishment programme, with one corporate banking centre and seven bank branches being refurbished according to the 'green branch' specifications. All reactive maintenance – for example, replacement of furniture and painting – carried out in 2009 was required to adhere to the specifications.

### Bank and Membership plastic cards

Virtually all credit and debit cards in the world are made of PVC<sup>37</sup>. Since 2007, all cards issued by the bank have been PVC-free (over 2.4 million<sup>38</sup>), instead utilising the plastic glycol-modified polyethylene terephthalate (PETG), which does not contain chlorine or use it in its production. Likewise, since their introduction in 2006, all new-style Membership cards (some 5 million) have been manufactured from PETG.

### Community involvement

In 2009, The Co-operative, again, provided £5,000 in sponsorship for Pesticides Action Network's annual Rachel Carson Memorial Lecture<sup>39</sup>.

### Read more in this Report

- Plan Bee: Campaign to highlight the decline of the honeybee (page 80).
- Support for, and sales of, organics (pages 31–34 and 79).
- Food additives (page 37).

### Accompanying notes

- 1 European Inventory of Existing Commercial chemical Substances (EINECS).
- 2 WWF (May 2003) Chemicals and Health in Humans.
- 3 Defra (2008) Consultation on the enforcement of REACH in the UK.
- 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 RoHS Regulations (2006), Dangerous Substances Marketing and Use Directive.
- 6 European Commission Report (2010) Analysis of the risks arising from the industrial use of Perfluorooctanoic acid (PFOA) and Ammonium Perfluorooctanoate (APFO) and from their use in consumer articles. Evaluation of the risk reduction measures for potential restrictions on the manufacture, placing on the market and use of PFOA and APFO.
- 7 Europa (2006) Commission welcomes European Parliament's agreement for strict rules on the use of perfluorooctane sulphonates (PFOS), Brussels.
- 8 International Agency for Research on Cancer (IARC), IARC Classifies Formaldehyde as Carcinogenic to Humans, press release 153, June 2004.
- 9 Friends of the Earth (2004) Shop till you drop?
- 10 Ibid.
- 11 ENDS (2007) Tackling a Grubby Reputation, ENDS Report 386 (March 2007) pages 30–33.
- 12 ENDS (2005) MEPs Confirm Wide-Ranging Phthalate toy ban (July 2005).
- 13 WWF (2000) Bisphenol A: A Known Endocrine Disruptor.
- 14 Women's Environmental Network (WEN) (2003) Getting Lippy: Cosmetics, Toiletries and the Environment.
- 15 Sjodin, A et al (1999) Flame Retardant Exposure: Polybrominated Diphenyl Ethers in Blood from Swedish Workers, Environmental Health Perspectives, 107(8).
- 16 Lukenbach, T and Epal, D (2005) Nitromusk and Polycyclic Musk Compounds as Longterm Inhibitors of Cellular Xenobiotic defence systems mediated by multidrug transporters.
- 17 Regulation EC 1907/2006. [http://ec.europa.eu/environment/chemicals/reach/reach\\_intro.htm](http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm)
- 18 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.
- 19 [www.goodwithmoney.co.uk/campaigns](http://www.goodwithmoney.co.uk/campaigns)
- 20 Triethyl arsenate, diarsenic pentaoxide, diarsenic trioxide, lead hydrogen arsenate (added as a group under arsenic and derivatives), cobalt dichloride, 4,4'-diaminodiphenylmethane, sodium dichromate, benzyl butyl phthalate (BBP) (added to PVC as a plasticiser).
- 21 [www.pesticides.gov.uk/about\\_pesticides.asp](http://www.pesticides.gov.uk/about_pesticides.asp)

- 22 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.
- 23 [www.co-operative.coop/food/ethics/Environmental-impact/Chemicals-strategy](http://www.co-operative.coop/food/ethics/Environmental-impact/Chemicals-strategy)
- 24 Acetamiprid, Clothianidin, Dinotefuran, Imidacloprid, Nitenpyram, Thiachloprid, Thiamethoxam and Fipronil.
- 25 Paraquat and Endosulfan are to be reviewed under the Rotterdam Convention (PIC) in 2010 and Stockholm Convention in 2012 respectively. See [www.pic.int](http://www.pic.int) and [www.pops.int](http://www.pops.int)
- 26 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.
- 27 According to the Pesticides Safety Directive (PSD) ([www.pesticides.gov.uk](http://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.
- 28 Data includes both former Somerfield and The Co-operative Food suppliers.
- 29 [www.pan-uk.org/Projects/Food/supermarkets.html](http://www.pan-uk.org/Projects/Food/supermarkets.html)
- 30 [www.co-operative.coop/food/ethics/Environmental-impact/Guide-to-pesticides/Who-checks-for-residues-in-food](http://www.co-operative.coop/food/ethics/Environmental-impact/Guide-to-pesticides/Who-checks-for-residues-in-food)
- 31 Fertilisers are used to promote growth and supplement the three major plant nutrients (nitrogen, phosphorus and potassium), the secondary plant nutrients (calcium, sulphur and magnesium) and sometimes trace elements with a role in plant nutrition (boron, chlorine, manganese, iron, zinc, copper and molybdenum).
- 32 Excessive plant growth and decay that may lead to lack of available oxygen and reduced water quality affecting fish and other animal populations.
- 33 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.
- 34 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.
- 35 'Cadmium Review', Nordic Council of Ministers, January 2003.
- 36 [www.ospar.org/content/content.asp?menu=00940304440000\\_000000\\_000000](http://www.ospar.org/content/content.asp?menu=00940304440000_000000_000000)
- 37 ICMA (International Card Manufacturers Association). [www.icma.com](http://www.icma.com)
- 38 An extrapolation based on data available up to October 2009.
- 39 [www.pan-uk.org/Projects/RCML/index.htm](http://www.pan-uk.org/Projects/RCML/index.htm)

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# Focus on delivering value

**Strategy**

In its pursuit of sustainable development, The Co-operative seeks to deliver value to its stakeholders in an ecologically sustainable and socially responsible manner. Its core objective is to optimise profits from its businesses, where co-operative values provide a positive marketing advantage. This allows the business 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.

**Key developments: 2009**

- A new democratic structure was introduced. Changes include a revised Board composition and a reduction in the number of Membership regions from nine to seven (page 89).
- Significant organisational change has resulted from the mergers and acquisition that took place during 2009 (pages 101–102).
- The Co-operative Enterprise Hub was launched, re-energising support for the co-operative sector (page 92).

# Membership and co-operation

## Indicators

Member economic involvement: share of profits

Member democratic participation

Membership diversity

Member training and development

Member engagement

Co-operation among co-operatives

## Targets 2009

- ✓ Increase the number of members trading with more than one business by 10% in 2009 (page 89).
- ✓ Develop a consolidated Membership scheme for the expanded society, following the recent mergers and acquisition (page 88).

✓ target achieved    ⚠ close to target    ✗ target not achieved  
 = on track            ⏪ behind schedule

## Targets 2010

- Increase number of members trading with more than one Co-operative Group business by 10% in 2010.
- One million new Membership cards to be activated in the former Somerfield estate in 2010.
- Complete development of a consolidated Membership scheme for the expanded business, following the recent mergers and acquisition.
- Increase participation in regional members' meetings by 5%.
- Increase proportion of area committee elections that are contested<sup>1</sup> by 10%.
- Engage with former Britannia members to encourage their participation in the 2010 area committee ballots.
- Implement new Membership engagement strategy and develop an engagement index to measure progress.

## Background

Against the backdrop of a challenging economy, the UK co-operative sector has continued to grow<sup>2</sup>. There are some 4,800 co-operatives nationwide – involved in everything from food retail, to housing, farming and education – creating and sustaining more than 200,000 jobs and contributing £28.9bn in turnover to the UK economy<sup>3</sup>. Worldwide, there are more than 800 million individual co-operators and the 300 most successful co-operatives have an aggregate turnover of equivalent size to the tenth largest economy in the world<sup>4</sup>. 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 jointly owned and democratically controlled by its members. For just £1, anyone who is aged 16 or over<sup>5</sup>, lives in the UK and agrees to the co-operative Values and Principles (inside front cover) can become a member<sup>6</sup>. Through trade, members earn a share of the profits of the business and can exercise their democratic control, with equal rights and benefits. Unusually for a UK consumer co-operative, The Co-operative has both individual members and corporate members<sup>7</sup>; the majority of the latter being drawn from the UK co-operative societies to whom it provides services.

## Materiality and strategy

'Growing and engaging Membership' is a key performance indicator for both the Trading Group and CFS (page 8), with growth in the cross-trade across the business a particular area of focus, along with more effective engagement with Membership.

In line with the sixth co-operative principle, 'Co-operation among co-operatives'<sup>8</sup>, The Co-operative seeks to deliver value to the rest of the Co-operative Movement. In the latest Ethical Policy consultations undertaken by The Co-operative for banking and investments, members and customers indicated their wish for the business to pursue measures that support and promote co-operatives. Furthermore, during 2009, The Co-operative consulted members to better understand their expectations of how the business should engage with them, and a new Membership Engagement Strategy has been developed to reflect these priorities (page 91).

## Mergers, acquisitions and Membership

🎯 In the course of 2009, The Co-operative's Membership base grew significantly, from 3.5 million to 5.1 million<sup>9</sup> (65%). The increase, in the main, arose from the transfer of Britannia members into The Co-operative's scheme. Additionally, following the acquisition of Somerfield, Co-operative Membership was introduced to stores as they became rebranded to The Co-operative, and then to all remaining Somerfield stores. As part of the merger between CFS and Britannia, an additional 1.4 million new members were added to The Co-operative Membership scheme. The existing Britannia membership reward scheme was brought to an end on 31 December 2009.

In September 2009, Plymouth & South West Co-operative Society also transferred its engagements to The Co-operative, including its membership base of 165,000. A number of independent co-operative societies adopted The Co-operative's Membership branding in 2009, but retain control of their respective membership schemes<sup>10</sup>.

## Member economic involvement

### Share of profits

The Co-operative pays out a share of its profits to members twice a year, via a final dividend payment in June, and an interim dividend payment in November<sup>11</sup>. Members earn 'points' through transactions with the family of businesses; the more business they do with The Co-operative, the greater their share of the profits. Members can take their reward as vouchers, receive cash in store, have their reward paid directly into a bank account, or opt to donate their share of profits to The Community Fund (page 18). The option of a cash reward makes The Co-operative Membership scheme unique among major UK high-street retailers.

Typically, members will receive one point for each pound they spend, as well as points for trade with The Co-operative Bank, The Co-operative Insurance, **smile** and Britannia. The total number of points earned across the family of businesses was 2,465 million in 2009 (2008: 1,912 million). The total dividend payment, and therefore the financial value of a Membership point, varies depending on financial performance. In 2010, payments in respect of profits earned during 2009 totalled £107.1m<sup>12</sup>, to be divided between individual members, a community dividend, and employees. The total amount paid out as dividend has increased some 390% since 2005, with the amount paid out to individual members and the community increasing more than five-fold and 10-fold, respectively, in this period.

#### Profits for distribution

	in respect of				
	2005 (£m)	2006 (£m)	2007 (£m)	2008 (£m)	2009 (£m)
Individual members <sup>13</sup>	9.9	18.9	44.9	50.3	54.5
Corporate members	15	15.1	24.9	19.5	19.6
Community	1	2.1 <sup>14</sup>	10.0	10.0	10.0
Employee members	1.7	6.3	19.9	23.1	23.0
<b>Total</b>	<b>27.6</b>	<b>42.4</b>	<b>99.7</b>	<b>102.9</b>	<b>107.1</b>

#### Members earning a share of profits<sup>15</sup>

2006	2007	2008	2009
2.0m	2.2m	2.5m	3.3m

### Cross-trading

🕒 In 2009, The Co-operative exceeded its target to increase by 10% the number of members trading with more than one business, achieving an increase of 43%. Since the relaunch of the Membership scheme in 2006, the number of members cross-trading has increased by almost half a million.

#### Members trading with more than one business

2006	2007	2008	2009
231,916	359,784	548,143	783,511

## Democratic structure

### Changes to democratic structure

Following the merger of The Co-operative and United Co-operatives in 2007, a Constitutional Review took place in 2008, to identify an appropriate governance structure for the new Society. A three-tier structure of area committees, regional boards and a Group Board was confirmed, and the number of regions reduced from nine to seven, with 45 area committees, and a members' council for Northern Ireland<sup>16</sup>. The Board was reduced in size, and given the potential to appoint up to three independent professional, non-executive directors. Two new subsidiary Boards were established for Food and Specialist Businesses, in addition to that already existing for CFS. In order to accommodate the 2008 and 2009 mergers of the Lothian Borders & Angus Society and Plymouth & South West Society, two additional area committees were created as a transitional arrangement in these areas.

The transition to the new governance structure progressed in early 2009. As a result of the changes to The Co-operative's democratic structures and practices, all members of The Co-operative's elected bodies were required to seek re-election if they wished to continue to represent members. Further to the merger with Britannia, seven members of the former Britannia members' council (page 111) were selected to serve on the regional board and area committee covering their place of residence<sup>17</sup>.

#### 2009 Membership elections

As a result of the unprecedented number of members standing down from committees following the Constitutional Review, the 2009 elections registered a record number of voters, and a record number of new members were elected to area committees. Of the 46 area elections<sup>18</sup>, 26 (57%) were contested, with 638 members standing for a total of 566 vacancies. Of the 1.2 million ballot papers distributed to members, 130,000 (10.8%) were returned. Rather than being sitting candidates, 54% of the successful candidates at area committee, and 59% of the successful candidates at regional board, were newly elected.

#### Regional boards and area committees

Regional boards have a broad remit<sup>19</sup>, which extends across The Co-operative'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 Co-operative 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 Values & Principles sub-committee, which is tasked with ensuring that The Co-operative's principles and social goals are pursued at a local level. Regional board members have the opportunity to seek election to The Co-operative Group Board and, to this end, it is possible to progress from being a customer of The Co-operative to a Board director through established, democratic channels.

All area committees<sup>20</sup> and the members' council for Northern Ireland 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 knowledge. Additionally, area committees allocate Community Fund (page 18) awards in line with national strategy, and work in partnership with local Co-operative employees on Membership activity and community initiatives.

### Member democratic participation

The degree to which members are active in The Co-operative's affairs is a key indicator of co-operative well-being. At the end of 2009, 470,000 active members were listed on the Members' Network<sup>21</sup> (2008: 310,000). A total of 4,386 (2008: 3,044) members attended the regional members' meetings<sup>22</sup> in late spring and October. Satisfaction questionnaires were distributed at the October meetings and showed that 98% of respondents agreed that the meetings were worthwhile<sup>23</sup>.

At the annual general meeting (AGM) and half-yearly general meetings, 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. A new role of Member Delegate was created in 2009, allowing one individual member per area to accompany their region's elected members to The Co-operative's annual and half-yearly general meetings. In 2009, 40 of the 48 new positions were filled, allowing these members to experience democratic activity at a national level, with a view to encouraging them to seek election.

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 Co-operative in the preceding year. 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.

### Annual general meeting (June 2009) resolutions

Region	Motion	Response
<b>North West &amp; North Midlands</b>	Called for more transparent disclosure in the Annual Report and Accounts of payments made as dividend distributions, ie, money paid out to corporate members, individuals, employees and the community.	The Board resolved that greater disclosure on distributions would be provided. At the half-yearly general meeting, the process was set out in greater detail, for example the Annual Report and Accounts will, in future, include a narrative section explaining distribution policy. Other reporting will disclose all donations above £100,000.
<b>Central &amp; Eastern</b>	In line with the co-operative principle of 'co-operation among co-operatives', called for stronger relationships between The Co-operative and credit unions.	The Board outlined the current level of support for credit unions (page 48), and committed to meetings with the Association of British Credit Unions (ABCUL) to explore ways in which further support could be provided.

### Half-yearly meeting (October 2009) resolutions

Region	Motion	Response
<b>Cymru/Wales</b>	Following the Britannia merger and the Somerfield acquisition, called upon the Board to direct significant attention to engaging new members both co-operatively and commercially, and to encourage more members to become involved with the democratic process.	The Board welcomed the motion and noted that membership engagement was in fact the key theme of the approaching National V&P Conference. It advised that Membership forms a key aspect of the programme of activity following the Britannia merger and Somerfield acquisition. In the case of Britannia, some 1.4 million members received a welcome pack, and a further 500,000 households received a follow-up mailing. Co-operative Membership has been rolled out at Somerfield, and membership was highlighted in the training for former Somerfield colleagues. Regional Membership teams are encouraged to organise events in areas served by former Somerfield stores and where there is a high concentration of former Britannia members.
<b>Scotland &amp; Northern Ireland</b>	Congratulated The Co-operative on its work on tackling global poverty and pioneering fair trade, and called upon The Co-operative to lead the way in addressing poverty in the UK.	The Board supported the motion, and outlined the work currently undertaken on UK poverty. This includes the significant proportion of food and pharmacy outlets located in deprived areas, the provision of Cashminder and Credit Union accounts (page 48), the pilot provision of bank accounts to prisoners (page 48), and support for the Government's Ownhome scheme. Furthermore, some £400,000 has been provided to The Co-operative StreetGames Young Volunteers (page 49), and £950,000 has been disbursed through The Co-operative Foundation (page 17). Notwithstanding the described activity, it was proposed that work on 'inspiring young people', to address this theme, be extended in 2010.

**Activism**

	2004	2005	2006	2007	2008	2009
Democratically active members <sup>24</sup>	64,000	90,000	160,000	278,000	310,000	470,000
Attendance at regional AGMs and half-yearly meetings	–	–	3,922	3,390	3,044	4,386
Contested area committee elections	16 (32%)	27 (55%)	29 (62%)	n/a	26 (57%)	26 (57%)

**Membership diversity**

A Diversity Working Group was established in 2001 to oversee the implementation of diversity initiatives in connection with The Co-operative's Membership. As a result of the extensive election process taking place in 2009, the Working Group did not meet in the course of the year, pending the election of the new V&P Committee. Following elections, the V&P Committee voted to continue the activity of the Working Group, and representatives were elected from each of The Co-operative's regions, and representing the following specific groups: women; members with disabilities; black, Asian and ethnic minority members (BAME); and lesbian, gay and transgender members. A new method of assessing age diversity among members is being considered for 2010.

**Diversity of elected members**

	2004	2005	2006	2007 <sup>25</sup>	2008	2009
Total number of area committee members	634	630	532	567	579	556
% female elected members in area committees	38%	40%	38%	37%	36%	35%
Average age of elected members in area committees	58	56	57	55	56 <sup>26</sup>	56 <sup>27</sup>
% ethnic minority elected members in area committees	2%	2%	2%	2%	2%	3%

**Member training and education**

In 2009, The Co-operative continued to support a varied and diverse training programme for elected members and the wider Membership base.

**Elected members**

There are currently three levels of learning for elected members: induction training, the Learning Framework, and training for directors.

- Induction training introduces new elected members to the diverse aspects of their role, and helps them gain an understanding of the skills and knowledge required to be effective committee members. Twelve induction sessions were held in 2009, involving 421 committee members, with a self-directed learning pack and DVD acting as a second phase of induction.
- The Learning Framework allows area committee members to pursue a Certificate in Co-operation, and regional board members to pursue a Diploma in Co-operation. These qualifications require the successful completion of modules<sup>28</sup>, covering subjects such as 'Applying our Values and Principles', 'Developing an Engaged Membership' and 'Financial Decision-Making'.
- In 2009, nine new directors undertook a director induction programme, which is designed to develop directors' knowledge of The Co-operative, the role of director, matters reserved for The Co-operative Group Board, subsidiary boards and committees, and Corporate Governance practices and procedures.

**Wider Membership**

Learning among the wider Membership is delivered online, via printed material, and at events:

- a series of six online modules, entitled 'A different kind of business', developed by The Co-operative College, were made available via the The Co-operative's website. The modules promote an understanding of The Co-operative's heritage, Values and Principles, and the wider Co-operative Movement; and
- in 2009, a booklet and DVD entitled 'Being Co-operative' was launched as a home-based learning resource for members to find out more about The Co-operative and co-operative values. Copies were used in the North West and North Midlands Regions to support the rebranding of Somerfield stores, and the Britannia merger.

**Membership engagement**

Growing and engaging Membership is considered to be key in delivering competitive advantage and social goals, and is highlighted as such in the business' balanced scorecard (page 8). Engagement refers to interaction with members who may not be actively involved in the democratic process, but who can still be encouraged to engage on co-operative and ethical issues. Membership engagement activity accounts for the majority of the resourcing and spend of the national and regional Membership teams, and includes communications, regional events and activities that have a co-operative or ethical focus. During 2009, a total of £3.8m was made available for member engagement.

**Development of an Engagement Strategy**

A consultation exercise seeking members' views on engagement took place, consisting of a questionnaire sent to area committees, a series of focus groups, and a stand at the annual Co-operative Congress. Following this, a new Membership Engagement Strategy was agreed by the V&P Committee in September, with four themes: 'owned by our members', 'sharing the profits', 'supporting the community' and 'changing the world', providing a new focus for national and regional Membership teams. In the course of 2010, a new engagement index will be developed to measure progress made against the strategy.



### Supporting the community – End of Ramadan Fairtrade Feast

The North Region, together with young people from West Yorkshire, the Pakistani Youth Forum, and the Lorna Young Foundation, held an Eid celebration as a way of bringing the community together to learn about ethical trading.



### Changing the world – Burma VJ

All regions co-ordinated local events and speakers as part of the July 2009 'Saffron Premiere' of the film Burma VJ (page 28). A website supported the film release and gave members the opportunity to join the campaign.

## New members

In 2009, work was undertaken to engage former Britannia members and new members recruited from former Somerfield stores. All 1.4 million Britannia members who opted to become members of The Co-operative were issued with Membership welcome packs. A follow-up mailing was sent to 580,000 households, highlighting opportunities for members to play an active part in The Co-operative.

## Membership communications

The Co-operative uses a variety of channels to communicate with members, including a website, a blog, online discussions and webcasts. Approximately 470,000 of The Co-operative's more active members<sup>29</sup> receive a biannual mailing containing Re:act – a national magazine focusing on articles that connect with co-operative values and ethical leadership – and Re:action, a newsletter containing regional news and business performance. In spring 2010, The Co-operative will relaunch its Membership website with a greater focus on interactive content, and a link to the new co-operative social networking site, Hive, which is funded by The Co-operative.

## Co-operation among co-operatives

Through partnerships with other co-operatives, The Co-operative seeks to work for the long-term success of the Co-operative Movement. This is delivered through a combination of internal programmes, products and services, and support for/involvement with representative bodies. Support for credit unions is outlined on page 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 UK buying for retail co-operative societies, including The Co-operative Food, and represents £7.1bn of buying power (2008: £6.7bn). This excludes Somerfield trade, which will be fully integrated in 2010. All products procured on behalf of member societies through CRTG are sourced in line with relevant Co-operative 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 Directplus – to member organisations of Co-operatives<sup>UK</sup>. Via Business Banking, the bank provided some £204m of lending to co-operatives and mutuals during 2009 (2008: £129m). This marked increase (58%) in lending is largely attributable to the provision of finance to The Co-operative relating to the acquisition of Somerfield.

Additionally, the bank offers a bespoke savings account and credit card for Co-operative members<sup>30</sup>.

### The Co-operative Enterprise Hub

The Co-operative seeks to support the development of co-operative businesses, and has previously done this through The Co-operative Development Fund grants programme. A review of the Fund in 2008 concluded that the existing grants programme did not sufficiently meet the needs of the wider co-operative sector. It also suggested that the creation of a programme combining consultancy with access to grants and loans would better help co-operative and mutual enterprises to move away from grant dependency and become sustainable businesses. In December 2008, a new three-year strategy for co-operative support was approved by The Co-operative Fund board. From January 2009, support is provided through The Co-operative Enterprise Hub<sup>31</sup>, which replaces the existing operations of The Co-operative Development Fund<sup>32</sup> and C-change<sup>33</sup>.

The creation of The Co-operative Enterprise Hub established three new funding streams: co-operative development, the wider co-operative sector, and co-operatives overseas, and it is intended that these provide greater alignment with The Co-operative Community Plan (page 15). The policy and strategy of The Enterprise Hub is overseen by a Board, which ratifies grants up to £49,950 and makes decisions on grants over £50,000. In 2009, the Board approved grants totalling £497,449 (2008: £1,233,000) to 112 projects. The 2009 spend was impacted by the fact that, during 2009, the 'co-operative development' funding stream was only available in four of The Co-operative's seven regions. In 2010, spend is expected to return to 2008 levels as the funding stream is rolled out nationwide.

**The Co-operative Enterprise Hub: financial support by funding stream, 2009**

Funding stream		Number of projects supported	Financial contribution (£)
Co-operative development		95	81,000
Wider co-operative support	Regional Co-operative Councils	12	132,000
	Renewable Energy Grants	2	98,000 (page 60)
Co-operatives overseas		3	186,000 (page 27)
<b>Total</b>		<b>112</b>	<b>497,000</b>



**The Co-operative Enterprise Hub funding for H2ope Water Power Enterprises (pictured above) and Energy4All**  
 In 2009, H2ope Water Power Enterprises was awarded £48,000 to help establish three community-owned hydro power schemes, and Energy4All was awarded £50,000 to establish a fund to develop potential renewable energy sites in preparation for purchase by start-up co-operatives.

**The Co-operative Loan Fund**

The Co-operative, together with Midcounties and East of England co-operative societies, finances The Co-operative Loan Fund, which provides support to co-operatives throughout the UK through the provision of accessible, ethical loan finance. A contribution of £50,000 was made to The Co-operative Loan Fund in 2009. As at 31 December 2009, total funds stood at £1.3m.

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 Finance, 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 website<sup>34</sup>.

**Co-operative schools and learning**

In 2009, The Co-operative continued its work on schools and learning, investing some £388,000 in programmes that bring co-operation into education:

- **Co-operative trust schools** The Co-operative, in partnership with The Co-operative College, has developed a model for co-operative trust schools in England, and is additionally providing trustees and expertise. In 2009, over 100 schools indicated their wish to become co-operative trust schools, and, in October, a national conference was held to launch a national co-operative school network. The network will be developed in 2010 to enable co-operative schools to collaborate and share good practice. To facilitate this, The Co-operative will second a member of staff to the network, fund the legal framework, provide business expertise and banking facilities, and lobby for governmental support.

In Scotland, support is provided to Co-operative Educational Trust Scotland (CETS)<sup>35</sup>. The Co-operative's involvement includes financial support, representation on the board and provision of secretariat support and office space. 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.

- **Business and Enterprise Colleges** Throughout 2009, relationships were maintained with the 10 Business and Enterprise Colleges<sup>36</sup> sponsored under the Government's specialist schools programme. Support involves provision of governors<sup>37</sup>, assistance with curriculum development, access to the family of businesses, and funding for The Co-operative College to develop curriculum materials. During 2009, four of the colleges continued to develop their links with co-operative schools in Spain, and with schools linked with the co-operative sector in the Trentino region of Italy.

- **Co-operative Academies** The Co-operative continued to act as lead sponsor of The Co-operative Academy in Manchester, and, in addition, became the lead sponsor for a second Co-operative Academy in Stoke-on-Trent. Led by CFS in Manchester, and The Co-operative Travel in Stoke-on-Trent, and working in partnership with local councils and educational institutions<sup>38</sup>, the sponsorship provides extensive business expertise and funds the community work of the Academies. The Academies, specialising in business and finance (Manchester) and business, maths and ICT (Stoke-on-Trent), will open in September 2010.

**Representation**

The Co-operative seeks to actively promote national and international co-operation through its support for and involvement with representative bodies, including the International Co-operative Alliance (ICA), Co-operativesUK, Mutuo, European Association of Co-operative Banks (EACB), The International Co-operative and Mutual Insurance Federation (ICMIF), Eurocoop, The International Co-operative Banking Association (ICBA) and The Co-operative Party. Some of The Co-operative's work with such bodies in 2009 is exemplified below, with details of monetary support provided on pages 114–115.

- **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. The Co-operative was ranked 15th in

the ICA's 2008 Global 300 list, which benchmarks the most successful 300 co-operatives in the developed world. In 2009, The Co-operative seconded a member of its staff to the ICA. In November 2009, Len Wardle, Chair of The Co-operative, was elected to the ICA board.

- **Co-operatives<sup>UK</sup>** Co-operatives<sup>UK</sup> promotes the interests of co-operatives, increases awareness and understanding of co-operative Values and Principles, and supports the growth and development of new and existing co-operatives. Each year, The Co-operative reports against the Co-operative, Environmental and Social Performance Indicators developed and promoted by Co-operatives<sup>UK</sup><sup>39</sup>. In 2009, seven representatives of The Co-operative served on the Co-operatives<sup>UK</sup> Board<sup>40</sup>.
- **International Co-operative and 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 fund<sup>41</sup>, which provides financial support for new and growing co-operative and mutual insurers around the world.
- **International representation** The Co-operative is generally represented internationally via Co-operatives<sup>UK</sup>; however, it also provides representation on the following bodies:

Institution	Position
ICA	Chair, Consumer Co-operatives Worldwide
Eurocoop	Executive Committee member
European Association of Co-operative Banks (EACB)	Board member
ICMIF	Board member
ICMIF	Intelligence Committee member
ICMIF	Reinsurance Committee member

### Read more in this Report

- Co-operative Values and Principles (inside front cover).
- Role of the Values & Principles Committee (page 10).
- Support for overseas co-operatives (page 27).
- Capacity building amongst co-operatives in the developing world (page 27).
- Support for credit unions (page 48).
- CFS Customer Consultative Council (page 111).
- The Co-operative Membership Community Fund (page 18).
- Employee member benefits (page 104).

### Accompanying notes

- 1 A contested election is where more candidates stand for an area committee than there are places available on the committee.
- 2 Co-operative Review 2009, Co-operatives<sup>UK</sup>. [www.cooperatives-uk.coop/live/images/cme\\_resources/Public/CoopReview/2009/Review09.pdf](http://www.cooperatives-uk.coop/live/images/cme_resources/Public/CoopReview/2009/Review09.pdf)
- 3 Ibid.
- 4 [www.ica.coop/al-ica](http://www.ica.coop/al-ica)
- 5 In line with Industrial and Provident Act

legislation, The Co-operative's Membership scheme has only been open to UK citizens aged 16 and over, whereas Britannia membership was open to any UK citizen over seven. Due to the movement of Britannia members to The Co-operative Membership, a 'junior membership' option is currently under consideration, pending a potential change to the Industrial and Provident Act, which would enable citizens under the age of 16 to become members. Restrictions would, however, preclude these members becoming elected to committees or boards.

- 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 and Principles and has paid £1; new members are those who have signed up to the co-operative Values and 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 The Co-operative has 122 corporate members, who represent other co-operative societies to whom The Co-operative 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 Co-operative. This confers on them the right to participate in the Society's democratic affairs – a right that can be exercised at the AGM and in the nomination and election of corporate members to The Co-operative 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 Co-operative trades are represented on its Board.
- 8 [www.ica.coop/coop/principles.html](http://www.ica.coop/coop/principles.html)
- 9 As of 2009, only active members will be reported. To be active, a member will fulfil at least one of two criteria: having undertaken trade with The Co-operative within the last 12 months; or having opened a new Membership account within the last 12 months.
- 10 During 2009, Chelmsford Star Co-operative and Southern Co-operative Limited joined Midcounties and Anglia Co-operatives in adopting The Co-operative's Membership branding, allowing customers from both societies to use their Membership cards in both The Co-operative stores, and their own independent stores. All four independent societies retain control of their respective Membership schemes, including share of the profit payments and voting rights.
- 11 The November 2009 interim dividend payment is paid out based on profits made 1 January to 30 June 2009.
- 12 Figure includes interim dividend of £11.3m paid in November 2009. In 2009, 100 points were required by a member to achieve a final payment.
- 13 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.
- 14 Includes costs of £0.1m associated with support for United Region's Membership programme.
- 15 The stated number of members earning a share of profits includes members that, whilst having traded with The Co-operative, do not accrue sufficient points during the year to trigger a dividend payment for that year. In these circumstances, points are rolled over to the following year.
- 16 A Northern Ireland Members' Council, rather than an area committee, was created after the Constitutional Review, from which there is representation on the Scotland and Northern Ireland Regional Board. The Council is larger than an area committee and has enhanced roles and responsibilities to those of an area committee.
- 17 For an interim period, the members in question were selected rather than elected. Expressions of interest were sought from all current and former members of the Britannia Members' Council (page 111), and interviews were conducted with interested candidates.
- 18 This includes the Northern Ireland Members' Council (see note 16).
- 19 The full responsibilities of the regional boards are detailed at: [www.co-operative.coop/membership/have-your-say/regional-boards](http://www.co-operative.coop/membership/have-your-say/regional-boards)
- 20 The full responsibilities of the area committees are detailed at: [www.co-operative.coop/membership/have-your-say/area-committees](http://www.co-operative.coop/membership/have-your-say/area-committees)
- 21 The Members' Network is the basis for The Co-operative's accounting for democratically active members, defined as those members who actively make a request to receive information. This is considered to be a poor proxy, and a better measure will be developed in 2010, as part of the work on Membership engagement (page 91).
- 22 Members' meetings refer to regional annual general meetings and regional half-yearly meetings. Members' meetings are timed to take place in advance of The Co-operative Group's AGM and half-yearly meeting.
- 23 Questionnaires were completed by 63% of attendees.
- 24 See note 21.
- 25 Percentages exclude former United Region data.
- 26 Figures are estimated, as data is now collected on percentages of members in different age groups rather than their actual age.
- 27 Ibid.
- 28 Eight modules for the certificate and nine modules for the diploma.
- 29 Those members who have opted-in to the Members' Network (see note 21).
- 30 [www.co-operative.coop/membership/earning-points/bank](http://www.co-operative.coop/membership/earning-points/bank)
- 31 The Co-operative Enterprise Hub is a working name for Co-operative Action Limited. Registered office: Co-operative Action Limited, New Century House, Manchester M60 4ES. Registered in England. Registered No. 4495012.
- 32 The Co-operative's Development Fund 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. In 2009, it was replaced with The Co-operative Enterprise Hub.
- 33 C-change offered support to co-operative businesses in the former United Trading Region, by providing funding for advice and support to develop sustainable businesses. In 2009, the programme was absorbed into The Co-operative Enterprise Hub.
- 34 [www.co-operativeloanfund.co.uk/casestudies.html](http://www.co-operativeloanfund.co.uk/casestudies.html)
- 35 [www.cets.coop](http://www.cets.coop)
- 36 Andrew Manvell School, Humberside; Castle Manor Community Upper School, Suffolk; Cullompton Community School, Devon; Epiny Special School, Tyne & Wear; Forest Gate Community School, London; Fulston Manor School, Kent; St Benet Biscop Catholic High School, Northumberland; St Peter's Roman Catholic High School, Manchester; Sir Thomas Boughay High School, Staffordshire; and Whalley Range High School, Manchester.
- 37 Governors are employees of The Co-operative and elected members.
- 38 The co-sponsors in Manchester are Manchester City Council and Manchester College; co-sponsors in Stoke-on-Trent are Staffordshire University and Stoke-on-Trent Further Education College.
- 39 [www.cooperatives-uk.coop/Home/miniwebs/miniwebsA-Z/cspis](http://www.cooperatives-uk.coop/Home/miniwebs/miniwebsA-Z/cspis)
- 40 The Co-operative provides the following members for the Co-operatives<sup>UK</sup> Board: Steven Bayes, Eric Calderwood, Chris Herries, Allan Brett, Barbara Hawkins, Jenny de Villiers, Robin Steward.
- 41 [www.allnations.coop](http://www.allnations.coop)

# 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 2009

- ✓ Achieve a Trading Group Return on Capital Employed of 10% in 2009 (page 96).

- ✓ target achieved
- ✗ close to target
- ✗ target not achieved
- 🟢 on track
- 🟡 behind schedule

## Targets 2010

- Achieve a Trading Group Return on Capital Employed of 11.2%.

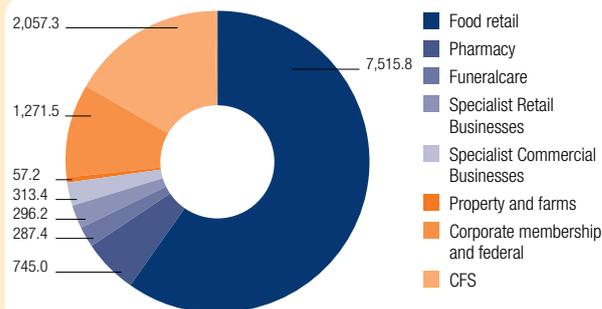
## Materiality and strategy

'Growing profit' and 'growing business' are two of six objectives that support the Trading Group's vision 'to be the best co-operative business in the world' (inside front cover). During 2009, 'profit generation to create a sustainable model' was one of CFS' five key indicators. From early 2010, financial performance has been one of four areas on CFS' balanced scorecard, and four of its 11 KPIs relate to this area, supporting its vision 'to be the UK's most admired financial services business'. Increased and sustainable profitability enables The Co-operative to deliver value to its various stakeholders in a number of ways; for example: member dividend payments (page 89); employment and remuneration (pages 100 and 103); and community contributions (page 16).

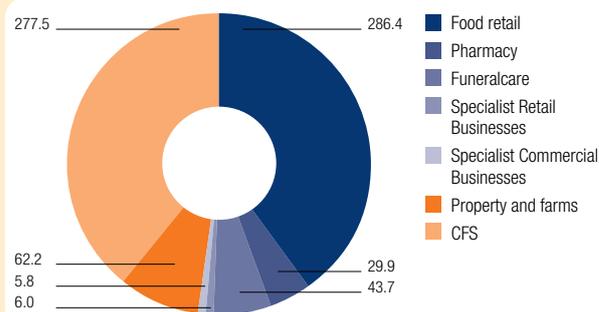
A detailed account of The Co-operative's financial performance is presented in the Annual Report and Accounts 2009 and a summary presented in the Annual Review 2009<sup>1</sup>.

## Financial summary

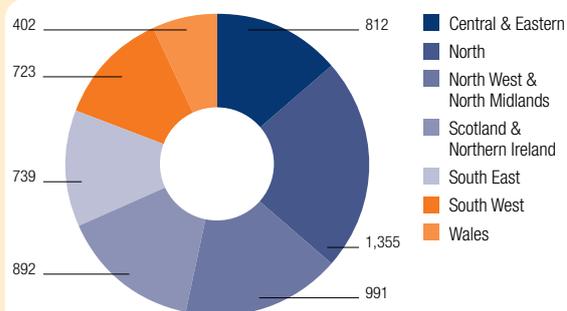
### Revenue<sup>2</sup> 2009: Total £12,526.9m



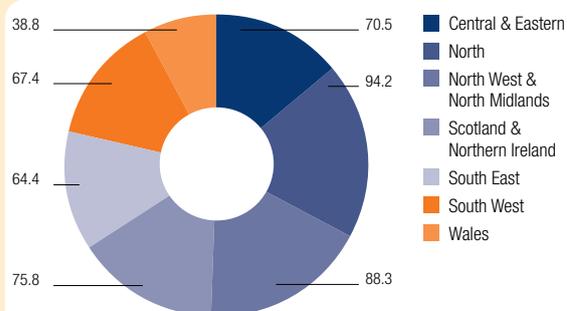
### Operating profit<sup>3</sup> 2009: Total £612.4m



### Sales from Trading Group<sup>4</sup> regional business activities<sup>5</sup> 2009: Total £5,914m



### Profit from Trading Group regional business activities<sup>6</sup> 2009: Total £499.4m



## Trading Group – underlying profit

Underlying trading profit is a key measure of performance for the Trading Group that underpins the business objective of 'growing profit'. It tracks the underlying profitability of the Trading Group from ongoing trading before any one-off or non-trading items, such as property disposals, changes in the investment property portfolio or significant one-off integration costs or business disposal profits. The result for 2009 was £338m, an increase of 22% on 2008 and in excess of budget.

### Underlying profit (£m)

	2006	2007	2008	2009
Underlying profit	193	196	278	338

## Trading Group – Return on Capital Employed

Return on Capital Employed (ROCE) is the second key measure of growing profit and commercial success. This measures how effective the Trading Group is at earning a return on members' funds that are invested in the business. The measure is calculated by expressing the trading profit of the Trading Group as a percentage of the average capital employed in the business over the year<sup>7</sup>. © The result achieved for 2009 was 10.4% (2008: 14.2%), exceeding the 2009 target<sup>8</sup>. A target of achieving a minimum 11.2% ROCE in 2010 has been set.

## CFS – profit generation

CFS' strategy includes a commitment to be financially prudent and strong. Following the merger (page 6), the four key financial performance measures for CFS are shareholder profits, the value of new business premiums for the Life and Savings business, customer-funding ratio and capital ratio. CFS' shareholder profits<sup>9</sup> for 2009 were £177.2m compared with £147.0m in 2008, and underlying like-for-like profitability<sup>10</sup> increased by 3.4% to £174.3m in 2009. The value of Life and Savings new business premiums in 2009 was 30% higher than the previous year. CFS' liquidity remains strong, with a customer-funding ratio of 104% (excluding securitised assets). Its capital ratio stood at 13.5% in December 2009 (2008: 11.2%).

## Market share

Market share is one of the two key internal measures that underpin the 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 Co-operative vary from less than 1% for certain CFS products to over 17% for the Funeralcare business.

## Market share

	2007 <sup>11</sup>	2008 <sup>12</sup>	2009 <sup>13</sup>
The Co-operative Food <sup>14</sup> (former Co-operative in brackets)	3.83%	3.9%	5.8% (3.9%)
The Co-operative Funeralcare <sup>15</sup>	n/a	17.5%	17.7%
The Co-operative Pharmacy <sup>16</sup>	7.4%	6.5%	7.2%
The Co-operative Travel <sup>17</sup>	n/a	8.2%	9.1%
CFS <sup>18</sup> : Current accounts – Co-operative Bank	1.8%	1.9%	2.1%
CFS: Current accounts – <b>smile</b>	0.3%	0.6%	0.6%
CFS: Motor insurance	2.3%	1.7%	2.0%
CFS: Investments – Co-operative Insurance	1.6%	1.4%	1.2%
CFS: Investments – Co-operative Bank	0.5%	0.5%	0.5%
CFS: Pensions	4.1%	2.9%	2.7%
Britannia – Mortgages <sup>19</sup>	1.3%	1.2%	1.3%
Britannia – Savings <sup>20</sup>	2.7%	2.8%	2.5%

## 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 page 62.

The Co-operative is one of the UK's largest farmers and grows and sells an exclusive range of products 'Grown by us'. The range includes strawberries, potatoes, peas, flour, apple juice and honey, and in 2009 was enlarged to include fresh turkey 'Reared by us'.

In relation to local sourcing of protein, 100% of Co-operative own-brand fresh beef, duck, turkey and plain chicken continued to be British sourced in 2009, as was 100% of own-brand frozen turkey, pork, sausage and beef (pages 31–33). In 2009, The Co-operative Food extended its support to British Pig Farmers by converting all its own-brand fresh pork, sausage and bacon products to British sourced, and all own-brand pre-packed and delicatessen ham<sup>21</sup> to 100% British.

100% of own-brand milk and eggs sold in stores in 2009 continued to be British sourced (page 31), and approximately 70% of cheese sold was British sourced. All own-brand milk, eggs and cheese are labelled to indicate British region of origin<sup>22</sup>.



British sourced, traditional Hampshire breed pigs on one of The Co-operative Food's supplier farms.

## Tax

The Co-operative 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 business. The policy covers The Co-operative's approach to tax compliance, planning and the management of risks associated with tax. The Co-operative does not enter into what it considers to be aggressive tax planning and is particularly mindful of the reputational risks associated with undertaking such planning<sup>23</sup>.

The Co-operative's 2009 tax payments and credits are detailed in the Annual Report and Accounts. The 2009 tax charge on continuing business was £114.4m (2008: £2.9m credit) excluding £6.4m (2008: £52.1m credit) relating to tax attributable to Co-operative Insurance policyholders' returns. The charge including tax relating to policyholders was £121.8m (2008: £55.0m credit). The effective tax rate is 38.8% compared with a standard rate of 28%<sup>24</sup>.

A revised Co-operative Bank Ethical Policy, launched at the beginning of 2009, following extensive consultation with customers (page 40), contains a new policy position on corporate payment of tax. As such, from 2009, The Co-operative Bank has operated a policy not to finance organisations that take an irresponsible approach to the payment of tax in the least developed countries.

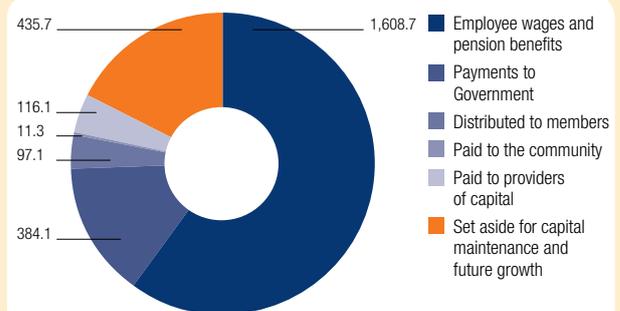
## Value added

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 added<sup>25</sup>

	2007 £m	2008 £m	2009 £m
<b>Operating profit</b> = Profit before tax <sup>26</sup> + gross interest cost less gains (or plus losses) arising from sale/disposal of businesses or assets.	158.0	284.4	465.5
<b>Employee costs</b> = Total employment costs (wages and salaries, social security and pension costs).	1,246.4	1,313.5	1,701.4
<b>Depreciation and amortisation</b> = 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	390.2
<b>Significant items</b>	142.6	113.0	95.9
<b>Value added</b>	1,806.0	2,009.1	2,653.0

## Distribution of value added 2009: total £2,653.0m<sup>27</sup>



In order to demonstrate the productivity and 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)<sup>28</sup>; and Wealth Creation Efficiency (P2)<sup>29</sup>.

## Performance benchmark

The Co-operative's<sup>30</sup> P1 was £23,400 in 2009 (2008: £24,600), and its P2 was 136% (2008: 135%). The Department for Innovation, Universities and Skills' 2009 Value Added Scoreboard presents results for the UK's top 800 companies by value added<sup>31</sup>. 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%.

## Supplier payment policy and practice

In many cases, The Co-operative does not impose standard payment terms on its suppliers, but agrees terms separately with each of them, whilst in others, the use of standardised terms is regarded as consistent with much of the market. Every effort is made to pay suppliers in accordance with the terms that have been agreed.

As at 2 January 2010, trade creditors expressed as number of days outstanding was 43 days (2008: 38 days). This increase is due to renegotiation of payment terms with larger suppliers, to ensure the business remains competitive. Payment terms are reviewed on a case-by-case basis, and changes are made in agreement with the supplier.

### Read more in this Report

- Profits for distribution and Membership dividend payments (page 89).
- Community investment (pages 15–18).
- Sound sourcing: working conditions in the supply chain (pages 21–24).
- Support for Fairtrade (pages 20–21).
- Food miles and considered carbon (page 62).
- Green electricity procurement (page 59).
- Carbon offset: products and operations (page 63).
- Charity credit cards (pages 26, 45, 79).
- Colleague salaries and benefits (pages 103–104).
- Trade and business association membership fees and donations (pages 114–115).
- The Co-operative Bank investments that make a positive contribution to society (pages 41–42).
- Support for small businesses in deprived areas (page 48).

### Accompanying notes

- Data presented in the Economic impact section has been drawn from The Co-operative Group Annual Report and Accounts 2009, which has 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 ending 02 January 2010. [www.co-operative.coop/corporate/corporatepublications](http://www.co-operative.coop/corporate/corporatepublications)
- Total revenue of £12,526.9m is after deducting Group costs and eliminations of £16.9m.
- Total operating profit of £612.4m is before significant items and includes corporate Membership and federal costs of £56.5m and Group costs and eliminations of £42.6m. This includes fair value amortisation of £99.1m in respect of the Britannia merger.
- Regional business activities include 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.
- Derived from unaudited figures in The Co-operative Group Annual Report and Accounts 2009.
- Ibid.
- In this case, the return is defined as the trading profit less 50% of wider Co-operative costs plus amortisation. The capital employed is the average net operating assets utilised in the previous 13 periods, plus previously amortised goodwill.
- The figure for 2009 is lower than 2008 due to the purchase of Somerfield for £1.6bn, which has meant that the capital employed figure, which is the average net operating assets utilised in the previous 13 periods plus previously amortised goodwill, has significantly increased. Whilst the business is being integrated, the ROCE is expected to be temporarily lower. However, going forward, this is expected to increase beyond levels achieved in 2008, as the benefits of the acquisition are realised.
- CFS shareholder profits are presented before tax, FSCS levies, significant items, short-term investment fluctuations and fair value amortisation.
- Showing combined business performance including the results of the Britannia business on an annual basis for 2008 and 2009.
- Figure for The Co-operative Food is market share in Q4 (12-week period to year-end 2007); The Co-operative Pharmacy figure is market share in December 2007; figures for CFS are based on market share for 12-month rolling period as at December 2007. Britannia figures are as at December 2007 (not rolling average).
- Figure for The Co-operative Food is based on market share in Q4 (12-week period to year-end); figure for The Co-operative Funeralcare (excluding Plymouth & South West Co-operative Society) is based on calendar year; figure for The Co-operative Pharmacy is based on an average for the full financial year, April to March; figure for The Co-operative Travel is based on package holiday market share for summer (departures 1 May–31 October); figures for CFS are based on market share for 12-month rolling period, as at December; Britannia figures as at December (not rolling average).
- Ibid.
- AC Nielsen supermarket share data for Q4.
- No comparable market share data available for 2007. Market share from 2008 onwards is based on provisional weekly and monthly death statistics published by the Office for National Statistics, General Register Office for Scotland, and The Northern Ireland Statistics and Research Agency.
- The Co-operative Pharmacy market share information relates to England and Wales only (figures exclude Scotland and Northern Ireland). The data source is the Pharmaceutical Services Negotiating Committee.
- Based on GfK Ascent Market Intelligence Leisure Travel Monitor.
- 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 excluding former Britannia products, which are detailed separately.
- Based on value of Britannia's mortgages in comparison to rest of market. Excludes Platform home loans. Data source is CACI.
- Based on value of savings in comparison to rest of market. Data source is CACI.
- Excludes continental hams such as Parma and Prosciutto.
- Labelling indicates where milk is sourced from: British; Scotland; Wales; Southwest England; Northern Ireland
- Level of aggression is considered as one of the risk factors within The Co-operative Tax Strategy and Policy.
- A reconciliation of the standard rate of tax is presented in The Co-operative Group Annual Report and Accounts 2009, pages 74–76.
- 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 above).
- 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.
- Based on GRI G3 Indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
- Labour productivity = P1 (£K) = Value added per employee (£K). Based on employee headcount, not full-time equivalent.
- 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.
- Based on employee number as at 2 January 2010 (114,561) as detailed in The Co-operative Group Annual Report and Accounts, page 35.
- Department for Innovation, Universities and Skills' Value Added Scoreboard, 2009, [www.innovation.gov.uk/value\\_added](http://www.innovation.gov.uk/value_added)

# 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 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 (page 100).
-  Complete a minimum of three self-sustaining pilot exercises across the Trading Group to progress a flexible working environment by the end of 2009 (page 105).
-  By the end of 2009, develop a people measurement strategy for CFS, following its merger with Britannia (page 100).
-  Review and promote guidance on flexible working at CFS during 2009 (page 105).

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

## Targets 2010

- Roll out the Trading Group employee survey to former Somerfield, to determine a baseline employee engagement score for the enlarged business in 2010.
- Increase the percentage of Trading Group employees who agree that 'Talkback has led to improvements where I work in the last 12 months' from 57% to 60%.
- Produce Trading Group management guidelines on responding to the top 10 issues emerging from the Talkback employee survey at a team level.
- By the end of 2010, roll out flexible working to a further 200 Trading Group head office employees.
- By the end of 2010, develop a new people measurement strategy for the CFS employee survey.
- Achieve a CFS employee engagement score consistent with the level attained by the top 25% of benchmark businesses.

## Background

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 employee engagement, performance and creativity. These factors become even more relevant in periods of change; The Co-operative has experienced a 74% increase in employees over the last four years.

Evidence shows that engaged staff are more likely to offer higher levels of discretionary effort, voluntarily act as advocates for The Co-operative and its products and services, and deliver high levels of service to customers. At the same time, highly engaged colleagues are more likely to feel satisfaction and enjoyment in their work, and feel that The Co-operative values their contribution and is committed to their development. During 2009, the Trading Group and CFS underwent further significant organisational changes (pages 101–102). Where possible, information on the following pages is presented in terms of both the newly-merged business and former staff groups, to enable any significant changes in employee data to be seen.

## Materiality and strategy

As a key stakeholder group, issues and impacts that relate to employees are central to The Co-operative's reporting on material issues.

Growing colleague engagement is a key performance indicator (KPI) of the Trading Group and is included within its balanced scorecard (page 8). The Trading Group's vision is 'to be the best co-operative business in the world', and 'growing employee engagement' is one of six objectives supporting attainment of this vision. An employee engagement score (based on questions within the annual Talkback employee attitude survey) measures progress in this area.

During 2009, CFS had in place a KPI and target for colleague satisfaction, based on responses to the annual employee survey. Following the merger with Britannia (page 6), CFS developed a new three-year corporate plan. Supporting the new CFS value, 'together we will create a great place to work, grow and develop', are ambitious people-related goals, measured via three performance areas of the new CFS balanced scorecard: a colleague engagement index, values index and responsibility index.

Measures used to gauge colleague engagement across The Co-operative are developed in conjunction with stakeholder feedback and industry best practice, and feedback from staff is reviewed on an annual basis. Since 2006, the remuneration of members of the Executive within both the Trading Group and CFS has been partly linked to engagement.

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 Co-operative reports publicly on a number of other employee KPIs covering employment; labour/management relations; health and safety; and training and education<sup>1</sup>.

## People management

Both the Trading Group and CFS undertake regular employee attitude surveys (pages 100–101). In recognition of the centrality of employees to business success, a permanent Trading Group Human Resources Change Board is charged with the effective monitoring of employee conditions.

Total employees by business<sup>2</sup>

	2006	2007 <sup>3</sup> (former Trading Group in brackets)	2008	2009 <sup>4</sup> (former Trading Group/ CFS in brackets)
The Co-operative Food <sup>5</sup>	44,476	56,561 (44,603)	56,619	83,830 (55,307)
Specialist Commercial Businesses <sup>6</sup>	n/a	962 (83)	1,118	2,518 (2,518)
Specialist Retail Businesses <sup>7</sup>	1,859	3,344 (1,931)	3,315	3,162 (3,162)
The Co-operative Funeralcare	2,753	3,633 (2,735)	3,608	3,700 (3,700)
The Co-operative Pharmacy	3,064	6,252 (3,881)	6,606	6,712 (6,712)
Estates and Services Division <sup>8</sup>	231	1,034 (1,011)	732	397 (397)
Corporate Functions <sup>9</sup>	1,968	1,233 (903)	1,637	1,380 (1,380)
Other Businesses	868	603 (123)	659	n/a
CFS	9,778	7,989 (7,989)	7,738	11,692 (7,249)
<b>Total</b>	<b>64,997</b>	<b>81,611 (63,259)</b>	<b>82,032</b>	<b>113,391 (80,425)</b>

Within CFS, roll-out of a new Oracle human resources (HR) system was largely completed in 2009. The new system provides more accurate and in-depth information to managers in areas such as absence management, and enables more detailed data analysis at divisional level.

Total employees by contract type<sup>10</sup>

Contract types	Trading Group			CFS		
	2007	2008	2009 <sup>11</sup>	2007	2008	2009 <sup>12</sup>
Permanent	69,783 (96.2%)	70,955 (95.5%)	96,177 (94.6%)	7,950 (99.5%)	7,668 (99%)	11,526 (99%)
Temporary	2,762 (3.8%)	3,339 (4.5%)	5,522 (5.4%)	39 (0.5%)	70 (1%)	166 (1%)

## 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. Employee engagement is measured via an employee attitude survey, which determines an 'engagement index' (EI) 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: rational understanding about the aims of The Co-operative and people's role in its success; emotional attachment, such as the extent to which employees are proud to work for The Co-operative; and a behavioural element, which measures people's willingness to deliver discretionary effort, advocate The Co-operative (both as an employer and its products and services) and remain employed by The Co-operative. © In 2010, all former Somerfield colleagues will be invited to complete the Talkback employee attitude survey.

For CFS, the employee engagement score is based on seven survey questions that measure: 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. © A new employee measurement approach for the enlarged CFS business is under development, bringing together elements of both the former CFS and former Britannia approaches, and also incorporating current best practice in employee engagement measurement. Roll-out across the business is planned for 2010, at which point baseline data will be collected, enabling targets to be set for the following year.

Reporting periods for employee data vary slightly between different parts of the business, in line with data monitoring systems. Full details are presented in the online Report .

## Employee engagement

Engagement index<sup>13</sup>

	2006	2007 (former Trading Group in brackets)	2008	2009
Trading Group (mean average; scale 0–100)	74	74 (74)	77	79
CFS	53%	53%	64%	July: 75% Dec: 87%

The Trading Group carries out a full annual employee survey<sup>14</sup> in October each year, and, in May 2009, an interim survey<sup>15</sup> was also conducted. The full annual survey received responses from 64,514 (85%) employees in 2009 (2008: 82%). Response rates have improved year-on-year since employees were first consulted in 2003, when only 19% of staff participated<sup>16</sup>, 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 5,000 UK locations, and, consequently, a paper-based survey is the main method used. However, online completion was offered in 2009 to employees of The Co-operative Travel, IT Services and almost all head office teams.

For the Trading Group, of the 68 questions in the survey that can be directly compared with 2008, all but seven scores increased or stayed the same. The highest scoring questions<sup>17</sup>

were in perceptions that: colleagues know what is expected of them in their jobs; colleagues understand how their job relates to satisfying customers; and colleagues' experience of work is free from discrimination. With regard to customers, the highest scores related to perceptions that The Co-operative: offers good-quality products and services, is committed to improving customer service; can be trusted; and behaves responsibly. The biggest improvements were seen in how positively the brand and the family of businesses are perceived, and also in employees' perceptions of the quality of the local employee experience, particularly with respect to personal safety and the quality of facilities for employees. This is likely to reflect the store and branch rebrand programme that continued through 2009. The lowest scoring questions were related to pay, particularly in comparison with people in similar jobs in other companies, and that the Talkback survey has led to improvements at work. With regard to the latter, 67% of employees agreed that management would take action on the results of the survey, which is 11 percentage points higher than the private-sector industry average.

### Performance benchmark

Results from a number of questions in the Trading Group's employee survey were benchmarked against those of other private-sector organisations in 2009<sup>18</sup>. The Co-operative scored above the benchmark for all comparable questions; perceptions of role clarity, development and recognition were significantly higher, generating scores up to 27 percentage points above the benchmark<sup>19</sup>.

At CFS, two shortened<sup>20</sup> versions of the employee survey were carried out in 2009; the first took place in July, prior to the merger with Britannia, and the second in December, and included former Britannia employees. The response rates were 84% and 80% respectively. As the methodology used for these surveys differs slightly, the results are not directly comparable<sup>21</sup>. The CFS EI score increased substantially for a second successive year.

#### Trading Group employee survey question:

'Overall, I am satisfied with my job.'

	2006 (excludes former United)	2007 (former Trading Group in brackets)	2008	2009
Agree	83%	84% (84%)	83%	82%
Neither agree nor disagree	9%	9% (9%)	11%	12%
Disagree	8%	7% (7%)	6%	6%

#### CFS employee survey question:

'Considering everything, how satisfied are you with working at CFS at the present time?'

	2007	2008	July 2009 <sup>22</sup>
Satisfied	48%	60%	73%
Neither satisfied nor dissatisfied	24%	20%	15%
Dissatisfied	28%	20%	12%

Around 5,000 managers across the Trading Group and 650 across CFS were provided with the survey results and EI scores for their team(s) following the employee surveys carried out in 2009, and overall CFS survey results were made available to employees via the intranet. Following dissemination of the results to managers, action-planning sessions were held, during which teams explored ways to improve their working experience. This approach aims to ensure that The Co-operative responds to colleagues' needs and concerns at the local, as well as the strategic, level. Detailed analysis of Trading Group results showed that those employees agreeing that they had experienced improvements as a result of Talkback in the last 12 months, tended to have an engagement score around 27 points higher than employees who had not. As a result, a second cycle of action-planning activity is scheduled to take place during 2010 for all teams across the business. This will address issues raised through the Talkback survey, with a view to further improving EI scores. Additionally, given their importance, high-level targets to improve EI scores have been set and incorporated into the performance management process for all senior managers.

### Trades union recognition

The Co-operative believes that trades unions make an important contribution to business and society as a whole. During 2009, five trades unions were recognised by The Co-operative in total (four by the Trading Group<sup>23</sup> and four by CFS<sup>24</sup>), covering the range of employee roles across the business. Of Trading Group employees, 33%<sup>25</sup> (2008: 34%) are union members, as are 73%<sup>26</sup> (2008: 61%) of CFS employees. The increase in overall CFS Membership reflects the inclusion of Britannia colleagues and the Britannia Staff Union (BSU); the recent merger and organisational change may account for increased Membership among former CFS staff.

### Organisational change

A number of significant organisational changes took place within the Trading Group during 2009 (page 6). These were associated with the acquisition of Somerfield, which was completed in February 2009, and mergers that took place with two independent co-operative societies; Lothian Borders & Angus Society merged with The Co-operative in December and Plymouth & South West Society merged in September 2009.

The Trading Group has strong relationships with the trades unions Usdaw and NACO, which, along with the jointly agreed and established practice and process for managing organisational change, have facilitated changes to progress in a considered and consensual manner.

Some redundancies, however, were unavoidable during 2009. The ongoing structural changes associated with the merger with United Co-operatives<sup>27</sup> resulted in 339 redundancies during 2009. The mergers that took place in 2009 have impacted primarily on head office functions, due to the geographical location of the respective head offices. The merger with Lothian Borders & Angus Society has resulted in 40 redundancies at the Galashiels head office, and the Somerfield acquisition has, as at December 2009, resulted in 440 redundancies at Somerfield's Bristol head office. The Bristol head office will close in the latter half of 2010, and there are expected to be around a further 400 redundancies at that time. The changes arising from the merger with Plymouth & South West Society will also take effect in 2010, and some 120 redundancies are anticipated.

All colleagues in the affected areas of the respective organisations have been given an equal opportunity in the selection process for new roles. While the majority did not wish to relocate, a number of colleagues will move to Manchester, with appropriate financial assistance provided by the Trading Group. A number have also taken up field-based positions. Full outplacement support services were made available for colleagues who were unable to relocate, or for whom there was no suitable alternative employment. In all cases, enhanced termination provisions were made.

Prior to the merger with Britannia, organisational change was necessary in a number of areas within CFS, to support development across the business. This affected some 499 colleagues; 366 colleagues (73%) were either matched into similar roles or redeployed; 97 colleagues (20%) were made redundant. This approach has ensured that valuable skills and experience have been retained within CFS, and redundancy minimised. The remaining 36 colleagues (7%) were transferred under the TUPE<sup>28</sup> regulations to CFS partners. Over this period, CFS worked closely with the recognised trades unions. The merger resulted in 4,697 Britannia colleagues transferring to CFS' employment under the TUPE regulations. CFS and the trades unions worked closely together to ensure that the transfer was effected smoothly and within the legal frameworks.

Since the merger, extensive work has been carried out with the trades unions. A new organisation design has been agreed, implementation has commenced, and work is also underway to review terms and conditions across the merged organisation. A major review of the operating model for CFS' car insurance services was undertaken during 2009, to streamline and speed up claims processes, in order to ensure compliance with Ministry of Justice reforms. CFS consulted with the trades unions, Unite and NACO, on proposals to outsource some of the roles from the claims network to third parties and to reorganise the retained claims activity. The changes resulted in a reduction of 58 roles, and a further 53 roles are in scope to transfer to a third party.

During 2009 CFS' consultation with the trades unions continued in respect of the Field Sales Transformation programme. Initiatives implemented in 2009 include further changes to remuneration and senior management structures, and, in order to address underperformance within insurance field sales, around 200 financial advisers and area managers voluntarily left the organisation in an exercise supported by the trades unions.

### Employee turnover

The Co-operative monitors 'avoidable' employee turnover<sup>29</sup> (see table above right) on an ongoing basis, which excludes planned employee departures for reasons such as retirement or redundancy. Total 2009 turnover is significantly higher than avoidable turnover, on account of organisational change following the mergers and acquisition that took place during 2009; full details of redundancies are provided on page 101.

A potential external factor in the continued 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. The relatively high rate of turnover within The Co-operative Food reflects a particularly high turnover rate within the food retail sector as a whole.

### Avoidable employee turnover<sup>30</sup>

	2007	2008	2009 <sup>31</sup> (former Trading Group/CFS in brackets)
The Co-operative Food	32%	28%	23% (21%)
Specialist Commercial Businesses	33%	21%	19%
Specialist Retail Businesses	25%	20%	15%
The Co-operative Funeralcare	11%	8%	8%
The Co-operative Pharmacy	17%	21%	15%
Estates and Services Division	29%	3%	6%
Corporate Functions	11%	8%	5%
Other Businesses	n/a	30%	n/a
CFS	26%	20%	10% (12%)

### Personal development and training

The Co-operative 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.'

	2006 (excludes former United)	2007 (former Trading Group in brackets)	2008	2009
Agree	70%	74% (75%)	77%	75%
Neither agree nor disagree	21%	19% (18%)	16%	17%
Disagree	9%	7% (7%)	7%	8%

#### CFS employee survey question:

'I believe that my skills and knowledge have improved over the last year.'<sup>32</sup>

	July 2009	December 2009
Agree	83%	85%
Neither agree nor disagree	11%	n/a
Disagree	6%	15%

CFS encourages employees to undertake courses of training and education. A CFS 'university for all', established in 2008, brings together all training, development and learning activities across CFS. This includes induction training<sup>33</sup>, specific skills training and professional development. 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.

CFS has developed, delivered or supported a number of training programmes following the merger with Britannia. These have included events for employees on the 'Next Chapter' for the merged business, leadership events, coaching, a new welcome event and 'skills bursts', which explore change and emotional intelligence. Colleagues in the call centres and field sales teams have continued to receive induction and cross-skills training.

New post-merger programmes will be developed in 2010, and the learning and development functions of former CFS and Britannia will be aligned.

A small proportion of training provided for Trading Group employees is organised centrally, with the remainder organised on a business-by-business basis. In 2009, the investment in centrally provided training was £180,000 (2008: £118,000). During the year 1,579 training places (2008: 1,125) were taken up, which took place over 311 training days. Training provided included: corporate courses (such as self-development, business skills and people management), IT courses, and induction events, along with bespoke training for the leadership population, which included coaching and interviewing skills. The centrally organised training is excluded from the figures shown in the table below.

Training provided by individual businesses	Average investment per employee <sup>34</sup>		
	2007	2008	2009 (former Trading Group/CFS in brackets)
The Co-operative Food	£70	n/a	£94 (£103)
The Co-operative Travel	£59	£45	£93
The Co-operative Pharmacy	£151	£162	£242
The Co-operative Funeralcare	£90	n/a	£169
CFS	£1,248	£1,276	£373 (£512 <sup>35</sup> )

There was a pronounced decrease in CFS training activity and spend in 2009, as non-business-critical training requests were deprioritised during the merger.

The Trading Group continues to maintain its Investors in People (iIP) accreditation. This national quality award recognises organisations that aim to improve performance by developing their employees.

### Graduate programme

The Co-operative graduate programme<sup>36</sup> offers two routes: an 18-month Business Management Programme and a three-year Chartered Institute of Management Accountants (CIMA) Finance Programme. The Graduate Recruitment team maintained a strong presence in universities during 2009, running talks and skills sessions and attending careers fairs across the UK. The Co-operative formal undergraduate programme, launched in 2008, has been recognised as best practice and accredited by the National Council of Work Experience. The programme offers students opportunities to undertake one-year work placements across the business.

### Performance benchmark

While graduate vacancies were cut by a quarter amongst the top UK employers in 2009<sup>37</sup>, The Co-operative increased its graduate recruitment by 60% in 2009.

The Co-operative ranked 62nd in The Times Top 100 Graduate Employers Index 2009/10<sup>38</sup> (2008: 61st).

### Salary and benefits

#### Salary

Salary patterns differ across the businesses, with a larger proportion of CFS employees earning wages in higher salary bands than Trading Group employees. Variations reflect, in the main, the differing types of business.

#### Proportion of staff in each basic salary band<sup>39</sup>

	CFS (former CFS in brackets) <sup>40</sup>			Trading Group (former Trading Group in brackets) <sup>41</sup>		
	2007	2008	2009	2007	2008	2009
Up to £15,000	29%	25%	25% (19%)	75%	75%	77% (73%)
£15,001 to £20,000	20%	24%	25% (27%)	11%	11%	9% (11%)
£20,001 to £30,000	17%	17%	22% (20%)	9%	10%	9% (11%)
£30,001 to £40,000	11%	10%	12% (12%)	3%	3%	3% (3%)
£40,001 plus	9%	10%	11% (13%)	2%	1%	2% (2%)

#### Trading Group employee survey question:

'In comparison with people in similar jobs in other companies, I feel my pay is reasonable.'<sup>42</sup>

	2009
Agree	51%
Neither agree nor disagree	18%
Disagree	31%

#### CFS employee survey question:

'I believe I am fairly paid for the contribution I make.'<sup>43</sup>

	December 2009
Agree	62%
Disagree	38%

#### Benefits

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

employees<sup>44</sup>. Former Somerfield and Britannia employees remain under their existing terms and conditions, and it is anticipated that former Somerfield staff benefits will be fully aligned with those of the Trading Group by the end of 2011.

In CFS, the majority of employees participate in a company-wide bonus plan to focus all employees on delivering financial performance and customer satisfaction. Bonus payments are made if an individual meets or exceeds the required level of performance. Under the 2009 structure, 6,061 employees (94% of those eligible) benefited from this bonus<sup>45</sup>. The Trading Group operates a bonus scheme for management-level staff, based on performance, where 11,800 employees (62% of those eligible) in 2009 received a bonus<sup>46</sup>. Of former Trading Group staff, 85% are employee-members, as are 80% of CFS staff<sup>47</sup>. Employee-members 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 2009, this Dividend was £500<sup>48</sup>.

**Employee benefits**

**Benefits effective from commencement of employment for all employees<sup>49</sup>**

Bonus and incentive scheme(s)<sup>50</sup>, 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, Employee member benefits.

**Benefits subject to a qualifying period for all employees**

Pension scheme, sick leave, enhanced maternity/adoption<sup>51</sup> benefits.

**Benefits available to permanent employees that are not available to temporary employees**

Long-service awards.

**Trading Group employee survey question:**

'The benefits I receive (pensions, holidays, etc) are fair for the work I do.'<sup>52</sup>

	2006	2007 (former Trading Group in brackets)	2008	2009
Agree	n/a	65% (65%)	72%	73%
Neither agree nor disagree	n/a	21% (21%)	18%	17%
Disagree	n/a	14% (14%)	10%	10%

Every employee is offered the opportunity to join a pension scheme. Following recent mergers and acquisition, 10 pension schemes are sponsored, offering a range of benefits. Generally, the pension scheme in which an employee accrues and receives pension benefits is determined by their original employer within The Co-operative (or other business prior to merger with, or acquisition by, The Co-operative).

In total, The Co-operative is responsible for providing pension benefits to almost 137,000 current, former and retired employees (2008: 108,000)<sup>53</sup>. In 2009, contributing members to the pension

schemes totalled 24,000 (2008: 17,375), with 63,000 deferred pensioners and 50,000 pensioners and widows. The overall proportion of staff in pension schemes remains the same as in 2008 (21%); the relatively low proportion of scheme members is partly attributable to the high proportion of part-time staff and relatively high turnover levels in the retail business.

**% of staff who are members of a pension scheme**

	2007 (Former Trading Group in brackets)	2008	2009 (Former Trading Group/CFS in brackets)
Trading Group	18% (17%)	16%	15% <sup>54</sup> (17%)
CFS	67%	68%	72% <sup>55</sup> (67%)
<b>Total</b>	<b>23%</b>	<b>21%</b>	<b>21% (21%)</b>

**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, Us<sup>56</sup>, produced four times a year; and award-winning management magazine, Mag:ma, produced three times a year.

Regular e-briefings are also circulated to employees, Leadership Briefings are circulated to the senior management community for onward cascade to their teams, and regular team meetings are encouraged. In addition, communications are produced for specific functions within the business. With the acquisition of Somerfield in 2009, additional communication channels were established to aid integration, including bespoke editions of Us magazine for staff and integration managers' newsletters.

Annual employee survey results reveal that 78% of Trading Group employees agree that their manager regularly briefs them on information about the business (2008: 79%).

Following the merger with Britannia in August 2009, CFS relaunched its suite of employee communications channels to reflect the new business. New channels include The Understanding, a monthly face-to-face briefing for all colleagues; The Know magazine, which is published six times a year; and an employee intranet, The Exchange. During November and December 2009, all employees had the opportunity to attend an event to hear about CFS' new strategy from the Chief Executive and directors of the business.

**Whistle-blowing**

The Trading Group has in place a 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 issue or malpractice. The policy has been incorporated into the Code of Business Conduct. The service was formally launched across the Trading Group in June 2009. 'Speak Up' utilises 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 2009, 52 calls (2008: five calls) were received through this process, the majority of which were of a low level of concern; however, all have been investigated and resolved internally. The increase in calls is thought to be as a

result of greater awareness of the external whistle-blowing helpline across the Trading Group, following a communications campaign.

Given the nature of its business, CFS has its own internal telephone, email and text message whistle-blowing service. Colleagues are encouraged to seek advice on, and report, any work-related concerns that they do not feel able to raise with their line manager. In 2009, 29<sup>57</sup> telephone calls, emails and text messages were received (2008: 18). All cases are thoroughly investigated by the internal Investigations team and reported to the CFS Audit and Regulatory Compliance Committee. Former CFS and Britannia whistle-blowing policies will be integrated in 2010.

## Health, safety and well-being

### Health and safety

The health and safety objectives of The Co-operative are to safeguard the welfare of all employees when they are at work and protect non-employees from any hazard created by the business' operations. Within the Trading Group, there has been a significant decrease in reportable accidents in 2009. This is likely to reflect a number of health and safety initiatives which include: health and safety weeks, improved data monitoring and reporting, and further emphasis on health and safety training and accident investigation and processes. Neither the Trading Group nor CFS reported any employee fatalities during 2009.

#### Trading Group accident rates

	Trading Group <sup>58</sup>		
	2007	2008 <sup>59</sup>	2009
Reportable accidents <sup>60</sup> per 100,000 <sup>61</sup> employees	845	1,395	1,005 (1,108)
Non-reportable accidents per 100,000 employees	8,815	9,739	9,430 (9,872)

#### CFS accident rates

	CFS <sup>62</sup>		
	2007	2008	2009
Reportable accidents <sup>63</sup> per 100,000 <sup>64</sup> employees	133	62	103 (55)
Non-reportable accidents per 100,000 employees	1,900	1,585	1,788 (1,448)

### Performance benchmark

Reportable accident rates across CFS are lower than national data for the finance sector (the Health and Safety Executive (HSE) reports 161 per 100,000 employees in 2008/09)<sup>65</sup>.

### Well-being

The Co-operative's Employee Assistance Programme (EAP) is a 24-hour service operated by an external company<sup>66</sup>, which provides access to a range of specialist support 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<sup>67</sup> available through the intranet and internet; and a 'Life Management' 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 Co-operative employees and their immediate family members if they live in the same household. During 2009, 5% (2008: 4%) of employees across CFS and 1% (2008: 1%<sup>68</sup>) of employees from the Trading Group used these services. Former Britannia staff were given access to the EAP service provided by the same external company in June 2009, prior to the merger. This service will be made available to former Somerfield employees in 2010.

#### Trading Group<sup>69</sup> employee survey question:

'The leaders of this business have a sincere interest in employee well-being.'<sup>70</sup>

	2008	2009
Agree	60%	61%
Neither agree nor disagree	25%	24%
Disagree	15%	15%

### Domestic violence

One in four women and one in six men will experience some form of domestic violence or abuse in their lifetime<sup>71</sup>. Since 2008, The Co-operative has been a member of the Corporate Alliance against Domestic Violence, a group of businesses and organisations working individually and collectively to prevent domestic violence<sup>72</sup>, and a Trading Group policy on domestic violence exists in order to support employees experiencing domestic violence. In 2009, the Trading Group contributed to the development of a good practice resource for the DAWES (Domestic Abuse: Women's Employment Support) Project – a government-funded initiative helping employers, trades unions and advice workers to support employees experiencing domestic abuse – and delivered training to over 100 representatives from employers and support organisations as part of its launch. CFS will work to develop a policy statement on domestic violence during 2010.

### Work/life balance

Given that the majority (67%) 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 managers<sup>73</sup>. 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. © In 2009, the Trading Group met its target to complete three pilot exercises in flexible working, which involved over 100 staff. Analysis of the pilot will continue in order to assess levels of productivity and satisfaction among participants, and the initiative will be extended, with the aim of enabling a further 200 head office staff to work flexibly by the end of 2010.

© During 2009, CFS began to update its Flexible Working Guidelines, specifically addressing those areas which have generated the most queries. These guidelines will be further reviewed following consultation in 2010, to align both former CFS and Britannia flexible working policies. New intranet materials have been developed to improve and simplify the information available to managers and colleagues, and will be launched in 2010. These will allow CFS to align its approach with that of the Trading Group. CFS is exploring how systems can be improved to enable better monitoring of flexible working.

**Part- and full-time employees**

	Trading Group <sup>74</sup>			
	2006	2007	2008	2009
Full-time	37%	38%	36%	33%
Part-time	62% <sup>75</sup>	62%	64%	67%

**Part- and full-time employees**

	CFS <sup>76</sup>			
	2006	2007	2008	2009
Full-time	86%	84%	83%	79%
Part-time	14%	16%	17%	21%

**Trading Group<sup>77</sup> employee survey question:**

'I am happy with the balance between my work and home life.'<sup>78</sup>

	2009
Agree	76%
Neither agree nor disagree	12%
Disagree	12%

**Carers**

During 2009, the Trading Group conducted research into the needs of employees with caring responsibilities, and, in February, the Trading Group held a Carers Awareness Week, providing workshops and information sessions for employees and their families. The Trading Group has also appointed a Carers Champion to represent the interests of employee carers. Information to support employees who are carers has been made available to staff on the Trading Group intranet.

**Absence**

Across the former Trading Group<sup>79</sup> the main causes cited for absence were injury (10%) and back problems (8%). Records are incomplete, with 13% of records not citing a reason. Following the implementation of CFS' Oracle HR system (page 99), CFS has access to more complete absence data, enabling a more informed approach to managing absence. Only 1% of CFS records do not cite a reason for absence. As at November 2009, the main cause cited for CFS absence<sup>80</sup> was 'Sickness – other' (15%), followed by stress (13%) or anxiety/depression-related (10%) absences. For comparison, stress was reported as the second biggest cause of short-term absence and the number one cause of long-term absence among non-manual workers in the UK in 2009<sup>81</sup>. CFS will manage this issue during 2010, using staff survey findings, stress risk assessments, refinement of flexible working provisions and further promotion of the Employee Assistance Programme.

**Absence as a proportion of employee time**

	2007	2008	2009 (former Trading Group/ CFS staff in brackets)
The Co-operative Food	4.2%	3.6%	4.4% (3.8%)
Specialist Commercial Businesses	1.8%	1.6%	2.2%
Specialist Retail Businesses	2.9%	1.8%	2.1%
Funeralcare	3.7%	3.9%	4.6%
Pharmacy	2.4%	2.5%	3.2%
Property Division	3.3%	3.2%	2.9%
Corporate Functions	2.5%	2.4%	2.1%
Other Businesses	2.8%	1.8%	n/a
CFS	4.5%	4%	3.8% (3.9%)

**Performance benchmark**

The 2009 average overall absence rate for the retail and wholesale sectors was 3.8%, or an average of 8.6 days lost per employee per year<sup>82</sup>. This is broadly comparable with the absence rate within The Co-operative Food business, and higher than the rates across many other parts of the business. Industry average absence in the Banking, Finance and Insurance sector<sup>83</sup>, at 4.9%, is higher than the rate recorded across CFS.

**Influence and action**

During 2009, the Trading Group contributed to the Department for Business, Innovation and Skills' sponsored review on employee engagement, which examines potential benefits for organisations and employees. The Trading Group provided case studies which featured in the final report, illustrating a correlation between employee engagement and performance.

**Read more in this Report**

- Employee Diversity Policies (page 51).
- Workforce composition: gender, ethnicity, disability, sexual orientation and age (pages 52–53).

**Accompanying notes**

- 1 A number of GRI indicators relating to Labour Practices and Decent Work are reported, as detailed on page 120. The following Co-operatives<sup>84</sup>, Social, Environmental and Co-operative performance indicators, relating to employees are reported on: Indicator 3: Participation of employees and members in training and education (employee element: page 103); and Indicator 4: Staff injury and absentee rates (pages 105–106).
- 2 Figures show headcount, not full-time equivalent. Categorisation of businesses has changed over the period shown, as detailed in footnotes 5–9, so direct comparison of certain categories is not possible.
- 3 2007 figures include former United Co-operatives employees.
- 4 2009 figures include former Somerfield and former Britannia, but exclude former Plymouth & South West employees, which, at the time of data collation, had not been migrated to The Co-operative's Oracle system, following the merger in September 2009.
- 5 Comprises Food Retail Stores, head office and Logistics (2006 data excludes head office).
- 6 2006–2008 comprises Sunwin Motors, Sunwin Services, The Co-operative Clothing and Co-operative Electrical. 2009 figures, in addition to those businesses included previously, also include Aegis, Cash in Transit, and Hotels.
- 7 2006 comprises The Co-operative Travel only; 2007–2009 includes The Co-operative Travel, The Co-operative Legal Services and End-of-Life Planning.

8 2006 figure comprises The Co-operative Farms and Property; 2007–2008 comprises Former Group services (including Aegis), Operational Compliance, Loss Prevention, Procurement & Farms; 2009 figure comprises Farmcare, Facilities and Operational Risk.

9 Comprises all head office functions – Corporate HR, Group Marketing, Group IS, Corporate Finance, Executive Office, Secretariat, Corporate Communications, Graduate Salaries and Programme Office.

10 Figures relate to employee headcount. 2009 figures include former Co-operative, former Somerfield, former CFS and former Britannia employees.

11 Former Trading Group permanent: 69,686, temporary: 3,490.

12 Former CFS permanent: 7,157, temporary: 92.

13 Engagement Index methodologies differ between CFS and the Trading Group, so scores are not comparable. 2005 and 2006 data excludes former United employees. CFS engagement scores exclude former Britannia employees. Trading Group engagement scores exclude former Somerfield staff with the exception of 400 staff involved in a 2009 pilot to enable 2010 roll-out.

14 22 new questions were added in 2008 and 16 existing questions removed.

15 Over 55% of employees responded to the interim survey, which yielded an engagement score of 80.

16 Response rates were 76% in 2006, 78% in 2007 (excluding former United), and in 2008, 82% (including former United).

17 The Trading Group uses two scoring methodologies to measure responses to the employee survey. Firstly, 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. Secondly, the 'percentage agree' – which looks at the percentage of people who either strongly agree or agree with a question.

18 The Trading Group's external survey partner carried out the benchmarking exercise, against GfK data. It was possible to benchmark results from a total of 13 Talkback survey questions.

19 The Co-operative Group survey results were at least 15% higher than the benchmark on eight questions in these areas.

20 The most recent full survey was carried out in September 2008.

21 Notably, the December CFS survey omits the answer category 'neither agree nor disagree', as provided in prior surveys.

22 December 2009 survey is worded slightly differently: Overall, how satisfied are you with CFS as an employer? Agree: 91%; disagree: 9%.

23 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.

24 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. On 1 August 2009, as a result of the merger with Britannia, CFS further recognises the Britannia Staff Union (BSU), which collectively represents Britannia colleagues in (non-managerial) role bands 3 to 5.

25 Based on percentage of those employees who paid subscriptions by payroll deduction as at Period 10 (10 October). Includes former Somerfield and former Trading Group employees (38% of former Trading Group employees are union members, as are 19% of former Somerfield employees) based on total active headcount and maternity headcount.

26 Based on figures from Trades Union membership reports. Calculated as a percentage of total active headcount, career break headcount, and maternity headcount. Includes former CFS employees and former Britannia employees (71% of former CFS employees are members, as are 75% of former Britannia employees).

27 Further information on the United merger can be found in the 2007/08 Sustainability Report which can be downloaded from the Online Report site [▼](#).

28 Transfer of Undertakings (Protection of Employment) Regulations 2006.

29 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 presenting the number of avoidable leavers as a percentage of the average headcount over the 13 periods. Somerfield data excludes departures for the following reasons: end of fixed-term contracts, transfer of undertakings and redundancy.

30 Employee turnover is calculated by dividing the number of avoidable leavers by the average headcount over the period. 2009 figures relate to the year from period 10, 2008 to period 9, 2009 (November 2008 to November 2009 for Somerfield), whereas previous years' figures relate to calendar years – variation reflects the publication dates of respective Sustainability Reports. Categorisation of businesses has changed over the period shown in the table as detailed in footnotes 5–10, so direct comparison of certain categories is not possible.

31 2009 figures include former Somerfield and former Britannia, but exclude former Plymouth & South West employees, which, at the time of data collation, had not been migrated to The Co-operative's Oracle system following the merger in September 2009.

32 No comparable questions prior to 2009.

33 'Good with Money' induction training was rolled out across CFS in 2008. The training is designed to provide new colleagues with an insight into CFS, including co-operative heritage, products and services, and what it means to be a co-operative.

34 Includes costs for external courses, internal courses and related costs, such as room hire. Excludes cost of trainee time.

35 CFS figures for 2009 and 2008 relate 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; these are not captured in the figures presented.

36 [www.altogetherdifferent.com](http://www.altogetherdifferent.com)

37 High Fliers 2009, 'The Graduate Market in 2009' [www.highfliers.co.uk/download/GraduateMarket09.pdf](http://www.highfliers.co.uk/download/GraduateMarket09.pdf)

38 More than 16,000 final-year students from leading universities interviewed for the survey were asked: 'Which employer do you think offers the best opportunities for graduates?'

39 Based on full-time salaries.

40 Financial Advisers, representing 9% of total employees in 2009, and 14% of employees in 2007 and 2008, have been excluded, as their pay is biased towards earnings on a commission basis. Employees on career breaks have been excluded while those on maternity leave are included. Percentages are based on employee headcount and relate to full-time equivalent salaries.

41 Excludes casual staff and those on 0-hour contracts. Percentages are based on employee headcount and relate to full-time equivalent salaries.

42 Question in previous years: 'My pay is equal to, or better than it would be, for similar jobs in other companies.'

	2007	2008
Agree	38%	45%
Neither agree nor disagree	22%	21%
Disagree	40%	34%

43 Question in 2008: 'Rating of pay/total compensation.'

Very good/good	39%
Neither good nor poor	31%
Poor/very poor	30%

44 Temporary employees are those on fixed-term contracts and directly employed by the Trading Group or CFS.

45 This excludes Field Sales Teams incentive schemes, and business-specific/regional bonus schemes.

46 Figure includes head office management-level staff scheme, regional store manager scheme (including former Somerfield scheme), Funeralcare Ambassador scheme and Travel branch scheme.

47 Based on staff who had registered as employee-members as at 31 December 2009. Figures exclude former Somerfield staff, but include former Britannia staff.

48 This is pro rata for part-time or new employees.

49 Relates to employees directly employed by the Trading Group or CFS.

50 Applies to all CFS employees, but not all Trading Group employees.

51 Applies to all CFS employees, but not Trading Group employees.

52 Question in 2006: 'I believe that this business provides a competitive pension scheme.'

	2006
Agree	61%
Neither agree nor disagree	33%
Disagree	6%

53 This includes Active members of the following: Co-operative Group Pension (Average Career Earnings) Scheme – PACE; Somerfield Pension Scheme; Britannia Pension Scheme (Defined Benefit (DB) and Defined Contribution (DC) Section); Plymouth & South West Co-operative Society Limited Employees' Superannuation Fund (DB & DC Sections); Brixham Co-operative Society Limited Employees' Superannuation Fund; Lothian Borders & Angus Co-operative Society Limited Employees' Pension Fund; United Norwest Co-operatives Employees' Pension Fund; Yorkshire Co-operatives Limited Employees' Superannuation Fund; Leeds Co-operative Society Limited Employees' Pension Fund and the Sheffield Co-operative Society Limited Employees' Superannuation Fund.

54 This figure includes members of the Somerfield Pension Scheme.

55 This figure includes members of the Britannia Pension Scheme.

56 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.

57 Excludes former Britannia staff.

58 Includes accident data for former Somerfield staff. Accident data is only reported to 20 November 2009, and figures are based on a pro-rata calculation.

59 This includes accident data for former United staff, which, in conjunction with an increased focus on health and safety reporting, may help account for the lower number of accidents in 2008.

60 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.

61 Based on employee headcount provided on page 100.

62 Includes accident data for former Britannia staff.

63 Ibid footnote 60.

64 Ibid footnote 61.

65 Health and Safety Executive: [www.hse.gov.uk/statistics/tables/ind1.htm](http://www.hse.gov.uk/statistics/tables/ind1.htm)

66 Provided by AXA ICAS [www.axa-icas.com/employeesupport.php](http://www.axa-icas.com/employeesupport.php)

67 [www.ICASxtra.com](http://www.ICASxtra.com)

68 Based on figures for January to September 2008.

69 No equivalent question was asked in 2009 CFS surveys.

70 No comparable questions in previous years.

71 [www.ccada.org/stats.aspx](http://www.ccada.org/stats.aspx)

72 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.

73 Information is also available on dedicated pages of the Trading Group's intranet.

74 Trading Group employees working over 37.5 hours are classed as full-time.

75 In addition, 1% of employees are 'uncategorised'.

76 CFS employees working over 35 hours are classed as full-time.

77 No equivalent question was asked in 2009 CFS surveys.

78 Question in previous years: 'My work and personal life are reasonably well balanced.'

	2006
Agree	73% (excludes former United)
Neither agree nor disagree	16%
Disagree	11%

	2007	2008
Agree	73% (72%)	76%
Neither agree nor disagree	16% (17%)	14%
Disagree	11% (11%)	10%

79 Figures for causes cited for absence are based on sum of absence hours and do not include former Somerfield staff absences. Correct as at 10 October 2009.

80 The analysis of reasons for CFS absence is based on days absent, and does not include former Britannia staff absences. This data is only available from 1 January 2009 – 14 November 2009 and, as such, does not wholly reflect the period of absence reported on page 106 as a percentage of employee time.

81 Figures relate to % employee respondents who cited this as a major cause of absence. CIPD (2009) Absence Management Survey [http://www.cipd.co.uk/subjects/hrpract/absence/\\_absence\\_management\\_summary.htm](http://www.cipd.co.uk/subjects/hrpract/absence/_absence_management_summary.htm)

82 CIPD (2009) Absence Management Survey [http://www.cipd.co.uk/subjects/hrpract/absence/\\_absence\\_management\\_summary.htm](http://www.cipd.co.uk/subjects/hrpract/absence/_absence_management_summary.htm)

83 CBI/AXA absence and labour turnover survey, 2008.

# Customers

## Indicators

Customer satisfaction: Food, Pharmacy, Travel, Financial Services and Legal Services

Corporate reputation

Complaints: Food, Pharmacy, Travel, Financial Services and Legal Services

## Targets 2009

- D 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 (page 108).
  - ✔ Ensure that at least 3,700 outlets have been rebranded by the end of 2009 (page 110).
- ✔ target achieved    ⚠ close to target    ✘ target not achieved  
= on track    ⬇ behind schedule    D target dropped

## Targets 2010

- Maintain a CFS advocacy score that is 6% ahead of the top five in peer group.
- Ensure that at least 4,500 outlets have been rebranded by the end of 2010.

## Materiality and strategy

Customers are key stakeholders of The Co-operative, and 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 business in the world'. 'Growing customer loyalty' is one of six objectives that support attainment of this vision, as set out in the business' balanced scorecard (page 8). It is underpinned by two performance measures: overall customer satisfaction (based on a survey of Food, Travel, Pharmacy and Legal Services customers) and the number of customers who cross-trade within the family of businesses.

CFS' vision is to be the UK's most admired financial services business and 'putting members and customers first' has been identified as one of five values that should characterise the way CFS does business. The pursuit of 'market-leading customer satisfaction' was a key objective supporting attainment of this vision during 2009, and a KPI and target for customer satisfaction was linked to the performance criteria in all remuneration incentive schemes. In 2010, a new CFS balanced scorecard was introduced, with new customer KPIs that have a specific focus on customer advocacy.

## Accounting

### Customer Satisfaction Tracker

The Trading Group uses a Customer Satisfaction Tracker to measure customer satisfaction for the Food, Pharmacy, Travel and Legal Services businesses. Between 500 and 600 customers are surveyed on a monthly basis<sup>1</sup>, and asked to register satisfaction levels with The Co-operative using a 10-point scale.  The generation of customer satisfaction scores for competitors has been explored, with a view to benchmarking performance. The creation of meaningful and measurable targets against a benchmark has not yet proved possible, but it is hoped that targets will be set in 2011.

For personal customers, CFS utilised a rolling monthly Customer Satisfaction Tracker during 2009<sup>2</sup> to identify the proportion of customers who were either 'satisfied' or 'very satisfied' at a product level. Product scores were weighted by CFS customer numbers to generate overall and sector-level customer satisfaction scores for CFS, along with industry benchmarks. Satisfaction surveys were also conducted amongst CFS corporate and business customers<sup>3</sup>; survey results were weighted according to materiality. CFS customer satisfaction scores exclude Britannia, where a different measure was used during 2009. From 2010, a new customer advocacy measure for CFS and Britannia will be generated<sup>4</sup>, and benchmarked against a 'Top five in Peer Group' score<sup>5</sup>.

### Corporate Reputation Index

A Corporate Reputation Index (CRI) model<sup>6</sup> measures how brand perception drives sales across The Co-operative<sup>7</sup>. During September and October 2009, more than 1,000 face-to-face interviews were carried out with members of the public who had heard of 'The Co-op' or 'The Co-operative'. Respondents were asked questions exploring the issues of leadership and reliability, caring company and public responsibility. Each of these three areas is weighted according to its importance in driving sales<sup>8</sup>.

## Customer satisfaction

### Trading Group

#### Customer Satisfaction Tracker<sup>9</sup>

Percentage of very satisfied customers	2006	2007	2008	2009
The Co-operative Food	31%	33%	44%	30%
The Co-operative Pharmacy	72%	66%	77%	72%
The Co-operative Travel	75%	73%	75%	69%
The Co-operative Legal Services	n/a	n/a	72%	74%

Whilst 2008 saw particularly high customer satisfaction across the business, scores in 2009 returned broadly to the levels achieved during 2007. The satisfaction scores between the different businesses reflect, to a large degree, variance in the very different market sectors within which each operates.

A range of drivers impact on customer satisfaction scores, the most significant of which are detailed in the table (below).

### Drivers of customer satisfaction

Business	Top three drivers of customer satisfaction <sup>10</sup>
The Co-operative Food	Clean store; friendly and helpful staff; well-stocked shelves.
The Co-operative Pharmacy	Friendly and helpful staff; experienced and knowledgeable staff; well-stocked prescription medicines.
The Co-operative Travel	Friendly staff; made to feel welcome; customer needs understood.
The Co-operative Legal Services	Clear, concise explanations; reassuring, supportive case handler; duration of call.

### CFS

#### Customer Satisfaction Tracker

Percentage of customers 'extremely' or 'very' satisfied <sup>11</sup>	2006	2007	2008	2009	Performance benchmark 2009 market
General Insurance	71%	75%	79%	75%	66%
Retail Bank	73%	79%	77%	74%	61%
Life and Savings	n/a	n/a	70%	66%	n/a
Overall CFS	n/a	n/a	74%	71%	n/a

Customer satisfaction measures fell slightly in each of the business areas in 2009. This is largely a reflection of external market conditions, and the fall was in line with the market. A range of drivers impact on customers' satisfaction with the service they receive, as detailed in the table (below).

### Drivers of customer satisfaction

Channel	Top three drivers of customer satisfaction
Branch	Staff able to solve problems; customer needs understood; staff helpful throughout branch.
Telephone	Helpful advisers; customer needs understood; knowledgeable advisers.
Online	Easy to do what user wanted; site works quickly and efficiently; information easy to understand.
Financial Adviser	Consistent point of contact; good-quality advice; could trust the adviser.

### Performance benchmark

**smile** and The Co-operative Bank emerged in first and third places respectively in a Which? survey of 15,000 customers' satisfaction with their banks, published in January 2009. They achieved scores of 87% and 83%, compared with an average score of 63% recorded by the 20 banks involved in the survey.

### Performance benchmark

- The Co-operative Insurance won a platinum award for Motor Claims customer satisfaction from Consumer Intelligence in 2009.
- The Co-operative Insurance and Co-operative Investments are members of the Association of British Insurers' (ABI) Customer Impact Scheme, which aims to improve service to Life and Savings customers. Progress is monitored through an annual customer satisfaction survey and, in 2009, customers rated CFS higher than, or equal to, the industry average on all top-line measures<sup>19</sup>.

### CFS Corporate and Business Banking Satisfaction Index

	2008	2009
Corporate banking	83.7%	84.0%
Business banking	84.2%	82.7% <sup>12</sup>

### Drivers of customer satisfaction: corporate and business banking

Corporate banking	Accuracy of data and transactions; relationship managers keeping promises and commitments; reliability of software.
Business banking	Keeping promises and commitments; accuracy of customer details processing and day-to-day banking operations; helpfulness of staff

### Corporate reputation and brand

#### Corporate Reputation Index

#### The Co-operative Group: Corporate Reputation Index

	2006	2007	2008	2009
Corporate reputation <sup>13</sup>	+4 <sup>14</sup>	+14	+17	+27 <sup>15</sup>

### Performance benchmark

#### Competitor performance: Corporate Reputation Index<sup>16</sup>



The figures in brackets at the end of the bars represent the change from 2008 to 2009.

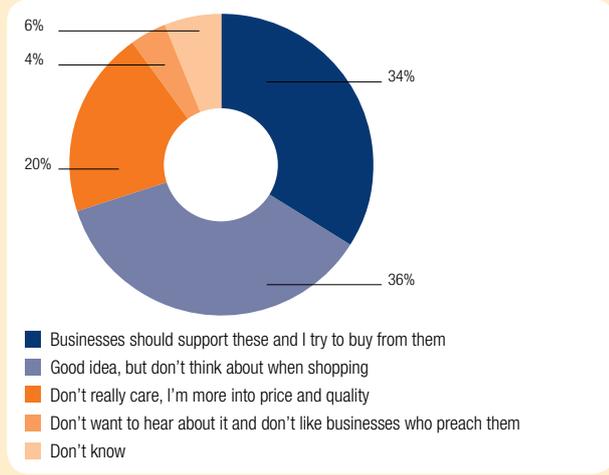
The Co-operative scored particularly well in comparison with competitors in the public responsibility<sup>17</sup> (rank: 3rd of nine) and caring company<sup>18</sup> (rank: 3rd of nine) elements of the Corporate Reputation Index (CRI). Significantly, Member responses were over twice as high as non-Member responses in relation to 'caring

company' and 'public responsibility'. However, these elements account for a relatively small proportion of the CRI score, with greatest weighting (60%) associated with 'leadership and reliability'.

As part of the CRI surveys, consumers were asked to share their opinions of responsible retailing and ethical products; the majority responded positively, as detailed in the pie chart on page 110. Significantly, 91% of respondents were Co-operative customers.

**CRI survey question:**

'Which of the following statements best describes your opinion of responsible retailing and ethical products?'



**Performance benchmark**

- At the Retail Week Awards in January 2009, The Co-operative was named Responsible Retailer of the Year.
- At the Scottish Retail Excellence Awards in October 2009, The Co-operative was named Retailer of the Year. Judges commented that it demonstrated leading performance across all aspects of the business in Scotland, including clear brand values, commitment to product and store innovation and active involvement in the communities it serves.
- At the 2009 Retail Industry Awards – the longest-running awards in the grocery retail sector – The Co-operative Food was announced the winner of the National Convenience Chain of the Year for the second year running.
- In November, The Co-operative Travel was named Large Travel Retailer of the Year in The British Travel Awards 2009. The awards are given to travel businesses that are nominated by their peers and voted for by the holiday- and travel-buying public.
- In June 2009, The Co-operative Bank was named 'Best Financial Services Provider' in the 2009 Which? Awards, and was commended for its prudent business model and behaviour and ethical stance.
- The Co-operative Bank was voted 'Best Direct Mortgage Lender 2009/10' by Your Mortgage.
- The Co-operative Insurance was voted 'Best Direct Motor Insurance Provider 2009, by Your Money.

**Rebranding programme**

During 2009, The Co-operative continued its rebranding programme to unify the different businesses and a number of other co-operative societies under one identity. Brand standards

are designed to deliver an improved customer experience and a higher level of customer satisfaction. © By December 2009, a total of 4,030 outlets had been rebranded, including 184 former Somerfield stores<sup>20</sup>.



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.

**Customer relations**

The Co-operative's Customer Relations department<sup>21</sup> acts as the first point of contact for customers who wish to comment on products, policies and operations or find out about the provenance of own-brand goods<sup>22</sup>. As well as being the first point of contact for customer queries, the Customer Relations department generates information to allow the business to respond to emerging consumer issues.

**Customer correspondence**

	2005	2006	2007	2008	2009
Total calls	129,163	145,752	174,920	167,297	157,758
Average call abandoned rate (daytime)	2%	2%	8%	9%	1%
Average call abandoned rate (evening)	11%	11%	16%	10%	1%
Correspondence answered within three days	97%	93%	90%	87%	85%

Work to reduce the call abandonment rate took place in 2009, resulting in a significant decrease in customers abandoning calls.

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.

**Complaints**

	2006	2007	2008	2009
Product complaints received by the Customer Relations team (largely food-related)	26,547	27,145	26,861	28,129

**Complaints received by other customer contact centres**

	2006	2007	2008	2009
The Co-operative Bank	20,395	37,047	21,723	20,190
The Co-operative Insurance – regulated	43,810	27,330	17,537	17,855
The Co-operative Insurance – unregulated	6,246	3,371	2,700	3,123
The Co-operative Travel	4,212	4,067 <sup>23</sup>	4,620	4,876
The Co-operative Pharmacy	n/a	747 <sup>24</sup>	915	1,552

The Co-operative Insurance complaints, whilst consistent with numbers recorded in 2008, have fallen significantly since 2006, due to changes in FSA requirements for reporting. The number of Co-operative Pharmacy complaints increased in 2009, in part due to a new NHS complaints procedure that makes it easier for patients, including those visiting pharmacies, to raise concerns. Work to rationalise product ranges across The Co-operative Pharmacy branches, resulting in the discontinuation of some product ranges, and national quotas of key prescription lines have also led to complaints relating to availability.

**Customer engagement**

The Co-operative engages customers via numerous channels, in addition to the customer satisfaction and corporate reputation surveys detailed above. These include:

**The Co-operative Food chip and pin feedback: InSight**

The Co-operative Food utilises chip and pin terminals to gather customer feedback on pertinent customer service, sustainability and business issues<sup>25</sup>, with a new question asked every week<sup>26</sup>. InSight was designed and developed in-house and is unique to The Co-operative. An average of 350,000 responses was received each week during 2009, providing an instant reading on customer opinion.

**The Co-operative Food customer panels: The Taste Team**

A pilot customer panel, The Taste Team, was introduced in February 2009 to help ensure own-brand ranges meet or exceed customer expectations. A total of 1,200 customer members sample new products and provide feedback via an online questionnaire. Products achieving a sufficiently high panel score are progressed to launch. In 2009, 259 tests were completed and, from March 2010, all new products have passed through The Taste Team approval process.

**CFS: Customer Experience Forums**

A series of 'Customer Experience Forums' were launched in 2009 to help CFS build its customer satisfaction levels. Three forums were held each month throughout the year; one each for Retail Bank, General Insurance, and Life and Savings. The forums are used to generate ideas for improvements, based on customer views.

**CFS: customer panel**

A CFS customer panel delivers feedback from a representative sample of customers on business-specific developments and potential product and service propositions.

**CFS: Customer Consultative Council**

CFS operates a Customer Consultative Council, made up of 24 customers, to provide in-depth feedback on all aspects of the business, including strategy, products, ethics and people policies. The first meeting of the Council was held in December 2009, and future meetings will be convened quarterly. The Council builds on

the former Britannia Members' Council, which, prior to the merger (page 6), provided a valuable 'sense check' on business proposals.

**Read more in this Report**

- Chip and pin InSight survey results (pages 38, 67, 80, 81).
- Customer members (page 88).
- Responsible lending (pages 40–42).
- Sound sourcing of goods for resale (pages 21–24).
- Animal welfare standards of own-brand products (pages 30–34).
- Nutritional content of own-brand products (page 37).
- Access to Co-operative stores and outlets (pages 47–48).
- 'Medicines check' service, to help Muslim customers manage their medicines whilst fasting during Ramadan (page 54).
- Fairtrade products (pages 20–21).
- Products supporting financial inclusion (pages 47–49).
- Recycled content in products and packaging (page 73).

**Accompanying notes**

- 1 Surveys comprise telephone interviews (Food and Travel), exit interviews (Pharmacy) and self-completion paper-based surveys (Legal Services).
- 2 Derived from a combination of GiK NOP's syndicated Financial Research Survey (FRS) of 60,000 general financial services customers (for Retail Bank and General Insurance Products) and a monthly survey of Life and Savings customers who have recently contacted CFS, conducted by Network Research.
- 3 The corporate survey was conducted in May 2009. The Business banking survey was conducted during April/May and October/November 2009.
- 4 To be derived from the GiK NOP FRS which measures advocacy/likelihood to recommend on a 0 to 10 scale. CFS will focus on the proportion scoring 8–10 (equivalent to relating to those who are 'extremely likely' or 'very likely' to recommend the business). Product level scores will be weighted by product numbers to produce an overall score.
- 5 The peer group consists of Nationwide, Barclays, Halifax, Lloyds, NatWest, HSBC and Santander.
- 6 The CRI was created by The Co-operative in partnership with Millward Brown, www.millwardbrown.com
- 7 The CRI score is based on the regions in which The Co-operative operates.
- 8 Leadership and reliability: 60%, caring company: 26%, public responsibility: 14%.
- 9 Data presented is an average of the four quarterly satisfaction scores. 'Very satisfied customers' are those rating their satisfaction with The Co-operative as 9 or 10 out of 10.
- 10 Statistical modelling of 2009 customer satisfaction survey results was used to derive the relationship between specific drivers and overall satisfaction. 'Real importance' drivers were last reviewed in early 2009.
- 11 Data presented relates to December each year. A new methodology for the calculation of the Life and Savings customer satisfaction score, which feeds into the overall CFS score, was adopted in 2008.
- 12 Score represents an average of two surveys conducted: 83.9% (April/May) and 81.5% (October/November).
- 13 The average score across all UK organisations surveyed is 0.
- 14 2006 score was based on surveys undertaken throughout the UK, rather than exclusively within The Co-operative's trading areas.
- 15 Former Somerfield and former Britannia have separate entries to The Co-operative in the 2009 CRI, but will be included within The Co-operative score from 2010. At the time of the 2009 survey, few Somerfield stores had been rebranded to The Co-operative or stocked Co-operative brand products, and the Britannia merger date was very recent.
- 16 The survey approach involves consumers being questioned about The Co-operative and one other competitor. A reduced number of consumers were questioned in 2009 than in previous years and, as a result, fewer competitors are included in the research findings.
- 17 Comprises: charges fair prices for its products/services; promotes itself responsibly; is a company you can trust; and cares about its customers.
- 18 Comprises: supports good causes; supports local communities; treats its employees well; behaves in a socially responsible way; is different from other companies; and has a useful role in society.
- 19 The business produces an annual report to customers detailing key survey results and planned activities. The latest report is available at www.goodwithmoney.com
- 20 3,569 Co-operative Group outlets and 461 outlets of other co-operative societies had been rebranded by end 2009.
- 21 The department is open seven days a week – 11 hours per day on weekdays and eight hours per day at the weekend. 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 appear on literature and own-brand products.
- 22 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.
- 23 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 (3,122) and United Travel (990). The United figure does not include phone calls, as they were not logged.
- 24 154 of these complaints were received by the former United Co-operative Pharmacies; 593 were received by The Co-operative Group Pharmacies.
- 25 Sustainability-related InSight results are included in relevant sections throughout this Report.
- 26 Customer service questions made up 31% of questions asked during 2009; sustainability-related questions made up a further 31% of questions asked during 2009.

# Public policy

## Indicators

Public policy interventions

Political donations

## Targets 2009

- Review and make publicly available a Public Policy Intervention Policy.

✔ target achieved   🟡 close to target   ✘ target not achieved  
🟢 on track   🔴 behind schedule   🚫 target dropped

## Targets 2010

- Develop a new strategy for public policy engagement with consideration of co-operative Values and Principles.

## 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, when he was United Nations Secretary-General, “business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy”<sup>1</sup>.

## Materiality and strategy

The Co-operative 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

A new Political Strategy Working Group was formed in 2009. This comprises the Chair of The Co-operative Group, Chair of the Values & Principles Committee (page 10), one Co-operative Group Board member, one CFS Board member, one of The Co-operative Group Board’s nominees to The Co-operative Party National Executive Committee (NEC) and relevant members from management. The Working Group met for the first time in October 2009 and agreed the outlining principles that will inform the development of a new strategy for political engagement. Responsibilities will also extend to The Co-operative’s relationships with political parties and Government at all levels, funding within the political environment and the engagement of members in public policy activities.

## Management

Public policy activities are supported by a public affairs team of six people. The team identifies and tracks significant public policy themes relevant to The Co-operative and its family of businesses, co-ordinates public policy responses, manages Government relations and advocates The Co-operative business model to politicians and civil servants. The team reports to the Director of Communications. Where public policy activities relate to material sustainability issues, its position is informed by input from the Social Goals department.

## Accounting and reporting

The Co-operative’s diverse range of businesses, coupled with its position as a leading advocate of responsible business, promote its active engagement in public policy matters. For reporting purposes, ‘engagement’ is restricted to instances where The Co-operative has pressed a point of difference 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.

## Performance benchmark

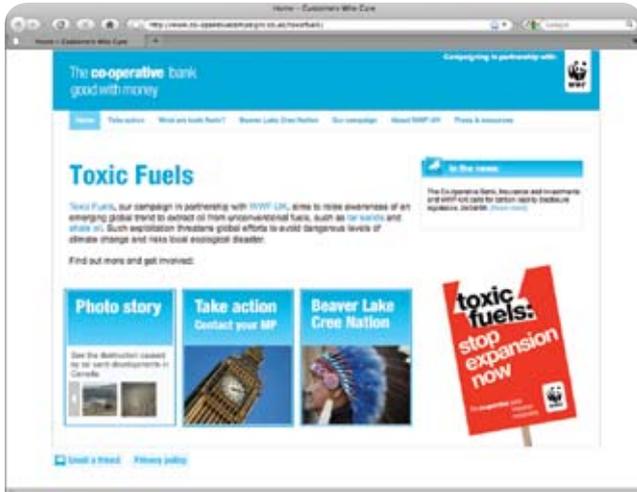
In 2007, research undertaken by SustainAbility<sup>2</sup> acknowledged CFS to be one of a ‘small group of leader companies’ whose approach to lobbying and reporting could be considered ‘integrated’<sup>3</sup> (ie, at the highest level).

## Public policy ‘influence and action’ 2009

Issue	Audience	Influence and action	Page
<b>International development</b>			
Fair climate deal	Prime Minister and Department of Energy and Climate Change (DECC)	As part of a coalition convened by Oxfam, co-signed two open letters to the Prime Minister and met with DECC officials to call for a climate change deal at the Copenhagen climate change talks that would be fair to developing nations.	67
<b>Social inclusion</b>			
Prisoner bank accounts	British Bankers’ Association and Ministry of Justice	Wrote to, and met with, the Minister for Prisons, and participated in a banking industry roundtable hosted by the Ministry of Justice, calling for other financial institutions to increase access to banking for prisoners.	50
Post Office closures	Select Committee on Business, Enterprise and Regulatory Reform (BERR)	Gave oral evidence to the Select Committee inquiry into the future of the Post Office network, highlighting barriers to the development of a strategic partnership with the Post Office and welcoming discussions to expand Post Office services.	50

## Public policy 'influence and action' 2009 continued

Issue	Audience	Influence and action	Page
<b>Climate change</b>			
Feed-in tariffs for renewables	Minister of State for Energy and Climate Change and DECC	Made policy recommendations as a key member of the Renewable Energy Association and Friends of the Earth-led 'Feed-in tariffs coalition'. Wrote to the Minister of State and submitted a response to the DECC Renewable Electricity Financial Incentives consultation calling for a 10% return from feed-in tariffs.	67
Carbon reduction commitment	Secretary of State for Energy and Climate Change	Co-signed a letter to the Secretary of State for Energy and Climate Change calling for greater business incentives to be made available for investment in renewable technologies, including more favourable returns from feed-in tariffs.	67
Heathrow third runway	Department for Transport (DfT)	The Co-operative Travel wrote to the DfT opposing the development of a third runway.	67
Canadian tar sands	Canadian High Commission and Members of Parliament	Representatives from CFS joined Toxic Fuels 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.	66
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.	66
Carbon liability disclosure	Members of Parliament and Government	At the request of CFS and WWF-UK, cross-party MPs tabled Early Day Motion 1250 calling on the Government to require all UK-listed companies in the oil, gas and power sectors to report their total carbon liabilities. 4,527 CFS customers and WWF-UK supporters were mobilised to contact their MP to sign the EDM via the CFS Toxic Fuels campaign website.	66
Mandatory greenhouse gas reporting	Members of Parliament, DECC, Secretary of State for Environment, Food and Rural Affairs and Secretary of State for Business Innovation and Skills	Submitted a response to DECC's consultation calling for introduction of mandatory greenhouse gas reporting, including requirement for reporting of long-term carbon liabilities by UK-listed oil and gas companies. Participated in party conference fringe events to mobilise political support for the issue. Wrote to Secretary of State for Environment, Food and Rural Affairs and Secretary of State for Business Innovation and Skills to call for mandatory greenhouse gas reporting by 2012, co-signing letters with WWF-UK and the Aldersgate Group.	67
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.	67
International climate change talks	Political leaders at UN Climate Change Conference in Copenhagen	Signed the 'Copenhagen Communiqué on Climate Change'.	67
Low Carbon Buildings Programme (LCBP)	Minister of State, DECC	The Chief Executive wrote to the Minister of State, DECC, to raise concerns about the allocation of LCBP funding and the premature end of its photovoltaic stream.	67
<b>Biodiversity</b>			
Marine Reserves and Marine and Coastal Access Act	Ministers, Defra, Members of Parliament and House of Commons Environment, Food and Rural Affairs Committee	Mobilisation of members and customers to lobby Government for a strong Marine Act, which would introduce an ecologically coherent network of marine reserves, and call for a commitment to designate 30% of UK waters as highly protected by 2020. Wrote to Secretary of State, Defra; met Fisheries Minister, Defra Marine Bill team, Shadow Ministers and key MPs; made a submission to a Committee inquiry; hosted a parliamentary event; and mobilised 4,258 members and customers to contact their MP in support.	80
Decline of the honeybee	Secretary of State for Environment, Food and Rural Affairs	Petition launched urging the UK Government to carry out a systematic review of the impact of pesticides on bees.	80
<b>Inspiring young people</b>			
Inspiring young people	Members of Parliament	Organised and chaired party conference fringe events on young people and citizenship.	Online Report 



Toxic Fuels campaign website. The campaign was launched at a CFS and WWF-UK protest outside the Canadian Embassy in London, in early 2009.



In an in-store poll, over 500,000 Co-operative customers said they support reserves to protect marine life (page 81).



Plan Bee campaign website. By December 2009, over 3,300 people had signed The Co-operative's petition urging Government to review the impact of pesticides on bees.

## Trade and business association memberships

The Co-operative 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, it 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 membership fees and donations 2009

Name	Amount
Co-operatives <sup>UK</sup>	£1,079,998
NPA Services (National Pharmacy Association) (left in 2009)	£300,000
Co-operative Employers Association	£275,000
Business in the Community (BITC)	£229,164
Building Society Association	£202,098
Association of British Travel Agents (ABTA)	£160,000
National Association of Funeral Directors (NAFD)	£154,009
Council of Mortgage Lenders	£129,120
Royal Pharmaceutical Society for Great Britain	£127,176
British Security Industry Association	£124,279
British Retail Consortium (BRC)	£89,564
Company Chemists Association	£85,005
The Law Society	£48,365
European Community of Consumer Co-operatives (Euro Co-op)	£38,624
International Co-operative Alliance (ICA)	£34,000
Association of British Credit Unions (ABCUL)	£32,131
Association of British Insurers (ABI)	£30,979
Ethical Trading Initiative (ETI)	£30,000
British Banking Association (BBA)	£28,401
European Association of Co-operative Banks (EACB)	£26,500
Corporate Executive Board	£22,218
International Co-operative and Mutual Insurance Federation (ICMIF)	£20,797
IGD Services (Grocery Information, Insight and Best Practice)	£18,976
Information Security Forum	£18,301
Association of Mutual and Insurance Co-operatives	£16,503
Employers' Forum on Disability	£13,336
Scottish Grocer Federation	£12,900
Professional Planning Forum	£12,776
Association of Convenience Stores (ACS)	£10,820
Communicate Mutuality (MUTUO)	£10,000
The Wine & Spirit Trade Association	£10,000

## Trade and business association membership fees and donations 2009 continued

Name	Amount
Forum for the Future	£10,000
Finance and Leasing Association	£8,566
Institute of Social & Ethical AccountAbility (AccountAbility)	£7,000
Combined Heat and Power Association	£6,600
Scottish Renewables Forum	£5,980
ClimateWise	£5,750
National Farmers Union (England)	£5,591
Renewable Energy Association	£5,400
Scottish Renewable Energy Association	£5,200
UK Social Investment Forum (UKSIF)	£5,000
Demographics User Group	£4,712
Fresh Potato Suppliers Association	£4,150
The Corporate Citizenship Company	£4,099
Environmental Industries Commission (EIC)	£3,175
Social Enterprise Coalition	£2,875
British Institute of Funeral Directors	£2,443
Guild of Travel Management	£2,400
Country Land and Business Association	£2,377
Enterprise Forum Ltd	£2,300
Employers Forum on Age	£2,300
Corporate Responsibility Group	£1,925
British Food Importers and Distributors Association	£1,632
British Institute of Facilities Management	£1,276
Federation of Burial and Cremation Authority	£1,259
National Farmers Union (Scotland)	£1,241
British Retail Consortium Palm Oil	£1,149
<b>Total</b>	<b>£3,495,440</b>

## Political donations

The Co-operative is a significant supporter of The Co-operative Party (The Party), which was created in 1917 by the UK Co-operative Movement in order to promote its Values and 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 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 councillors<sup>4</sup>.

In 2009, an overall financial contribution of £676,000 (2008: £646,000) was made to The Party in respect of the annual subscription and support for Party Councils. An in-kind donation of £5,000 (2008: £6,000) was also made in the form of the provision of office space and use of a telephone. Furthermore, donations of £63,090 were made directly to The Labour Party and miscellaneous expenditure was incurred in support of The Labour Party at local, regional and national levels, amounting to £7,000 (2008: £12,000).

## CFS and ethical finance

### The Co-operative Asset Management 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 27 resolutions calling for such disclosure at the general meetings of investee companies. The Co-operative Asset Management (TCAM) voted in support of all of these resolutions.

### 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 [www.party.coop](http://www.party.coop)

Image: Poppy, The Co-operative Farms at Goole.

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- 119** Reporting in accordance with the GRI G3 guidelines

# Focus on independent assurance

# Independent assurance statement



## Scope and objectives

**Two Tomorrows (Europe) Limited** has undertaken independent assurance of The Co-operative Sustainability Report 2009 (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 AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles).
- The reliability of specified sustainability performance information.

The performance information included in scope was all key data and claims in the printed Report. We have not checked the collation of data for the financial information taken from The Co-operative's audited Annual Report and Accounts. Source energy data provided by The Co-operative's Energy Services team and historical Somerfield and Britannia data have not been subject to review. We did not review the GRI table or GRI application level in the Report.

We were also engaged to provide high-level assurance on the data and claims in the Ethical Finance chapter (pages 40–46).

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 and of the assurance providers

The directors of The Co-operative have sole responsibility for the preparation of the Report. Our statement represents our independent opinion and is intended to inform all of The Co-operative'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 Co-operative in the past year to provide a Tomorrow's Value Rating benchmark report. This is the fourth year that we have provided assurance for The Co-operative. Some members of our team have acted as assurance providers to Co-operative Financial Services for the previous 3 years and to The Co-operative Bank for its Partnership Report for the 6 years prior to that.

Our team comprised Mark Line, Richard Evans, Adrian Henriques, Judith Murphy, Rachell Evans and Sini Forssell. Further information, including individual competencies relating to the team, can be found at: [www.twotomorrows.com](http://www.twotomorrows.com)

## Basis of our opinion

In our work, designed to gather evidence with the objective of providing the agreed level of assurance as defined in AA1000AS (2008), we undertook the following activities:

- Review of sustainability issues that are of interest to stakeholders, could affect The Co-operative or were discussed with its management.
- Interviews with members of the social goals team and selected managers in the businesses responsible for the management of sustainability issues.
- Review of The Co-operative'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 Co-operative 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 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

The Report demonstrates how The Co-operative has maintained its commitment to sustainability in terms of the extent to which sustainability is integral to its business model and the transparency with which it reports on its sustainability impacts and programmes.

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe The Co-operative's adherence to the Principles or its performance.

We believe the claims in the Ethical Finance section on which we are providing high-level assurance are reliable. The Ethical Finance team has undertaken significant additional workload in the complete review of Britannia investments against the bank Ethical Policy during 2009 and ongoing compliance with the Ethical Policy continues to be comprehensive.

In terms of data accuracy, nothing came to our attention to suggest that data have not been properly collated from information reported at operational level, or that the assumptions used 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 Co-operative's co-operative ethos can be seen in its concern for and involvement of stakeholders. The past year has seen the continuing development of Membership systems and processes, a substantial growth in Membership and the increasing engagement of members with The Co-operative in areas ranging from governance to purchasing.

The Co-operative Food has also introduced an innovative system to engage customers at the point of sale on a range of issues of concern to customers.

### **Material issues are those which are necessary for stakeholders to make informed judgments concerning The Co-operative and its impacts.**

We believe the Report describes the great majority of The Co-operative's material impacts. This has now been extended further with the inclusion of reporting on water impacts; we recommend further work to explore water vulnerabilities in the supply chain. In addition, we are pleased to see the development of a method to assess community impacts, as this is an area which is particularly hard to assess consistently.

Overall, while the Report does address the majority of material issues, the link between the mechanisms that influence materiality decisions, as described on page 9, and those issues that are covered in the various sections of the Report, as well as those considered insufficiently material to report, should be better described. This would help to identify any gaps in the current reporting.

In future years The Co-operative might also consider profiling the sustainability impacts and performance of individual businesses in more detail.

### **Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

The Co-operative has demonstrated its responsiveness in many areas. The past year has been one of national financial and economic difficulty; it has also been a period in which The Co-operative has begun or continued the integration of external businesses in both food and finance. This has resulted in a high level of staff turnover. Despite this, results from the staff survey indicate that both the morale and positive commitment of staff have been maintained. This is a real achievement.

The past year has also been one of increasing competition on ethical grounds. In that context it is important to strengthen the use of benchmarks against which to judge The Co-operative's performance. Specific areas in which that would be useful include diversity, nutrition and animal welfare.

It is a positive development that this Report has been published three months earlier than in previous years.

## Performance information

There remain a number of areas that involve the manual collation and adjustment of data. While The Co-operative has paid particular attention to ensuring the accuracy of performance data derived from the complex systems that capture animal welfare, climate change and water performance information, automation would help to further reduce the risk of error.

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. This should remain a focus and in some areas clearer data protocols would help to improve reporting. Reporting calendar year data for the areas where this was not possible in 2009 should also be a goal.

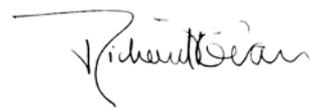
We note the extensive work this year in integrating Somerfield and Britannia within the Co-operative's sustainability programme. It is welcome that in many areas 2009 performance across the enlarged business has been reported, given the mergers completing towards the end of the year.

### **Two Tomorrows (Europe) Limited**

London  
April 2010



**Mark Line**  
Director



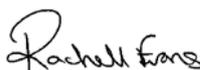
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**Two Tomorrows (Europe) Limited** trading as Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. [www.twotomorrow.com](http://www.twotomorrow.com)



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# Reporting in accordance with the GRI G3 guidelines



This Report is aligned with the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines<sup>1</sup>, and has been checked by GRI to be consistent with an application level of A+<sup>2</sup>. For a more detailed summary of performance and a full description of each of the GRI indicators summarised below along with reporting against the financial services sector supplement, see the online Report [v](#).

## 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 2009 (relevant page numbers in brackets)
- CFS = Co-operative Financial Services Financial Statements 2009 (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: 8–9, 15, 19–20, 30, 36, 40, 47, 51, 57–58, 69, 75, 82, 88, 95, 99, 108, 112
- GRI = Full GRI table in the online Report [v](#)

## Additional notes

1 [www.globalreporting.org/ReportingFramework/G3Guidelines](http://www.globalreporting.org/ReportingFramework/G3Guidelines)

2 For further information on G3 application levels, see: [www.globalreporting.org/GRIReports/ApplicationLevels](http://www.globalreporting.org/GRIReports/ApplicationLevels)

GRI Indicator	Level	Where to find the indicator (page number)
<b>1. Vision and Strategy</b>		
1.1 Chief Executive's statement on relevance of sustainability	●	2–3, 11
1.2 Key impacts, risks and opportunities	●	7, 8–11, 15, 19–20, 30, 36, 40, 47, 51, 57–58, 69, 75, 82, 88, 95, 99, 108, 112, ARA (26–29)
<b>2. Profile</b>		
<b>Organisational Profile</b>		
2.1 Name of reporting organisation	●	IFC
2.2 Primary brands, products and/or services	●	IFC
2.3 Operational structure of the organisation	●	IFC
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
2.7 Markets served	●	IFC, ARA (6–23)
2.8 Scale of the reporting organisation	●	IFC, 95, 100, ARA (6–23, 47)
2.9 Significant changes during the reporting period	●	IFC, 6, 89, 101–102
2.10 Awards received in the reporting period	●	11, 20, 30, 41, 53, 59, 76, 109–110, 121
<b>3. Report Profile</b>		
3.1 Reporting period for the information provided	●	7
3.2 Date of most recent Report	●	7
3.3 Reporting cycle	●	7
3.4 Contact point for questions regarding the Report	●	Back cover
<b>Report Scope and Boundary</b>		
3.5 Process for defining Report content	●	7, 8–10, 15, 19–20, 30, 36, 40, 47, 51, 57–58, 69, 75, 82, 88, 95, 99, 108, 112
3.6 Boundary of the Report	●	7
3.7 Specific limitations on the scope or boundary of the Report	●	7
3.8 Joint ventures, subsidiaries, outsourced operations etc	●	7
3.9 Data measurement techniques	●	7, 11, 16, 21, 51, 58, 61, 69, 100, 108, 112
3.10 Explanation of restatements	●	Online Report <a href="#">v</a>
3.11 Significant changes from previous reporting periods	●	6, 7
<b>GRI Content Index</b>		
3.12 Standard Disclosures Table		119–120
3.13 External assurance policy and practice		12–13, 117–118
<b>4. Governance, Commitments and Engagement</b>		
4.1 Governance structure	●	10–11, 89–90, ARA (30–33)
4.2 Whether Board Chair is an executive officer	●	10–11, ARA (30–31)
4.3 Board members that are independent and/or non-executive	●	10–11, ARA (4–5, 35–36)
4.4 Shareholders/employees communication to Board	●	11, 88–91, ARA (99–100)
4.5 Board remuneration linkage to organisation's performance	●	ARA (37–42)
4.6 Processes in place for Board to avoid conflicts of interest	●	ARA (30)
4.7 Board Qualifications/expertise to guide SEE strategy	●	10, 91, ARA (32)
4.8 Statements of mission etc on SEE performance	●	IFC, 6, 11, ARA (17–20)
4.9 Board procedures for overseeing SEE management	●	8–11, ARA (27–33)
4.10 Processes for evaluating Board SEE performance	●	ARA (32–33)
4.11 Precautionary approach or principle	●	10, ARA (26–32)
4.12 Externally developed SEE charters or other initiatives	●	7, 11, 12–13, 16, 20–21, 25, 30–34, 37, 44, 52–54, 57–58, 67, 75, 76–79, 82–83, 103, 110
4.13 Memberships in associations	●	16–17, 24, 28, 49, 63–64, 72–73, 76, 79–80, 92–94, 113–115
<b>Stakeholder Engagement</b>		
4.14 List of stakeholder groups engaged by the organisation	●	10
4.15 Identification and selection of stakeholders for engagement	●	8–11, 15, 19–21, 30, 36, 40, 47, 51, 57–58, 62, 69, 75, 82, 88, 95, 99, 100, 108, 112
4.16 Approaches to stakeholder engagement	●	8–9, 11, 13, 21–23, 27–28, 39, 42, 46, 50, 66, 80–81, 89–93, 98, 99–101, 106, 108–111
4.17 Key topics raised through stakeholder engagement	●	See 4.16

GRI Indicator	Level	Where to find the indicator (page number)
<b>Economic Performance Indicators</b>		
Management Approach	●	40–46, 89, 95–98
CORE – EC1: Direct economic value generated and distributed	●	16–18, 89, 95–98, 103–104
CORE – EC2: Risks and opportunities due to climate change	●	56–68
CORE – EC3: Defined benefit plan obligations	●	103–104, ARA (23, 27, 38–39)
CORE – EC4: Government financial assistance	●	65
CORE – EC6: Practices and spending on locally-based suppliers	R	31–33, 96
CORE – EC8: Public benefit infrastructure/service investments	●	15–18, 47–50, 66, 73, Online Report
ADD – EC9: Indirect economic impacts	○	20–21, 23–25, 45–50, 64, 79
ADD – EC5; CORE – EC7	X	
<b>Environmental Performance Indicators</b>		
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CORE – EN3: Direct energy consumption by primary source	●	58–59
CORE – EN4: Indirect energy consumption by primary source	●	59
ADD – EN5: Energy saved	●	58–63
ADD – EN6: Energy-efficient products and services	●	59–67
CORE – EN 8	○	Online Report
ADD – EN9	○	
ADD – EN7: Reduction of indirect energy consumption	●	57–67
CORE – EN11: Land in/next to areas of high biodiversity value	●	77–78, 84, GRI. Further information on responsible farming practices on The Co-operative Farms is available at <a href="http://www.co-operative.coop/farms/responsiblefarming/Sustainability">www.co-operative.coop/farms/responsiblefarming/Sustainability</a>
CORE – EN12: Impacts on biodiversity	●	75–81. Information on the sustainable sourcing of fish is also available online <a href="http://www.co-operative.coop/food/food/Own-brand-fish">www.co-operative.coop/food/food/Own-brand-fish</a>
ADD – EN13: Habitats protected or restored	●	75–81
ADD – EN14: Managing impacts on biodiversity	●	75–81, 83–85
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CORE – EN17: Other indirect greenhouse gas emissions	●	61, 62
ADD – EN18: Initiatives to reduce greenhouse gas emissions	●	57–67
CORE – EN19: Emissions of ozone-depleting substances	●	60–61
CORE – EN20: NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	●	Online Report
CORE – EN22: Total weight of waste	●	69–70
CORE – EN26: Product/service environmental impact mitigation	●	57–73, 75–81, 82–85, Online Report
CORE – EN27: Products sold/packaging materials reclaimed	●	71–73
CORE – EN28: Fines relating to environmental laws & regulations	●	GRI
ADD – EN29: Environmental impacts of transportation	●	61–62
ADD – EN30: Expenditure on environmental protection	○	57–67, 71–74, 78–81, 104
CORE – EN1, CORE – EN2, ADD – EN10, ADD – EN15, CORE – EN21, CORE – EN23, ADD – EN24, ADD – EN25	X	
<b>Social Performance Indicators</b>		
<b>Labour Practices and Decent Work</b>		
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CORE – LA2: Total number and rate of employee turnover	●	102, GRI
ADD – LA3: Benefits that are only provided to full-time employees	●	103–104
CORE – LA4: Collective bargaining agreements	●	101
CORE – LA5: Minimum notice period regarding operational changes	●	101–102
ADD – LA6: Percentage of total workforce represented in formal joint management–worker health and safety committees	○	11, 105
CORE – LA7: Injury, absenteeism, work-related fatalities	R	105–106, GRI
CORE – LA8: Education, counselling etc on serious diseases	●	105
ADD – LA9: Health and safety topics included in agreements with trades unions	●	GRI
CORE – LA10: Average hours of training per year per employee	●	Online Report
ADD – LA11: Programmes for skills management and lifelong learning	●	91, 102–103
CORE – LA13: Composition of governance bodies	●	52–53, 91, 103, GRI, ARA (4)
ADD – LA12, CORE – LA14	X	
<b>Human Rights</b>		
Management approach	●	19–24, 40–45, 51–53, 99–101
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CORE – HR2: Supplier and contractor screening on human rights	●	21–24
ADD – HR3: Employee training on human rights	R	23–24
CORE – HR4: Incidents of discrimination	R	23, 52
CORE – HR5: Freedom of association/collective bargaining	R	23, 40–41
CORE – HR6: Child labour risk	R	21–24, 40–41
CORE – HR7: Forced or compulsory labour risk	R	21–24, 40–41
ADD – HR9: Violations involving rights of indigenous people	R	22–25, 40–41
ADD – HR8	X	
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Management approach	●	15, 47, 112–113
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ADD – S06: Financial and in-kind contributions to political parties	●	114–115
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# Recognition



## Social responsibility

- In the 2010 Business in the Community Corporate Responsibility Index, The Co-operative achieved the highest 'Platinum +' ranking.
- The Co-operative is the only major food retailer or financial services organisation to have received the Queen's Award for Enterprise in the Sustainable Development category across its operations; the award runs until 2013.
- In 2010, The Co-operative ranked first in the Tomorrows Value Rating, which assessed the business' approach to sustainability.
- In June 2010, The Co-operative Bank was named Sustainable Bank of the Year by the Financial Times.
- In March 2010, The Co-operative was named Responsible Retailer of the Year for the third year running in the Oracle Retail Week Awards.
- At the 2010 international CR Reporting Awards, The Co-operative Group Sustainability Report was runner-up in the 'Best Report' category.
- The Co-operative won the People's Choice Supermarket Award for the most animal-friendly supermarket in October 2009, and polled 59% of the public vote.
- At the Grocer Own-Label Excellence Awards in June 2009, The Co-operative won an award for its Fairtrade tea. In the Fairtrade Wine Awards, November 2009, The Co-operative won the awards for Best Fairtrade Rosé and Best Fairtrade Sparkling.
- In December 2009, The Co-operative was named as the best large employer of people with learning disabilities by charity ENABLE Scotland, and won the 'Diversity Employment Award' for its Mencap programme at the Springboard Awards for Excellence, in November 2009.
- In 2009, The Co-operative's scheme to enable prisoners to open bank accounts received a Big Tick Award from Business in the Community, and was highly commended in their national examples of excellence.

## Ecological sustainability

- The Co-operative was awarded the Business in the Community Environmental Leadership Award in 2009, recognising the way it has embedded environmental strategy into core business processes.
- The Co-operative was fourth in the 2010 Sunday Times Best Green Companies, and the highest ranking large business in the medium environmental impact category.
- In 2009, The Co-operative became the first organisation to have won the Renewable Energy Association's Pioneer Award twice.
- In March 2010, The Co-operative was named as one of only five worldwide recipients of a Seafood Champion Award and topped the Marine Conservation Society's supermarkets seafood ranking.
- At the Grocer Gold Awards, June 2009, The Co-operative won the Own-Label Range of the Year Award for its responsibly-sourced fish range.



## Delivering value

- 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 Index, March 2009.
- In October 2009, at the Scottish Retail Excellence Awards, The Co-operative won the title of Retailer of the Year, and was also named Green Retailer of the Year for the second year running.
- The Co-operative is ranked within the UK's best 50 workplaces by the Great Places to Work<sup>®</sup> Institute.
- The Co-operative won Best Marketing Campaign at the Green Awards for its 'Blowin' in the Wind Campaign, November 2009.
- The Co-operative Farms won Farm Business Magazine's 'Farm Business of the Year', Horticultural Magazine's 'Top Fruit Grower of the Year' and the inaugural Co-operatives<sup>UK</sup> Innovation in Co-operative Business Award, in recognition of its 'Grown by us' range that is sold in Co-operative Food stores.
- The Co-operative Travel was named Large Travel Retailer of the Year at the UK British Travel Awards, in November 2009.

## **Co-operative Group Limited**

Registered under the Industrial and Provident Societies Act

### **Registered No. 525R**

#### **Registered office**

New Century House  
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#### **More information**

An online version of this Sustainability Report can be viewed at **[www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport)** or a paper copy obtained via **0161 827 6414** or **[sustainability.report@co-operative.coop](mailto: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](mailto:customer.relations@co-operative.coop)**

Previous Sustainability Reports of The Co-operative and CFS can be found at: **[www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport)** and **[www.cfs.co.uk/ethicsinaction](http://www.cfs.co.uk/ethicsinaction)**

A detailed account of The Co-operative's financial performance is presented in the Annual Report and Accounts 2009 **[www.co-operative.coop/corporate/corporatepublications](http://www.co-operative.coop/corporate/corporatepublications)**

Any queries regarding the Report should be directed to: Ruth Woodall, Sustainability Reporting Manager  
**([sustainability.report@co-operative.coop](mailto:sustainability.report@co-operative.coop))**

#### **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: **[sustainability.report@co-operative.coop](mailto:sustainability.report@co-operative.coop)**

#### **Design and production by Flag**

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