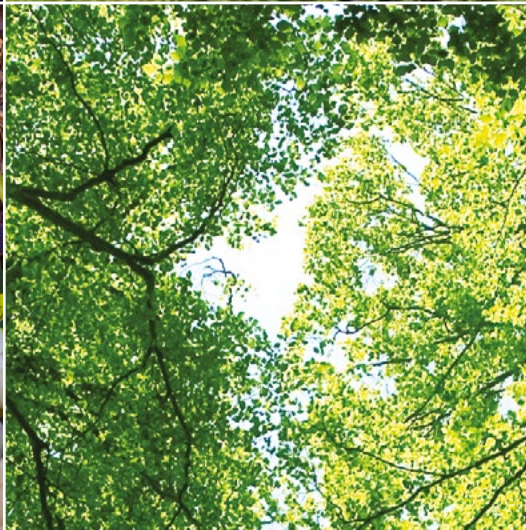
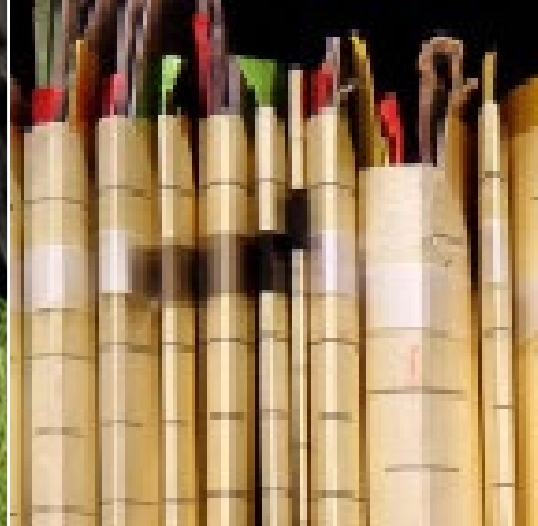




2014 Sustainability Performance

The **co-operative**



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Appendix



1 Angel Square is The Co-operative's
flagship office building in Manchester city centre.

Our 2014 highlights

£8.1m 

of support for local communities, including colleague volunteering

80,000 

colleagues and Members voted to decide the focus for our campaigning

126,000 

people now have access to clean water in Africa from sales of own-brand bottled water

£2.6m 

Fairtrade premium received by producers

2,000 

farmers supported across the UK

32% 

of food promotions for healthy offerings

9% 

reduction in energy consumption

95% 

of our waste is reused or recycled

98% 

of our electricity sourced from renewables

8.4m 

Members and 63,565 Employee Members

67% 

annual colleague engagement score

£2.1m 

support for the co-operative movement

90,000 

Members voted on motions put forward for our 2015 Annual General Meeting

2nd 

for openness and honesty at Corporate Register Global CR Reporting Awards 2015

51 

sustainability targets set for 2015, across the range of issues we address

Our reporting

As we have for over a decade now, our 2014 reporting sets out how we are addressing the key sustainability issues for our business. This report is created from our online sustainability performance pages, which, along with the Sustainability Review in our [2014 Annual Report](#), forms our 2014 sustainability reporting output. Performance information is presented under four broad headings – community and society, products and services, environmental impact and people.

In light of recent change within our business, we are undertaking a review of our sustainability priorities and approach. As we progress this and work to define our approach to reporting going forward, openness and honesty remain a priority.

Within this report, we detail our performance against over 50 targets, showing where targets have been achieved, as well as where we have faced challenges. Where appropriate, we set out four years of comparable data to allow readers to understand performance over time. Our reporting is aligned with the Global Reporting Initiative's G3.1 Sustainability Reporting Guidelines, achieving an application level of A+, and selected data have been audited by DNV GL.

Community and society

Concern for community is enshrined in our co-operative principles and our Group Purpose puts 'you and your communities' at the heart of everything we do. Through our community investment, and campaigning, we aim to support and strengthen the UK communities in which we trade, as well as communities overseas.

£8.1m 

of support for local communities, including colleague volunteering

[Read more](#)

80,000 



colleagues and Members voted to decide the focus for our campaigning

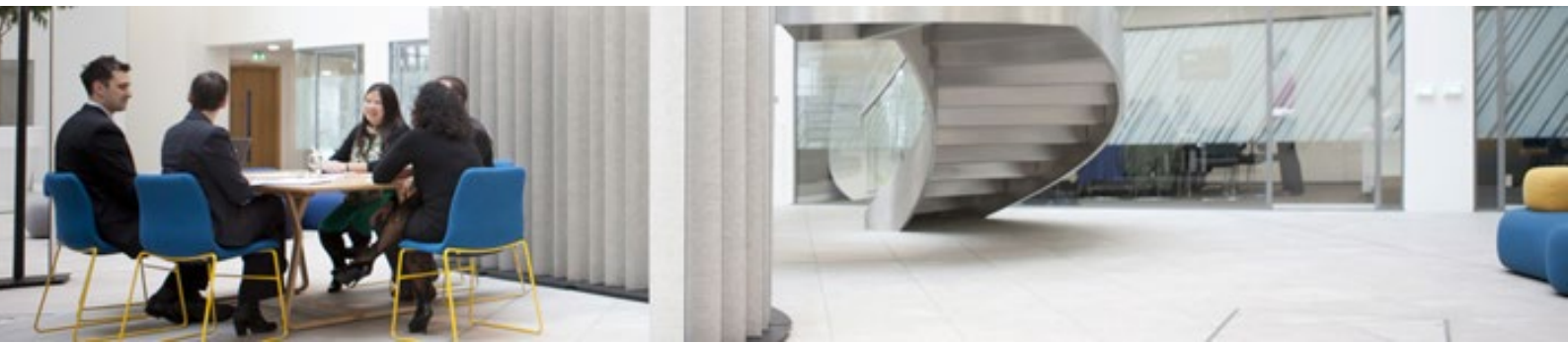
[Read more](#)

126,000 

people now have access to clean water in Africa from sales of own-brand bottled water

[Read more](#)

Key 2014 data have been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol: . Where an inaccuracy has been identified in previously reported data, or a methodology for calculating data has changed, information is restated, as identified by: .



UK communities

Concern for community is enshrined in our co-operative principles and our Purpose puts 'you and your communities' at the heart of everything we do. We are a community retailer and have a presence in every UK postal area¹. Through our community investment, we aim to support and strengthen the communities in which we trade.

UK community investment

Breakdown of UK community investment (£m) ^A



In 2014, our community activity led to an investment of **£8.1m ^A** in UK communities. This refers to our donation of money, goods and time – along with donations by employees, customers, Members and suppliers, known as leverage.

As a co-operative we have for many years funded our community investment from our profits ('community dividend'). As we did not return any profits in 2013, and made no dividend payment in 2014 as a result, our total 2014 community investment has decreased compared with previous years. Despite this, community investment continued, albeit at a lower level than in previous years, through our businesses, our membership and a range of Group-wide programmes.

Our Charity of the Year activity has been biennial, hence activity around this took place in 2013, but not in 2014.

Footnotes:

1. Restated to exclude, where possible, those businesses divested in 2014.
2. Ibid.

The Co-operative Foundation

Of the total **£8.1m** **A** invested in UK communities in 2014, The Co-operative Foundation (the 'Foundation') contributed **£3.4m** **A**. The Foundation is an independent charitable trust which exists to make grants to organisations, including charities supporting young people. It also works with the Group to identify volunteering opportunities for colleagues. In 2014, the work of the Foundation was independently reviewed by PricewaterhouseCoopers, chartered accountants.

Through its Truth about Youth grant-making scheme that was set up in 2009, the Foundation worked in partnership with seven youth charities across the UK, that are enabling young people to lead change within their communities and challenge negative perceptions about younger generations.

Foundation Trustees are considering how to maintain the momentum of this work going forward.

The Co-operative Membership Community Fund

The Co-operative Foundation is responsible for administering The Co-operative Membership Community Fund, which supports voluntary and self-help organisations in the UK by awarding small grants.

The Co-operative Membership Community Fund awards

	2013	2014
Number of awards	2,270	1,567
Total dispersed (£m)	2.8	1.8 A
Average award (£)	1,233	1,158 A

In previous years, the Community Fund distributed monies from members, who donated part or all of their share of profit each year. No dividend was paid out in 2014, so to enable the Community Fund to continue making grants, The Co-operative Foundation made a contribution of **£1.8m** **A**, as detailed in the table above.

Foundation Trustees are currently reviewing the Foundation's strategy, taking account of best practice, the potential role of independent Trustees and alignment with the Group's Purpose.

Community activities and volunteering

Employees involved in community activity **A**

	2013	2014
Number of employees involved in community activity in work time ¹	11,164 R ²	7,746
Number of days invested in community activity in work time	12,775 ³	8,090 ⁴
Value of staff time (£m)	1.3	0.9

During 2014, **7,746** **A** colleagues (2013: 11,164 **R**⁵) from across our businesses took part in community activities during work time, contributing the equivalent of **£0.9m** **A**. Of these, **3,074** **A** (2013: 1,693) took part in formal volunteering or community engagement, either through our volunteer programme or through locally organised initiatives, such as our Community Pioneers initiative. The lower number of colleagues engaged in community activities during work time in 2014, compared with 2013, reflected, in part, the biennial nature of our Charity of the Year programme.

Community Pioneers

Our store colleagues and membership officers are ideally placed to understand the needs of their local communities and to connect with community organisations. Community Pioneers are a team of designated store-based colleagues who are provided with additional hours and budget to engage in community outreach at a local level. Trialled since 2013, there were **500** stores supporting Community Pioneers at the end of 2014. This will be rolled out to further stores in 2015, taking on board learning from the programme to date.

Other community activity

Examples of other community activity include:

- **From Farm to Fork:** We have been inviting children from primary schools to visit working farms since 2005. In 2014, **20,221** (2013: 19,500) pupils benefited from the project, from **693** schools.
- **Drinkaware:** In 2014, we supported the UK alcohol awareness charity, Drinkaware, with funding of **£250,000**.
- Our **Funeralcare** business carries out a range of community activities. In 2014, this included fundraising initiatives, donations (over **£150,000** donated to local charities), support for bereaved children, sponsorship of community events, and educational and development activities.
- **Carrier bag levy:** We are using money raised by the Co-operative Food from the Welsh carrier bag levy, to support a range of environmental projects in Wales. Under the banner 'Welsh Wildlife Heroes', we formed a three-year partnership with the Wildlife Trusts Wales to support local nature conservation projects and environmental improvement activities. In 2014, a total of **£255,278** was spent on such projects, which included projects supporting, for example, pine martens, red squirrels, otters and barn owls. In Scotland, we have pledged to reinvest profits from our entire carrier bag range in community projects, expecting to raise as much as £750,000 each year.

Footnotes:

1. Including project management time, payroll giving and, for 2013, staff engagement relating to Charity of the Year.
2. Restated to exclude, where possible, those businesses divested in 2014.
3. This equates to 95,810 hours.
4. This equates to 60,674 hours.
5. See Footnote 2.

Targets

2014 target	Progress against target	2015 target
We will continue to be socially inclusive, maintaining a physical presence in every postal area in the UK	✓ We have a presence in every UK postal area	Continue to be socially inclusive, maintaining a physical presence in every postal area in the UK
		Invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy
		Extend our Community Pioneers programme to at least 650 stores and local communities and invest in the ongoing development of our existing Community Pioneers by delivering a training and development programme to 500 Pioneers
		Establish a go-forward position for The Co-operative Foundation, including an appropriate management structure, Trustee body, strategy and funding
✓ Target achieved = On track < Close to target < Behind schedule ✗ Target not achieved		

Footnotes:

1. There are 121 postal areas in the UK, defined as the first one or two letters of a postcode.



International communities

We recognise that we have both a responsibility and an opportunity to have a positive social impact throughout our value chain.

International community investment

During 2014, we invested **£1.2m** **A** (2013: £1.8m **R**¹) through our work to support international communities. This includes **£651,000** **A** raised through sales of our Fairbourne Springs bottled water for water projects in Africa, our portfolio of carbon offsetting projects which generate tradable carbon credits to 'offset' unavoidable emissions (see [Climate Change](#) section); our 'Beyond Fairtrade' projects which deliver benefits beyond what the Fairtrade premium² alone can deliver; and money raised for the [Disasters Emergency Committee \(DEC\) Ebola appeal](#). As well as referring to our donations of cash, this figure also includes our donation of staff time and also includes money raised by others, for example, our customers and Members.

Footnotes:

1. Restated to exclude, where possible, data from those businesses divested in 2014.
2. In line with guidance from the London Benchmarking Group our international community investment figure does not include Fairtrade premiums (in 2014, as a result of Fairtrade sales in our stores, the Fairtrade premium received by producers was an estimated £2.6m **A**).

Fairbourne Springs

For every bottle of our own-brand Fairbourne Springs bottled water sold, 3 pence per litre is donated to The One Foundation to fund clean water projects in rural communities across Africa. Since the start of our partnership with The One Foundation in 2007, **£5.7m** has been raised, funding improved access to clean water for 1.3 million people. In 2014, **£651,000** **A** was raised, benefiting **126,000** people. This included a project in support of water-related activities in response to the Ebola crisis in Sierra Leone and Liberia, including water provision to support health facilities involved with Ebola management and vulnerable communities affected, and communication efforts on safe water usage.

Beyond Fairtrade

Our 'Beyond Fairtrade' programme is helping to strengthen the capacity and resilience of producers of our core [Fairtrade](#) categories, and deliver benefits to producers and their communities beyond what the Fairtrade premium alone can deliver. At the end of 2014, 17 co-operatives and producer associations in Africa, Latin America and the Caribbean were benefiting from our Beyond Fairtrade initiatives and funding for four continued in 2014, as detailed in the table overleaf.


The Fairtrade section provides further details of our support for Fairtrade.

Fairtrade category	'Beyond Fairtrade' donation (and funding period)	Producer community	Projects, initiatives and beneficiaries
Bananas	£100,000 (2013–14)	Banelino co-operative (Dominican Republic)	18-month project supporting 1,500 members and families of the banana co-operative Banelino. Outputs include capacity building and training, diversification and a training school to help secure long-term sustainability of small-scale banana farming.
Coffee	£95,000 (2013–15)	Oromia coffee farmers co-operative union (Ethiopia)	One-year project supporting 1,200 farmers with training to improve product quality and yields in a sustainable way, benefiting the wider community of 20,000 people.
	£150,000 (2012–15)	Fedecocagua co-operative (Guatemala)	Three-year project supporting 1,260 smallholder coffee producers. Outputs include capacity building and training, in particular to achieve Fairtrade certification, benefiting the wider community of 6,000 people.
	£130,000 ¹ (2013–15)	Aguadas co-operative (Colombia)	Two-year project supporting 5,000 members and families of the Aguadas co-operative. Outputs include improvement of coffee quality and productivity, and improved environmental practices.









Footnotes:

1. Out of a total project cost of £425,384

Money raised for DEC Ebola appeal

We have supported various Disasters Emergency Committee (DEC) appeals in past years. In 2014, we leveraged the support of customers, Members and colleagues to raise **£28,760**  for the DEC Ebola appeal.

Targets

2014 target	Progress against target	2015 target
Continue to add to the 17 projects and initiatives that have benefited producers since 2009 and take us beyond Fairtrade	 Due to changing business priorities, no new Beyond Fairtrade projects were added in 2014, and a target has not been set for 2015	
Continue to support a range of affinity products which raise vital funds for global poverty charities, with initiatives such as Fairbourne Springs bottled water	 During 2014 we continued our work to support international communities, in particular via sales of our own-brand bottled water, Fairbourne Springs. For every bottle sold, 3 pence per litre is donated to The One Foundation to fund clean water projects in rural communities across Africa. Since the start of our partnership with The One Foundation in 2007, £5.7 million has been raised, funding improved access to clean water for 1.3 million people (£651,000  was raised, benefiting 126,000 people during 2014). Due to business changes we were unable to support a range of affinity products as we might previously have done	Continue to raise money through sales of Fairbourne Springs bottled water to raise vital funds for global poverty charities
 Target achieved	 On track	 Close to target
 Behind schedule	 Target not achieved	



Campaigning

We have a long history of campaigning on issues that are relevant to our Members. Today, 'championing' is a core element of our Purpose, and we are revitalising our focus on campaigning.

Campaigning for a better society

In summer 2014, thousands of Members and colleagues took part in discussions to share their ideas on the future of The Co-operative's campaigns activity. These conversations took place on Let's Talk, an online discussion platform for Members, and in store. From these discussions, we identified three potential issues that our Members and colleagues felt strongly about. These were: transforming young lives, tackling loneliness and saving outdoor spaces. Each of these issues are nationally significant and relevant to our local communities, fit with our business and Purpose and present excellent opportunities for colleagues and Members to have real impact in communities throughout the UK.

Between 22 June and 12 July 2015, almost 80,000 of our Members and colleagues voted to choose an issue on which we will work with a charity partner to fundraise and campaign. They chose to **tackle loneliness**, working with the **British Red Cross** (further information can be found on the [Campaigning](#) pages of our website).



Working on waste

We participated in the Institute of Grocery Distribution's (IGD) Working on Waste initiative, which brought UK food and grocery companies together to help their employees reduce household food waste. In 2014, we took the initiative a step further, creating a campaign that engaged with employees, Members and customers in seven pilot communities across the UK. Working with community groups, the campaign called on people to pledge to cut their food waste, and engaged thousands via social media and in-store.

Public policy engagement

Further details of public policy engagement activity relating to the introduction of a 'transparency in the supply chain' amendment to the Modern Slavery Bill, and to the UK Government's first Community Energy Strategy can be found in the [Public policy section](#).

Targets

2014 target	Progress against target	2015 target
Engage Members and customers in our community and 'championing' activities	 We engaged with Members and customers via our Let's Talk platform, which is helping to inform our future community and 'championing' activities	Engage Members and colleagues in a vote to choose a national issue that is relevant to our communities, on which we will fundraise and campaign with a charity partner
Continue to support community energy campaigning	 In early 2014, the UK Government launched its first Community Energy Strategy. A key driver for this was The Co-operative's Clean Energy Revolution campaign (2011 to 2013), which aimed to empower communities to control and benefit from their own energy projects	
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Economic impact

As a co-operative, we operate for the benefit of our Members. The ability to do this depends on our financial success and stability.

Value added to wider society

Distribution of value added (£m) ^{®1} ^A

	2011	2012	2013	2014
Employee wages and pension benefits	1,266	1,338	1,298	1,223
Payments to government	239	231	159	188
Distribution to Members	132	94	62 ²	22
Payments to the community	14	18	15	8
Payments to providers of capital	82	107	101	114
Set aside for capital maintenance and future growth	311	238	316	273
Total	2,044	2,026	1,951	1,828

Economic value added is the contribution of commercial organisations to national wealth and the benefits they deliver to stakeholders³. Economic value can be distributed as salaries to employees, as taxes to government, as donations to charitable causes and as profit, dividend and reserves to owners. In 2014, we contributed £1.8bn ^A to national wealth (2013: £2bn ^{®4}).

Footnotes:

1. Data for 2011–13 has been restated to exclude those businesses divested in 2014 (the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services). Previous years' data also excludes the Co-operative Bank plc. Previous years' data is therefore directly comparable with 2014 data, which also excludes those businesses.
2. Of which £12.7m was accounted for by promotional vouchers, paid to members shopping in our stores, over the 2013 Christmas period. This was treated as an operating cost rather than a dividend in the Group's financial statements.
3. 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). Based on GRI G3.1 indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
4. See Footnote 1.

Tax

The tax charge on continuing business in 2014 is £17m (2013: £40m credit restated), an effective tax rate of 14% compared to the standard blended rate of 21.5%. The effective rate of tax is lower than the standard rate because a significant proportion of the profits before tax relate to profits arising on the disposal of the Co-operative Farms and Sunwin Services businesses, which are not subject to tax because the substantial shareholdings exemption applied to these transactions. This served to reduce the total tax charge by 23%. Further details can be found in the [2014 Annual Report and Accounts, page 111](#).



Public policy

We continue to use our influence to campaign for a more equitable and sustainable world, engaging Members and customers in our social goals and campaigning, and are open about such lobbying and its outcomes.

Public policy engagement

For reporting purposes, 'engagement' is restricted to instances where we have pressed a point of difference or where we have lent weight to a significant positive initiative on those issues already identified as material for broader sustainability reporting.

Issue	Audience	Engagement
Modern slavery	Home Office	We support the introduction of a 'transparency in the supply chain' amendment to the Modern Slavery Bill, which will continue through the parliamentary process during 2015. In 2014, we called for businesses to report on what they have done to eradicate modern slavery.
Community energy	Secretary of State (SofS) for Energy and Climate Change, Department for Energy and Climate Change (DECC), MPs, and House of Commons Energy and Climate Change Select Committee	In January 2014, the UK Government launched its first Community Energy Strategy. A key driver for this was the Group's Clean Energy Revolution campaign (2011–2013), to empower communities to control and benefit from their own energy projects. Further details of the activities carried out can be found in our 2013 Sustainability Report, page 83 .

Political expenditure

Details of Annual General Meeting and Half Yearly Meeting motions regarding political expenditure, including donations, along with expenditure during 2014, can be found in our [2014 Annual Report](#) and on the 'It's your business' pages of the Membership website.

Trade and business association membership fees and donations

In line with our commitment to transparency in respect of public policy, we disclose all our principal memberships, subscription fees and donations to trade and business associations that engage in public policy activities. A full list can be found in the [appendix](#).

Group donations and subscriptions 2014, over £50,000 (£m)

Co-operatives UK	625,600
National Association of Funeral Directors (NAFD)	192,588
Law Society	154,902
British Retail Consortium (BRC)	150,855
Confederation of British Industry (CBI)	80,000
Association of British Insurers (ABI)	63,542
International Co-operative Alliance	59,424
Sub-total (over £50,000)	1,326,911
Total	1,670,308

Targets

2014 target	Progress against target	2015 target
We will champion priority issues on behalf of members and stakeholders, and will always be open about such lobbying and its outcome	 We report on priority issues where we have lobbied on behalf of Members and stakeholders	See the target on future fundraising and campaigning in the Campaigning section.
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Products and services

We have both a responsibility and an opportunity to have a positive impact through the products we sell and services we provide. Our focus ranges from championing Fairtrade, to ensuring healthy products are available to customers across a range of budgets.

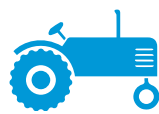
£2.6m



Fairtrade premium received by producers

[Read more](#)

2,000



farmers supported across the UK

[Read more](#)

32%



of food promotions for healthy offerings

[Read more](#)

Key 2014 data have been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol: **A**. Where an inaccuracy has been identified in previously reported data, or a methodology for calculating data has changed, information is restated, as identified by: **R**.



Food: Healthy lifestyles

Within our Food business, we believe that healthy options should be accessible to everyone. We aim to help customers to make healthy and informed choices, and continue to target salt, saturated fat and sugar reductions in key products.

Nutritional content

We ensure that products in our own-brand 'low-fat' and 'reduced' ranges are no more expensive than standard equivalent lines.

Salt

In May 2014, we signed up to the new Department of Health 2017 salt reduction targets and aim to ensure that all relevant own-brand products meet these, subject to quality, shelf life and food safety constraints (these constraints remain a challenge across the industry, and we continue to work collaboratively to reach new technical solutions). At the end of 2014, 85% of own-brand products with a salt category complied with these targets.

Sugar

Performance recognition ★

First retailer to have no added sugar in entire range of own-brand dilutable drinks.

In 2014, we committed to a series of actions to offer customers healthier soft drinks without compromising on taste.

Commitment	Progress
1. Move entire range of own-brand dilutable drinks to 'no added sugar'.	Complete
2. Ensure at least 90% of own-brand soft drinks ¹ are either sugar-free, have no added sugar or are low in sugar ² .	Complete
3. Remove all added sugar from own-brand High Juice range, reducing the total amount of sugar in the range by 90%.	Complete (1.5 billion calories have been removed from the market over the period of a year.)
4. Work to increase shelf space for healthier ³ soft drinks.	On-going (Shelf space for healthier cordial has been increased by 20%.)
5. By end of 2015, introduce a new 'health and wellbeing' range of soft drinks, using only natural ingredients and sweeteners.	On track

Footnotes:

1. Squash, fruit juice, carbonated drinks and water

2. Less than 2.5g/100ml

3. Either sugar-free, 'no added sugar', or low in sugar (less than 2.5g/100ml)

Nutritional labelling

We are committed to providing customers with open and honest food labelling, and over the years have introduced a series of labelling innovations to help consumers understand the nutritional make-up of food products.

Proportion of products carrying traffic-light labelling that are 'healthy'¹ (%)

2011	2012	2013	2014
n/a	38	40	40.5

Footnotes:

1. Healthy is defined as a product that carries no red 'traffic lights'.

Promoting healthier lifestyles

We are committed to the responsible promotion of the food and alcohol that we sell, and to providing customers of all ages with information to help them make healthier lifestyle choices.

Proportion of promotions for healthier¹ products (%)

2011	2012	2013	2014
34	33	32	32

Alcohol

In 2014, we supported the UK alcohol awareness charity, Drinkaware, with **£250,000** funding along with in-kind support. All our own-brand products and external communications relating to alcohol carry Drinkaware messaging. We promoted a Drinkaware app to colleagues, and we ran a responsible drinking campaign during the World Cup. We also reduced the alcohol content of our own-brand Fairtrade Sparkling Rosé from 11% to 5.5%, and own-brand French Lager from 4.8% to 4.6%. We increased our range of own-brand mini wine bottles, to allow customers a greater choice of smaller formats, and began to sell 0% alcohol lager in over 500 stores.

Fruit and vegetables

We seek to encourage customers to increase their consumption of fruit and vegetables, through actions such as Green Dot labelling and 5-a-day messages across digital and printed media channels². During 2014, we continued our smart coupon scheme to promote fruit and vegetable purchases among specifically targeted groups of Members, alongside price promotions on fruit and vegetables, and the introduction of new convenience food products (ready meals, lunchtime salad pots) that contain a 5-a-day serving.

Sugar

We supported the Change for Life 2015 Sugar Swaps campaign, via in-store, printed and digital media³.

Footnotes:

1. Healthier products are defined as: fresh produce, bread, pure fruit juice, canned fruit and vegetables in water or fruit juice, lean protein, plain pasta, rice and noodles, products meeting the Food Standards Agency nutrient profiling criteria used by Ofcom, or healthier alternatives such as products from the low-fat and reduced range, and products branded as 'light'. Food promotions exclude non-food grocery and beers, wines and spirits.
2. Includes till screen, in-store radio, magazine, website and in-store messaging.
3. Includes in-store radio, point of sale, social media and participation in a Public Health England advert takeover in the *Sun*, *Mirror*, *Sunday Times*, and *Sunday Telegraph*.

Public Health Responsibility Deal

We have been a signatory to the Government's Public Health Responsibility Deal since its launch in 2011 and support the following high-level commitments:

- **Improving health:** Recognising that we have a vital role to play in improving people's health
- **Physical activity:** Encouraging and assisting people to become more physically active
- **Healthier lifestyle:** Supporting our workforce to lead healthier lives
- **Responsible drinking:** Fostering a culture of responsible drinking
- **Healthier diet:** Encouraging and enabling people to adopt a healthier diet






The Responsibility Deal also sets out supporting pledges, detailing specific actions, which we are progressing as follows (the table details those pledges that we have signed up to).

Public Health Responsibility Deal Pledges

The Responsibility Deal also sets out supporting pledges, detailing specific actions, which we are progressing as set out in the [appendix](#).

Targets

2014 target	Progress against target	2015 target
Ensure that our own-brand healthier range products are no more expensive than standard equivalent lines	✓ 100% of our own-brand healthier range products are no more expensive than standard equivalent lines	Ensure that our own-brand healthier range products are no more expensive than standard equivalent lines
Ensure that the nutritional content of Simply Value products is at least as good as standard equivalent lines	✓ 100% of Simply Value products have a nutritional content at least as good as standard equivalent lines	Ensure that the nutritional content of Simply Value products is at least as good as standard equivalent lines
Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality	✓ We aim to ensure that all new or reformulated products meet the Department of Health's 2017 salt reduction targets subject to technical, quality and food safety constraints. We reduced sugar in our own-brand dilutable drinks by an average of 90% in 2014, and we relaunched our own-brand Buttery, Olive and Olive Lighter spreads, reducing the saturated fat content by between 14% and 38%	Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality
Ensure at least 30% of own-brand food products that carry traffic-light labelling are healthy ¹	✓ 40.5% of own-brand food products that carry traffic light labelling were healthy	Ensure at least 30% of own-brand food products that carry traffic-light labelling are healthy
A minimum of 30% of food promotions will be for healthier offerings ²	✓ 32% of food promotions in 2014 were for healthier offerings	A minimum of 30% of food promotions will be for healthier offerings

2014 target	Progress against target	2015 target
Encourage members to increase their consumption of fruit and vegetables through targeted incentives such as money-off coupons	 We continued our smart coupon scheme for fruit and vegetables in 2014	Encourage members to increase their consumption of fruit and vegetables through targeted incentives such as money-off coupons
Support our customers to drink responsibly by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products	 We supported Drinkaware campaigns. We also reduced the alcohol content of various own-brand products; we began to sell Bavaria 0% alcohol lager in more than 500 stores; and we increased our range of own-brand mini wine bottles to allow customers a greater choice of smaller formats	Support our customers to drink responsibly by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Footnotes:

1. Healthy is defined as a product that carries no red 'traffic lights'.
2. Healthier products are defined as: produce, bread, pure fruit juice, canned fruit and vegetables in water or fruit juice, lean protein, plain pasta, rice and noodles, products meeting the Food Standards Agency nutrient profiling criteria used by Ofcom, or healthier alternatives such as products from the low-fat and reduced range, and products branded as 'light'. Food promotions exclude non-food grocery and beers, wines and spirits.



Food: British sourcing

We support British farmers and know that clarity about the provenance of food is important to our customers and Members. Almost 2,000 UK farms supply us with meat, poultry and dairy products and fresh produce. Of these, 400 farmers make up our six dedicated farming groups for beef (two groups), chicken, pork, lamb and dairy. Working with farming groups is helping us address supply chain environmental impacts and animal welfare, encourage long-term investment and improvement, strengthen our relationships with farmers, and improve the visibility and complexity of the supply chain. Members of the farming groups are also able to come together to share knowledge and best practice.

More information on our approach can be found in our [Born and Bred report](#).

British sourcing of meat and poultry

In 2014, **100% A** of fresh beef, chicken, ham (excluding continental), pork, sausage, turkey, salmon, milk and eggs was sourced from UK farmers. Lamb is sourced on a seasonal basis from the UK and New Zealand, and some standard bacon is sourced from Denmark.

Farming groups: Performance measurement

The farms in our dedicated farming groups are measured against five pillars of achievement, and are rated Bronze, Silver or Gold according to their performance across these pillars. All farms in our farming groups must be rated at least Bronze, which requires meeting the first two pillars: 'Health, welfare and quality' and 'Co-operative brand'¹. The other three pillars ('Sustainability', 'Environmental impact' and 'Ethical and training') determine whether a farm is classed as Silver or Gold. We expect farms to progress through the pillars to Silver or Gold, for which they receive further incentives.

In August 2014, suppliers received premiums totalling £5m based on the levels of achievement against these pillars.

For details of animal welfare assurance and impact measurement for farming groups, see the [Animal welfare section](#).

Footnotes:

1. Each of the five agricultural pillars contains four elements. To be classed as 'meeting' a pillar, farms must achieve a minimum level of performance (three out of the four elements).

Targets

2014 target	Progress against target	2015 target
Source 50% of our meat and poultry from our farming groups to drive improvements in the five areas of our farming group 'pillar' model – 'Health, welfare and quality', 'Co-operative brand', 'Environmental impact', 'Sustainability', and 'Ethical and training'	 Between June 2013 and June 2014 farming groups supplied 63% of our own-brand fresh meat and poultry. We continue to work with farmers in our farming groups to improve on animal welfare impacts	
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Food: Animal welfare

We are committed to providing products that have been produced to good animal welfare standards and our dedicated farming groups play an important role in achieving this.

All our own-brand fresh^I, frozen^{II} and prepared^{III} meat and poultry products are produced, as a minimum, to Red Tractor Farm Assurance Scheme standards^{IV}, or equivalent where sourced outside the UK^V. Alongside these standards, we have developed additional requirements that apply to own-brand products^{VI}.

Assurance and impact measurement

Performance recognition ★

We achieved a tier two rank in the [2014 Business Benchmark on Farm Animal Welfare](#), which is designed to help drive higher farm animal welfare standards across the world's leading food businesses.

All farms supplying us with meat or poultry products may be subject to announced and unannounced audits by us or an appointed audit body. We use independent third-party auditors to check compliance with national standards and our own-brand welfare standards.

In 2014, our technical team undertook **445** meat and poultry inspections to look at product quality safety and legality, and animal welfare matters. We visited another **160** sites such as farms, hatcheries and abattoirs to look specifically at livestock production and welfare issues.

Farming groups

In relation to our farming groups (further detail in the [British sourcing and farming groups](#) section), our online database records the impact of key animal welfare indicators from all farms on a monthly basis to enable us to identify better ways of improving farm animal welfare. The collection of this information is in addition to the monitoring of 'inputs' such as stocking densities. All suppliers must notify us of audit failures, compliance problems and proven or investigated breaches of legislation or welfare standards. We take action when targets are not met and work with farmers to improve performance on a quarterly basis through joint business plan meetings.

In 2015, we will report animal welfare performance against key animal welfare indicators for all farms in our farming groups as part of our new online Animal Welfare Performance Review document.

Product sales

Sales of the following are detailed in the table below: RSPCA Welfare Freedom Food, organic, outdoor bred and traditional breeds, along with products meeting own-brand Elmwood standards, which were removed from all our chicken, turkey and pig meat products in 2013 (see [Poultry, meat and fish](#) below).

Higher welfare sales for fresh, frozen and prepared products (£m)

	2011	2012	2013	2014
Sales of: RSPCA Welfare Freedom Food, organic, free range, outdoor bred and traditional breed products	97	111	130	130 A
Sales of Elmwood products	154	184	140	0

Eggs and milk

Since 2008, all shell eggs sold (both own-brand and branded sales) have been, as a minimum, free range and we only use free-range eggs as ingredients in our own-brand products.

The Co-operative Dairy Group, the farming group dedicated to supplying the equivalent of approximately 95% of our own-brand assured milk, maintains welfare standards, compliance with our grazing policy¹, and audited monitoring of key herd health impacts.

Own-brand eggs and milk: Proportion of sales by welfare standard (%) A

	RSPCA Welfare Freedom Food free-range ²	National Dairy Farm Assured Scheme	Certified organic
Eggs	98		2
Milk		95	5

Footnotes:

1. A proportion of the milking herd (dependent on veterinary advice and taking into account grazing and weather conditions) should have adequate access to pasture during the grazing season.
2. Requires lower outdoor stocking densities than conventional free-range standards.

Poultry, meat and fish

In 2013, we removed our own-brand Elmwood standards from all our chicken, turkey and pig meat products.

Own-brand fresh poultry, meat and fish: Proportion of sales by product type (%)



Chicken	34
Beef	25
Bacon	17
Fish	8
Pork	6
Sausage	5
Lamb	4
Turkey	1

Own-brand fresh poultry, meat and fish: Proportion of sales by welfare standard (%) ^A

	Red Tractor Farm Assurance	RSPCA Welfare Freedom Food	Free range
Chicken	97	3 (free range)	
Turkey	99		1
Beef	100		
Bacon	88	12	
Pork	100		
Sausage	31	69	
Lamb	100		
Fish	n/a (as includes wild caught)	58	

Poultry

In May 2014, we increased the stocking density of our fresh standard chicken from 34kg/m² to 38kg/m². This is in line with UK Red Tractor Farm Assurance standards.

Our *premium* fresh chicken is RSPCA Welfare Freedom Food free range accredited¹.

In October 2014, we transferred production of all fresh turkey products to Red Tractor Farm Assurance standards.

Pig meat

All our own-brand fresh pork and pork sausages are produced, as a minimum, to Red Tractor Farm Assurance standards and all our own-brand bacon is produced, as a minimum, to Red Tractor farm assurance standards (UK or EU national equivalent). During 2014, all fresh pork and pork sausages were produced to outdoor-bred standards².

The ingredients for all *premium*³, bacon and pork sausage products continue to be produced to RSPCA Welfare Freedom Food standards from outdoor-reared, traditional Hampshire breed pigs.

Beef

All our own-brand fresh beef is assured to Red Tractor Farm Assurance standards. Animals are either reared outdoors on grass pasture with shelter provided during harsh weather, or on grass pasture during summer and then in open-sided barns on silage during the winter.

The ingredients for all *premium*⁴ beef products are produced from Scottish Aberdeen Angus breed cattle and Hereford breed cattle from England, Wales and Northern Ireland.

Lamb

Our own-brand lamb is sourced on a seasonal basis according to Red Tractor Farm Assurance (**44%**) and New Zealand farm assurance scheme standards (**56%**). All fresh lamb is reared outdoors on grass pasture with access to shelter during harsh weather.

The ingredients for all *premium*⁵ lamb products are produced from Cambrian breed Welsh hill lamb.

Fish

Of the farmed fish that we sell, all our own-brand fresh salmon products, including smoked salmon, were sourced according to RSPCA Welfare Freedom Food standards⁶. The Co-operative Food's Responsible Fish Sourcing standard requires that all farmed fish are stunned using an approved method prior to slaughter – we were an early promoter of humane stunning prior to killing farmed fish, a standard that is now widely accepted across the industry. Standards applying to the wild-caught fish that we sell, along with farmed shellfish, are covered in the [Marine stewardship section](#).

Footnotes:

- Both our own-brand welfare standards and RSPCA Welfare Freedom Food standards for chickens raised for meat (broilers) have environmental enrichment (straw/sawdust/bales, perches, hanging reflective ornaments, etc) and better diets than conventional farm assurance standards. RSPCA Welfare Freedom Food standards stipulate stocking density of 30kg/m² which is lower than that of conventional farm assurance standards, eg Red Tractor. Free-range birds must have access to range outside for at least half their lifetime.
- RSPCA Welfare Freedom Food outdoor-reared standards stipulate piglets are born and reared outdoors until around 40kg (around three months of age – half their lifetime). Pigs are housed post-weaning on solid floors with straw litter and materials that encourage natural behaviours such as rooting, pawing, mouthing and chewing, and provided with natural light. Pigs are weaned at a minimum of 28 days. Pigs are stunned using controlled gas methods only, which allow the animals to remain in groups and are more effective than electrical stunning permitted by conventional systems.
- Truly Irresistible range.
- Ibid.
- Ibid.
- RSPCA Welfare Freedom Food standards for farmed salmon stipulate a maximum stocking density for seawater enclosures of 17kg/m², with 15kg/m² site maximum. Fish must be kept in water regularly monitored to specified quality parameters – including oxygen, free ammonia, carbon dioxide, temperature, pH, nitrate and suspended solids. Salmon must only be fasted for the absolute minimum period to meet food hygiene requirements and not more than 72 hours. Mutilations, including tagging, are not permitted. Standard farm assurance standards do not specify limits for water quality levels, frequency of monitoring, stocking densities or fasting times.

Animal testing of toiletry and household products

None of our own-brand toiletry¹ or household² products or their ingredients have been tested on animals since 1985 and 1997 respectively. All own-brand products continue to carry Cruelty Free International's (CFI) rabbit and stars logo³. CFI conducts audits every three years to monitor compliance and conducted an audit of our products in 2014.

In 2014, our own-brand toiletry products and key own-brand household and laundry products were available in 100% of every one of our Food stores.










Sales of Cruelty Free own-brand products (£m)

	2011	2012	2013	2014
Household	21.7	21.0	21.1	19.0
Toiletries	5.2	6.4	5.6	5.4

Footnotes:

- Toiletries are classified as cosmetics under the EU Cosmetic Directive 76/768 in which a cosmetic product is any substance or preparation intended for placing in contact with the various external parts of the 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. In 2013, an EU-wide ban was introduced on the sale and import of cosmetic products and ingredients tested on animals after March 2013.
- 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 and fabric conditioner.
- Established by the British Union for the Abolition of Vivisection (BUAV), Cruelty Free International specifically campaigns against animal testing of cosmetics, household products and their ingredients.

Targets

2014 target	Progress against target	2015 target
Measure and report the impact of our farming group animal welfare standards by 2015	 All farms in our farming groups supply monthly input and outcome health and welfare data to our database. We will report animal welfare performance against these KPIs within the Animal Welfare Performance Review on our Food website	Report the impact of our farming group animal welfare standards
Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free range	 Higher baseline animal welfare standards are met across a range of own-brand products and all shell eggs and egg ingredients in own-brand products are at least free range	Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free range
Continue to pursue higher welfare standards across our meat and fish	 Higher welfare standards are available across our premium range	
Continue to take a lead on the issue of animal testing of cosmetic and household products	 All our own-brand toiletry and household products are accredited to Cruelty Free International's Humane Cosmetics and Humane Household Products Standards operating to strict fixed cut-off dates	Continue to take a lead on the issue of animal testing of cosmetic and household products
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Footnotes:

- I. Fresh poultry, meat and fish are defined as raw poultry, meat and fish maintained in a chilled environment in their raw condition and which will require full cooking. Fresh meat and poultry include beef, lamb and pork joints, steaks, chops, mince, burgers, sausages, bacon and gammon; whole chickens and turkeys; and chicken and turkey steaks, fillets and portions. Fresh fish includes farmed and wild caught fish and further prepared products (eg, fishcakes). From 2013, fish data does not include shellfish such as prawns, mussels and scallops).
- II. Frozen poultry, meat and fish include all raw poultry, meat and fish maintained in a frozen environment in their raw condition and which will require full cooking.
- III. Prepared products are defined as:
 - i. raw poultry, meat and fish that have undergone a further process (for instance, products that have been cooked, roasted, breaded, glazed or barbecued); and
 - ii. meat and poultry used as an ingredient in another product (eg, ready meals, pies, pizzas, fishcakes or sandwiches).
- IV. The Red Tractor Mark seeks, among other things, to assure consumers that basic animal welfare standards have been met in food production. In the UK, it covers production of beef, lamb, pig meat, chicken and milk products. Independent third party auditors are used to check compliance with the requirements of the standards.
- V. Compliance with UK farm assurance standards was assured for all own-brand UK sourced fresh shell eggs and milk, and all primary turkey, beef, lamb, chicken, pork, pig meat for sausage and bacon, and salmon. While compliance with farm assurance standards is similarly stipulated for other meat and poultry products (eg, continental meats) and products that contain meat or poultry ingredients, evidence of application is more difficult to secure.
- VI. Livestock can only be transported a maximum of six hours (with the majority of animals transported in less than 60 minutes) and all livestock reared for own-brand products must be stunned prior to slaughter.



Food: Fairtrade

We believe that, when undertaken fairly, trade has an unparalleled capacity to improve quality of life and empower communities. Fair and ethical trade are crucial strands of our strategy.

Fairtrade products and sales value

Fairtrade products and sales value ^A

	2011	2012	2013	2014
Total number of Fairtrade products	265	258	272 ¹	218
Number of own-brand Fairtrade products	165	159	170 ²	132
Fairtrade sales value (£m)	110	138	140	133
Estimated Fairtrade premium (£m)	2.2	3.7	3.1 ³	2.6⁴

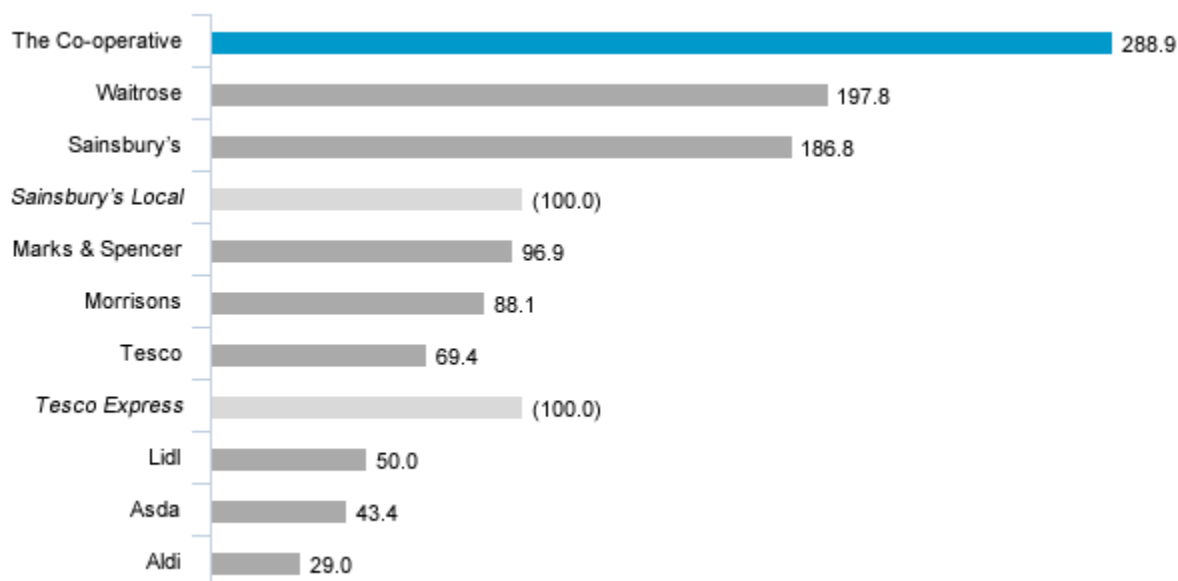
Fairtrade premium declined in 2014 as a consequence of reduced sales. For example, sales declined in core categories such as confectionery, which is heavily influenced by major brands such as Cadbury; tea and coffee, reflecting a reduction in store space for grocery lines as we began to focus on our convenience store format; and sugar, due to changes in wider consumer behaviour due to increasing health concerns.

Footnotes:

1. Restated due to changes in reporting: data reflects Fairtrade products sold in at least 20 stores during period 12 (in previous years, the data for products sold in at least 20 stores over a three-month period was reported).
2. Ibid.
3. Restated, due to a currency conversion error in calculating premiums of two products in 2013.
4. The reported value of Fairtrade premium paid to producers in 2014 excludes the premium relating to sales of some composite products, where a breakdown of Fairtrade ingredients could not be obtained. To be conservative, we have not extrapolated the figure to 100%.

Fairtrade: UK supermarket share relative to size

Top UK supermarket for Fairtrade share relative to size (*Overtrade index*)¹



The Co-operative	288.9
Waitrose	197.8
Sainsbury's	186.8
(Sainsbury's Local)	(100.0)
Marks & Spencer	96.9
Morrisons	88.1
Tesco	69.4
(Tesco Express)	(100.0)
Lidl	50.0
Asda	43.4
Aldi	29.0

We have higher sales of Fairtrade products for the size of our business than any of our competitors.

Footnotes:

1. Data from Kantar World Panel. The degree to which a supermarket 'overtrades' in a product category is determined by dividing its share of the retail market in that category – in this case, Fairtrade products – by its share in the overall retail market, and multiplying by 100. A supermarket with a value over 100 is said to overtrade in that product category. A supermarket with a value of less than 100 is said to undertrade in that product category. Based on data for 52 weeks, ending 4 January 2015.

Beyond Fairtrade

Details of our investment in supply-chain co-operatives, to go Beyond Fairtrade, can be found in the [International Communities section](#).

Fairtrade Fortnight 2014

Celebrating 20 years of championing Fairtrade, during Fairtrade Fortnight 2014 our Members and customers heard first-hand the positive impact of making the Fairtrade choice.

Our Fairtrade toolkit provided the essentials for Members to host their own Fairtrade event. A total of 574 Members requested the toolkit, and used it to communicate to 28,500 people about Fairtrade and our Beyond Fairtrade work. In addition, to promote the Fairtrade and co-operative message, two Members of a Fairtrade co-operative in Argentina toured the UK during Fairtrade Fortnight, speaking at seven regional events. And more than 800 Members tried our Fairtrade wine range and learnt about Fairtrade at local wine tasting events.

Targets

2014 target	Progress against target	2015 target
We will engage our Members and customers – particularly young people and community groups – on Fairtrade and co-operatives	 Our annual Fairtrade Fortnight activity engaged with people across the UK, including young people and community groups, through our in-store and social media activity	Continue to promote Fairtrade and Fairtrade products and launch a community-focused Fairtrade campaign
		Remain the UK's largest convenience supporter of Fairtrade (measured by market share and range)
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Food: Ethical trade

The Co-operative Food sources own-brand products from 1,628 ^A sites¹ (2013: 1,479) in 69 ^A countries around the world, which employ more than half a million ^A workers. This presents a challenge and an opportunity in terms of minimising environmental and social impacts along the supply chain.

Our Sound Sourcing Code of Conduct identifies the labour standards we expect to be applied across suppliers of our own-brand products and we are a member of the Ethical Trading Initiative. Our approach to managing labour standards in our supply chain combines: a robust monitoring programme to help ensure fair treatment of workers in our supply chains around the world; working in partnership and building capacity with suppliers to achieve continuous improvement; and employee training to improve awareness and understanding of our own impacts on workers and communities.

Monitoring compliance

As a condition of trade, we require all own-brand suppliers¹ to join the Supplier Ethical Data Exchange (Sedex), a web-based database where suppliers post labour standards information, including self-assessments and site audit reports.

Number of sites and workers on Sedex and location of audits in 2014

Continent	Sites	Workers	Audits	Issues	Average number of issues identified per audit
Africa	125	78,092	44	283	6
Asia	84	81,519	53	214	4
Europe	1,199	277,208	314	1,072	3
North America	62	23,424	10	21	2
Oceania	13	27,781	0	0	0
South America	145	87,520	39	166	4
Total	1,628 ^A	575,544 ^A	460 ^A	1,756	4

Footnotes:

1. Suppliers deemed to be 'in scope' include all tier-one sites and high risk tier-two sites.

Site assessments

Approved third party bodies carry out supplier site audits¹ to monitor compliance with our sound sourcing criteria. A total of **4602** ^A supplier site audits were carried out during 2013 and 2014 (2012/13: 416) and all tier-one³ suppliers identified as high risk have either had an audit in the past two years or are scheduled for an audit in 2015. Of these, **289** audits took place in 2014, of which **61%** were unannounced/semi-announced. We identify suppliers for audit using a risk-based approach determined by supplier responses to Sedex self-assessment questionnaires, worker profiles, country of origin and sector. Of high risk tier-one sites, **98%** had been audited as at the end of December 2014 (2013: 100%).

The Co-operative Food: Status of improvement actions identified in valid audits by Sound Sourcing Code provision

Provision	Total improvement actions raised 2013/2014	Improvement actions completed pre-2014		Improvement actions completed in 2014		Incomplete improvement actions	
		Major	Minor	Major	Minor	Major	Minor
Exploitation of labour	4	0	0	0	2	2	0
Freedom of association	28	1	1	3	1	14	8
A safe and hygienic working environment	932	74	50	244	160	245	159
Child labour	9	2	1	0	1	5	0
Living wage to be paid	174	16	3	30	6	114	5
Working hours are not excessive	260	10	1	38	2	177	32
No discrimination	12	0	1	2	0	7	2
Regular employment	248	10	9	44	50	84	51
No harsh or inhumane treatment	13	0	1	2	0	10	0
Other issue types	76	5	1	16	10	19	25
Total		118	68	379	232	677	282

Status of incomplete improvement actions identified in valid audits

	Explanation for incomplete improvement actions								
	Due to be completed in 2015				Overdue				
	Tier one		Tier two		Tier one		Tier two		
Provision	Major	Minor	Major	Minor	Major	Minor	Major	Minor	Total
Exploitation of labour	2	0	0	0	0	0	0	0	2
Freedom of association	9	4	3	4	2	0	0	17	39
A safe and hygienic working environment	125	100	66	33	20	9	34	0	387
Child labour	3	0	1	0	1	0	0	0	5
Living wage to be paid	78	4	9	0	17	1	10	2	121
Working hours are not excessive	134	23	14	5	23	2	6	1	208
No discrimination	6	0	1	0	0	1	0	3	11
Regular employment	59	23	6	22	17	3	2	0	132
No harsh or inhumane treatment	5	0	3	0	1	0	1	1	11
Other issue types	10	8	7	12	1	4	1	0	43
Sub-total	431	162	110	76	82	20	54	24	–
Sub-total	593		186		102		78		–
Total	779				180				959

Of the 959 outstanding issues, 395 have been completed by the relevant suppliers and will be verified at the next audit; 449 are due for completion in 2015; and 115 are incomplete/overdue (64 non-compliances from 20 tier-one sites, 51 from 17 tier-two sites).

Footnotes:

1. The Co-operative Food will only accept site assessments conducted by approved third party auditors and undertaken to a recognised, robust format (ie, according to the [Sedex Members Ethical Trade Audit methodology](#)).
2. 323 tier one; 137 tier two.
3. A tier-one supplier site is a production site at which goods are finished and ready for supply to, or sale by, the end company.

Supplier capacity building

The Co-operative Food has a programme of supplier workshops in key sourcing countries designed to: raise awareness of the Co-operative's values, expectations and strategy; provide guidance on local labour law and code requirements; and share best practice in addressing common labour standard issues. In recent years, supplier engagement activities have been carried out in Egypt, Italy, Kenya, Morocco, Spain, South Africa, Thailand and the UK.

In 2014, **16 A** supplier events were carried out in five countries, amounting to more than **3,300 A** hours of supplier training and engagement. We have delivered **60** supplier training events, reaching **1,350** delegates from **629** sites since 2011. Of the suppliers, **38%** have attended multiple training sessions.

In addition we have in place strategic ethical trade review meetings with key suppliers to assess progress, address capacity and agree future priorities in managing issues in global supply chains. These meetings have played a vital role in improving the performance of suppliers in managing ethical trade issues.

Modern Slavery Bill

We recognise that some supply chain issues, such as modern slavery, are complex, and to help develop long-term solutions we need to work in partnership with suppliers, other retailers, NGOs, trade unions and government. Through a programme called [Stronger Together](#), we are working to reduce forced labour and human trafficking in the UK, providing pragmatic guidance, tools and training for suppliers. We are also partners in an initiative with Anti-Slavery International and other retailers and suppliers to address trafficking in the seafood supply chain in Thailand, which includes mechanisms to increase the visibility of issues through worker hotlines.

We are also partners in an initiative with Anti-Slavery International and other retailers and suppliers to [address trafficking in the seafood supply chain in Thailand](#), which includes mechanisms to increase the visibility of issues through worker hotlines.

Targets

2014 target	Progress against target	2015 target
Further develop the systems and training programmes within our Food business by 2014 to understand our impact on workers and their communities	 During 2014, we carried out a range of activities, including: annual commercial and ethical trade review meetings; the roll-out of a new Ethical Trade Supplier Award to recognise supplier best practice; the roll-out of a Supplier Dashboard on ethical trade performance for use across our commercial team; the launch of a confidential supplier feedback survey to measure progress against our Buying Charter; and the delivery of our responsible buyer training programme to category trading managers and buyers. As this activity is becoming part of 'business as usual', a specific target has not been set for 2015	
Target 800 sites in six countries by the end of 2014, to create better workplaces	 We have delivered 60 supplier training events, reaching 1,350 delegates from 629 sites since 2011. 38% have attended multiple training sessions. Going forward, rather than aiming to reach large numbers of sites, we are focusing on working with a core group of key suppliers to develop locally owned supplier forums that will lead to systemic and sustainable improvements to working conditions	By the end of 2017, ensure all key suppliers in focus countries have participated in supplier engagement activities, and encourage the establishment of local forums, promoting strong human rights systems and employee engagement
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Footnotes:

I. 855 tier one; 773 tier two. A tier-one supplier site is a production site at which goods are finished and ready for supply to, or sale by, the end company. A tier-two supplier site is a production site that supplies goods or materials to a tier-one site for incorporation into the finished product.



Funeralcare

Funeralcare supports the needs of different cultural and faith groups through the range of services we offer.

Promoting equality

Funeralcare conducted research in partnership with Stonewall, which revealed poor treatment of grieving gay people, with one in ten saying they have experienced discrimination at a funeral or when arranging one. To directly address some of the issues raised through the research, Funeralcare and Stonewall developed a guide for lesbian, gay and bisexual (LGB) people on planning for later life, which was well supported by the LGB community online. As one of Stonewall's top UK employers, diversity awareness forms a crucial part of the Co-operative's skills training.

Sustainable sourcing

Details of our performance in sourcing coffins sustainably can be found in the [Forest stewardship section](#). We are committed to working with suppliers to build on our certification and sustainable sourcing in the future.

Targets

2014 target	Progress against target	2015 target
		See the target on the use of FSC-certified wood in coffin manufacture in the Biodiversity and sustainable procurement section
✓ Target achieved ▬ On track ↙ Close to target ← Behind schedule ✗ Target not achieved		



General Insurance

Our General Insurance business screens investments against its Ethical Policy, which includes issues of human rights, the environment, international development and animal welfare.

Screening of insurance investments

Since 2011, the Co-operative Insurance's investment in fixed-income bonds underpinning car and motor premiums has been guided by its Ethical Policy. We ensure Ethical Policy compliance primarily through initial screening of any potential new bond by the dedicated Responsible Investment team within Royal London Asset Management (CIS) which continues to provide asset management services. Any potentially problematic investments are referred to our Group Ethical Policy Unit for assessment and final recommendation.

Seven fixed-income investment opportunities were screened in 2014, of which one was declined. A further **seven** investment opportunities were declined without the need for referral.

Ecoinsurance

Sales of General Insurance's innovative motor product 'ecoinurance' reduces customers' environmental impacts by offsetting 20% of an average car's carbon dioxide emissions for every policy held. Further details can be found in the [Carbon offsetting](#) section.

Targets

2014 target	Progress against target	2015 target
		Continue to screen investment opportunities against our Ethical Policy
Target achieved On track Close to target Behind schedule Target not achieved		

Environmental impact

We are working to protect the natural resources that our business and wider society depend on, not least by addressing our climate change impacts, taking a sustainable approach to waste management and minimising our use of resources across the business.

9%

reduction in energy consumption

[Read more](#)



95%

of our waste is reused or recycled

[Read more](#)



98%

of our electricity sourced from renewables

[Read more](#)



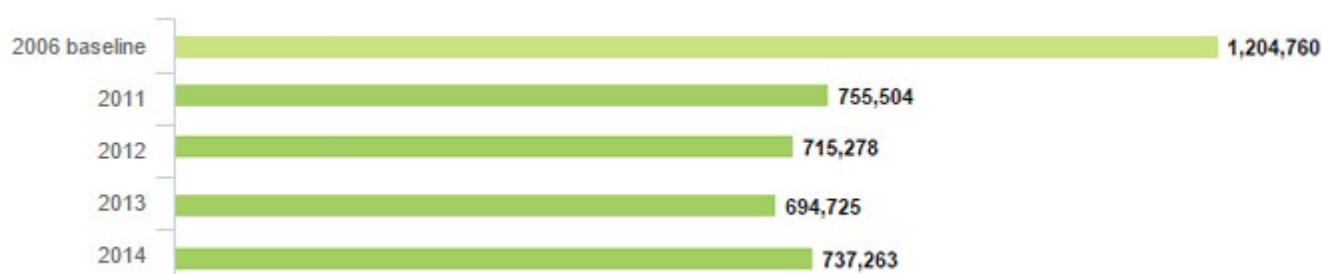
Key 2014 data have been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol: **A**. Where an inaccuracy has been identified in previously reported data, or a methodology for calculating data has changed, information is restated, as identified by: **R**.

Climate change

We recognised the need to act on climate change long before most businesses and have reported our climate impacts annually since 2005, with an ambition to reduce our direct greenhouse gas (GHG) emissions by 50% by 2020, compared to 2006. Our overall strategy for addressing climate change focuses on reducing consumption, increasing efficiency, generating and using renewable energy, and offsetting carbon.

Direct greenhouse gas emissions

Direct greenhouse gas emissions (tCO₂e) ^{®1} **A**



	2006 baseline	2011	2012	2013	2014	Decrease 2006–2014	Increase 2013–2014
Total emissions	1,204,760	755,504	715,278	694,725	737,263	39%	6%

We measure our *direct* greenhouse gas (GHG) emissions in tonnes of carbon dioxide equivalent (tCO₂e), using the latest UK Government guidance². Our direct GHG footprint measure encompasses energy and fuel consumption, Food store refrigerant leakages and all business travel (road, air, and rail).

Total direct GHG emissions increased in 2014, due to a significant increase in the GHG intensity³ of electricity supply, together with greatly improved data recording for Food store refrigerant leakages.

Total greenhouse gas emissions by source (tCO₂e) ^{®4} ^A

	2006 baseline	2011	2012	2013	2014
Fuel combustion	58,929	37,761	41,021	42,237	35,170
Electricity consumption ⁵	646,881	433,025	419,005	392,528	403,386
Refrigerant leakages ⁶	297,043	140,029	110,884	120,752	167,136
Transport ⁷	201,907	144,689	144,368	139,208	131,571
Total	1,204,760	755,504	715,278	694,725	737,263

Greenhouse gas emissions/gross income (tCO₂e/£m gross income)

	2013	2014
	66.1 [®]	72.2

The majority of our emissions are from energy consumption (59%), with the next most significant contributors to our carbon footprint being refrigerant leakages in food stores (23%) and fuel consumed by our transport fleet (18%).

Footnotes:

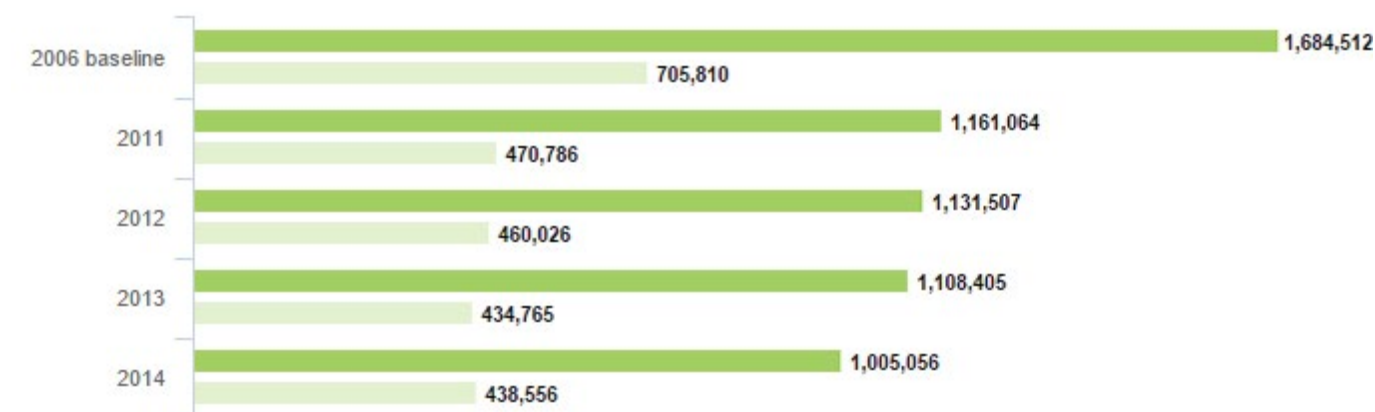
1. All figures restated to account for the sale of our majority shareholding in the Co-operative Bank plc and the divestment of the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services – emissions from these businesses are not included in the figures. Emissions associated with the Group's 20% equity share in the Co-operative Bank plc are also excluded from reporting.
2. Department for Environment, Food and Rural Affairs (Defra), Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance, June 2013.
3. GHG emissions per unit of electricity are calculated by Defra and updated annually. Due to changes in the UK energy mix, Defra increased this metric from 0.44548 kgCO₂e/kWh for electricity purchased in 2013 to 0.49426 kgCO₂e/kWh for electricity purchased in 2014.
4. See Footnote 1.
5. If electricity from renewable sources is accounted as zero carbon, then emissions from electricity in 2014 would be 7,799 tCO₂e.
6. Refrigerant data is reported from our Food store estate and home delivery vehicles only, and excludes distribution centres and distribution fleet.
7. Distribution data is reported for all Group businesses except Co-operative Electricals, which utilises third-party distribution.

Energy consumption

Our biggest source of direct GHG emissions is from energy used in our buildings, and reducing energy consumption is a priority for reducing our carbon footprint.

We sourced 98% ^A of electricity from renewables in 2014 (2013: 98%), including 100 GWhs from our own renewable energy projects (12% of total ^A). The latest addition to our portfolio is Biggleswade wind farm in Bedfordshire, a ten-turbine project that in 2014, generated enough electricity to power 9,700 homes for a year.

Energy consumption (MWh) and GHG emissions from energy consumption (tCO₂e)¹ ² ^A



	2006 baseline	2011	2012	2013	2014	Decrease 2006–2014	Decrease/Increase 2013–2014
MWh	1,684,512	1,161,064	1,131,507	1,108,405	1,005,056	40%	-9%
tCO ₂ e	705,810	470,786	460,026	434,765	438,556	38%	+1%

In 2014, energy consumption reduced by 9% ^A, due primarily to behaviour change initiatives – including a reward scheme for the best-performing stores and regions – and a targeted Food store improvement programme. This equates to a **£61m** ^A cost saving compared to 2006 consumption.

Breakdown of SO₂, NO_x and other significant air emissions 2014 – energy (tonnes)

	SO ₂	NO _x	Particulates	VOCs
Electricity – hydro/wind	0	0	0	0
Electricity (brown)	27.4	25.6	0.5	0.4
Gas	0	4.7	0.3	1.5
Total	27.4	30.3	0.8	1.9

Footnotes:

1. Includes electricity from fuel combustion.
2. All figures restated to account for the sale of our majority shareholding in the Co-operative Bank plc and the divestment of the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services – emissions from these businesses are not included in the figures. Emissions associated with the Group's 20% equity share in the Co-operative Bank plc are also excluded from reporting.

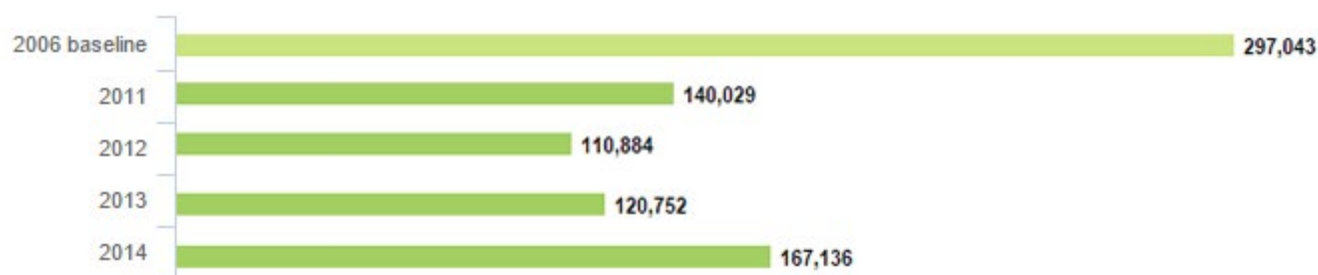
Refrigerant emissions

Performance recognition ★

Recognised as one of three UK green cooling leaders in reducing the impact of refrigeration in the annual Environmental Investigation Agency (EIA) survey, 2014.

Refrigeration and air conditioning account for 23% of our direct GHG emissions.

Refrigerant gas emissions (tCO_2e^1) ^A



2006 baseline	2011	2012	2013	2014	Decrease 2006–2014	Increase 2013–2014
297,043	140,029	110,884	120,752	167,136	44%	38%

In 2014, refrigerant gas emissions increased by 38% due primarily to greatly improved data recording in our Food stores.

Footnotes:

1. If electricity from renewable sources is accounted as zero carbon, then emissions from electricity in 2014 would be 7,799 tCO_2e .

Transport-related emissions

Performance recognition ★

Winner of the Transport Project of the Year at the Business Green Leaders Awards 2014 – recognised for our actions to reduce waste and carbon emissions.

Performance recognition ★

Winner of the Environmental Improvement award at the European Supply Chain Excellence Awards 2014.

Performance recognition ★

Winner of the Freight Transport Association's Multimodal award 2015 for our contribution to Environmental Sustainability, recognising our work to cut carbon emissions across our freight transport operations.

Distribution and business travel accounts for 18% of our direct GHG emissions.

Transport GHG emissions (tCO_2e) ^{R1 A}

	2006 baseline	2011	2012	2013	2014	Decrease 2006–2014	Increase 2013–2014
Business travel	15,022	7,051	6,702	6,222	5,060	66%	19%
Distribution	186,885	137,638	137,666	132,986	126,511	32%	5%
Total	201,907	144,689	144,368	139,208	131,571	35%	5%

Transport mileage² ^A ('000 miles) ^R³



2006 baseline	2011	2012	2013	2014	Decrease 2006–2014	Increase 2013–2014
192,442	125,029	126,892	122,082	112,937	41%	7%

Fleet mileage reduced by almost 6 million miles within our Food business in 2014 with over 7,000 tCO₂e ^A saved through fleet improvements, better planning and switching some routes to rail freight.

Breakdown of SO₂, NO_x and other significant air emissions 2014 – distribution and business travel (tonnes)

	SO ₂	NO _x	Particulates	VOCs
Distribution	1.56	828	24.64	73.75
Business travel (road)	0.07	7.88	0.37	0.75
Business travel (air)	0.04	0.42	0.01	0.08
Business travel (rail)	1.45	1.39	0.11	0.14
Total	3.1	837.7	25.1	74.7

Footnotes:

1. All figures restated to account for the sale of our majority shareholding in the Co-operative Bank plc and the divestment of the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services – emissions from these businesses are not included in the figures. Emissions associated with the Group's 20% equity share in the Co-operative Bank plc are also excluded from reporting.
2. Our road distribution fleet serves the Co-operative Food, the Co-operative Funeralcare and home deliveries across our businesses. Business travel includes rail and air travel, and business mileage in company, hired and private cars.
3. See Footnote 1.

Indirect emissions

In addition to *direct* GHG emissions, we are responsible for significant indirect emissions across our global supply chains. For 2014, we measured indirect emissions relating to our operations¹. Indirect emissions across our entire value chain are likely to be far larger than this.

We continue to work with suppliers to help them manage their own GHG emissions, for example, through a carbon reduction project in our Fairtrade tea supply chain in Kenya.

Indirect GHG emissions by source (operations) (tCO₂e) ^A

Indirect emissions associated with the direct footprint of the business – 'Well-To-Tank', for electricity, gas, fuel and business travel ²	135,597
Waste disposal through reuse, recycling and landfill ³	2,686
Direct water consumption – supply and treatment ⁴	1,586
Emissions from production of product packaging – glass, steel, aluminium, paper and card, plastics, wood ⁵	123,670
Total indirect emissions	263,539

Fleet mileage reduced by almost 6 million miles within our food business in 2014 with over 7,000 tCO₂e saved through fleet improvements, better planning and switching some routes to rail freight.

Indirect GHG emission savings (tCO₂e) ^A

Net emissions avoided through recycling ⁶	37,350
Carbon offset related to ecoinsurance motor product sales	100,224
Total indirect emissions savings	137,574

Footnotes:

1. 'Operations' relates to the transmission and distribution of electricity, supply of fuel, recycling and disposal of waste, and the supply and treatment of water.
2. 2014 Defra/DECC GHG Conversion Factors for Company Reporting.
3. Ibid.
4. Includes water consumption from metered sites.
5. Calculated by Waste and Resources Action Programme (WRAP) as part of Courtauld 2.
6. Calculated based on emissions if waste that is reused/recycled was sent to landfill, minus the emissions of recycling.

Carbon offsetting











Funeralcare sourced **100% ^A** of its electricity from renewables in 2014 and also maintained its carbon neutral policy in 2014 for the fourth consecutive year, by offsetting its operational GHG emissions¹ (**10,268 tonnes ^A**). It does this by supporting a rigorously selected portfolio of carbon reduction projects, which provide additional benefits for people and the environment.

Sales of General Insurance's innovative motor product 'ecoinsurance' reduces customers' environmental impacts by offsetting 20% of an average car's carbon dioxide emissions for every policy held. The offsets work by supporting carbon reduction projects in developing countries, and in 2014, we purchased offsets equivalent to **100,224 tonnes ^A** of carbon dioxide.

Footnotes:

1. Remaining emissions from gas, non-renewable electricity, and business travel, once green electricity supply is discounted. Excludes refrigerant emissions.

Targets

2014 target	Progress against target	2015 target
Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006	 Direct GHG emissions from operations have reduced by 39%  compared with 2006	Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006
Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will work towards a BREEAM 'Outstanding' rating 'In-Use'	 We will only be able to report against this target when we have data for two full years of occupancy (from late 2015)	Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will work towards a BREEAM 'Outstanding' rating 'In-Use'
Generate the equivalent of 25% of our electricity needs from renewable sources by 2017	 Output from our renewable energy installations in 2014 represented approximately 12.3% of our electricity requirements (2013: 7.5%)	Generate the equivalent of 25% of our electricity needs from renewable sources by 2017
We will continue to source carbon offsets from a portfolio including international co-operative projects	 In 2014 we continued to source carbon offsets from a portfolio including international co-operative projects	We will continue to source carbon offsets from a portfolio including international co-operative projects
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Waste and packaging

We produce waste across our family of businesses, with the majority of our waste coming from the Co-operative Food and its stores. Our offices in Manchester are the main generator of office waste. Our waste management follows the well-established waste hierarchy of reduce, reuse and recycle. Reducing our own-brand packaging, while also ensuring this does not increase other environmental impacts such as product wastage, is a priority for us¹.

Total waste arisings

Total waste¹ (tonnes) **A**

	2006 baseline	2011	2012	2013	2014	Percentage change
Waste reused/ recycled	90,175	57,369	57,263	66,254	88,125	37% increase since 2006 21% increase since 2013
Waste disposed	66,393	40,211	37,898	23,612	4,260	94% reduction since 2006 82% reduction since 2013
Total waste	156,568	97,580	95,161	89,866	92,385	41% reduction since 2006 3% increase since 2013

Reported waste production in 2014 is slightly higher than the previous year (3% increase **A**), due to improved accounting as a result of consolidating waste contracts. The significant improvement in waste reuse/recycling is covered in the 'Waste reused/recycled' section below.

Footnotes:

1. All figures restated to account for sale of our majority shareholding in the Co-operative Bank plc and the divestment of the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services Group. Data from these businesses is excluded from the figures.

Waste reused/recycled

Waste reused/recycled (%) ^A



	2006 baseline	2011	2012	2013	2014
	58	59	60	74	95

Reuse/recycling rates have increased significantly over the last two years, reaching 95% ^A in 2014. Improvements have largely been due to backhauling waste from our Food stores to regional depots. By removing waste collections from stores and collecting from depots instead, we reduce the number of skip collections and are able to segregate waste more effectively to ensure we are maximising the environmental benefit.

Food waste

Food waste has negative environmental and social impacts. We are engaged in an industry-wide process to agree a standardised approach for measuring food waste within the food retail sector. While only a relatively small proportion of overall food waste in the UK arises directly from food retailers¹, we have a responsibility to reduce our impacts. We are engaged in initiatives that include redistributing surplus food from our operations to people and communities suffering from food poverty through charities such as FareShare. In 2014, we redistributed an estimated **82 tonnes** ^A (2013: 104 ^R² tonnes) of food, equivalent to 196,000 meals.

Working on Waste

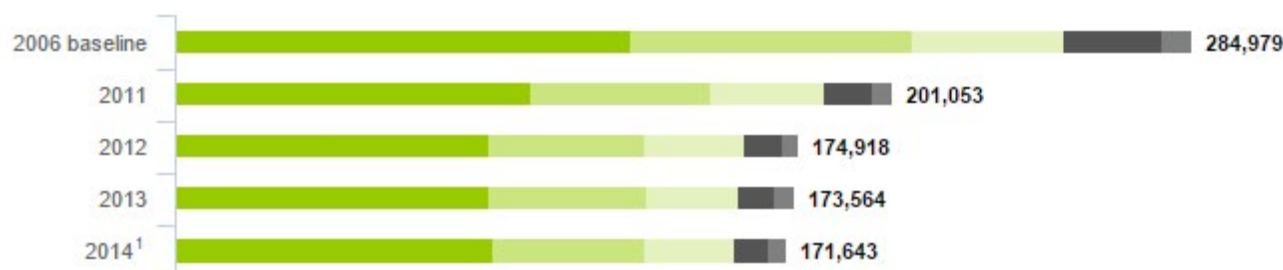
We participated in the Institute of Grocery Distribution's (IGD) Working on Waste initiative, which brought UK food and grocery companies together to help their employees reduce household food waste. In 2014, we took the initiative a step further, creating a campaign that engaged with employees, members and customers in seven pilot communities across the UK. Working with community groups, the campaign called on people to pledge to cut their food waste, and engaged thousands via social media and in-store. We are also supporting the reduction of food waste from households, for example through printing storage instructions for fruit and vegetables on fresh produce bags.

Footnotes:

1. British Retail Consortium, January 2015: food waste from seven major food retailers estimated to account for only 1% (200,000 tonnes) of total annual food waste in UK.
2. Restated due to accounting improvements.

Packaging waste

Packaging handled by material (tonnes) ^{®1} ^A



	2006 baseline	2011	2012	2013	2014
■ Glass	128,027	99,952	88,050	88,076	89,212
■ Plastic	78,492	50,038	43,785	44,149	42,712
■ Paper	42,794	32,128	27,634	26,034	25,148
■ Steel	27,381	13,405	10,719	9,910	9,084
■ Aluminium	8,285	5,530	4,730	5,395	5,487
Total	284,979	201,053	174,918	173,564	171,643

We have achieved a 40% reduction in packaging since 2006 ^A, and a 1% reduction since 2013 ^A.

Own-brand packaging

In 2014, the weight of our own-brand packaging reduced by **2%** ^A compared to 2013, and by **42%** ^A compared to 2006.

We have been a signatory to the Courtauld Commitment, to reduce packaging and food waste, since its inception in 2006. The next phase of the commitment is expected to launch in 2016.

We are working to maximise the recyclability of our packaging. In 2014, **45%** of our own-brand products had packaging that is widely recyclable² (**81%** by total weight of own-brand packaging). In 2015, we will work with suppliers and Local Authorities, who provide recycling facilities, to increase the recyclability of our packaging.

Footnotes:

1. All figures restated to account for the divestment of the Co-operative Pharmacy and the Co-operative Farms. Data from these businesses is excluded from the figures. Other materials (mostly wood) constituted around 0.1% of the total packaging handled.
2. Labelled as widely recycled or recycle with carrier bags.

Carrier bags

We reduced the number of carrier bags distributed in 2014 by 65% compared to 2006. We expect a further reduction as a result of the introduction of the carrier bag levy in England from October 2015 ([UK communities section](#)).

Targets

2014 target	Progress against target	2015 target
We will continue to work to increase recycled content, improve recyclability and reduce food waste	 In 2014, we continued to progress this work	Work with suppliers to increase the recyclability of our packaging
Expand our work with charities such as FareShare on food waste	 A review of policies in 2014 identified areas where changes could be made to increase the redistribution of surplus food from regional distribution centres to charities such as FareShare. These changes will be implemented in 2015. As a result, while redistribution fell to 82 tonnes  in 2014 (2013: 104 ) , we expect it to increase from 2016	Expand our work with charities such as FareShare on food waste
Work with the industry and the British Retail Consortium (BRC) to develop a standard method for measuring and reporting the food waste generated within the food retail sector	 Work is ongoing with the BRC to develop a standard methodology for reporting food waste	Work with the industry and the British Retail Consortium (BRC) to develop a standard method for measuring and reporting the food waste generated within the food retail sector
As part of the IGD's Working on Waste project, we will raise awareness of how household food waste can be reduced	 We participated in the Working on Waste initiative to help our employees and members reduce household food waste. In 2014 we had 12,000 views of our intranet articles with hints and tips to help employees reduce their food waste at home and we aim to increase employee engagement in 2015. We also had messages on in-store radio, on till screens and in our magazine, and held 42 events for members across the UK. We will continue to support this initiative in 2015	As part of the IGD's Working on Waste project, we will continue to raise awareness of how household food waste can be reduced
Reduce the number of carrier bags used by the Co-operative Food by 75%	 We reduced the number of carrier bags distributed in 2014 by 65% compared to 2006. With the introduction of the carrier bag levy in England from October 2015, we expect a reduction of more than 80% in subsequent years. A target has therefore not been set for 2015	
Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste	 Reuse/recycling rates have increased significantly over the past two years, reaching 95% in 2014. Improvements have largely been made due to backhauling waste from our Food stores to regional depots. Reported waste production in 2014 is slightly higher than in previous years (3% increase in 2014) due to improved accounting as a result of consolidating waste contracts	Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and to drive up recycling levels and reduce overall waste
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Footnotes:

I. As set out in our own-brand Packaging Policy.



Water

We monitor our water usage to help improve water management and reduce water consumption.

Water consumption

Estimated water consumption ^{®1}

In 2014, we continued to improve our water accounting systems, and now have metered water bill data for 90% of our estate (2013: 89%).








	2010	2011	2012	2013	2014	Decrease 2010–2014	Increase 2013–2014
Average water consumption per site (m^3)	420	310	327	349	361	14%	3%
Total water consumption ('000 m^3)	1,560	1,291	1,366	1,445	1,508	3%	4%

Since 2010, we have reduced total water consumption by 3%, despite a 12% increase in our estate². We have reduced our estimated average water consumption per site by 14% over this period. In 2014, total water consumption across our estate and average water consumption per site increased by 4% and 3% respectively. Our water reduction initiatives currently focus on identifying and repairing supply leaks and faulty equipment within our Food stores – Food stores account for 70% of our total water use.

Footnotes:

1. All figures restated for 2010–2013 to account for the sale of our majority shareholding in the Co-operative Bank plc and the divestment of the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services – these businesses are excluded from the figures including 2014 figures.
2. The total number of sites increased from 3,715 in 2010 to 4,179 in 2014.

Targets

2014 target	Progress against target	2015 target
Further improve our water consumption accounting and reporting	 We now report metered water consumption across 90% of our estate compared with 89% in 2013. No target has been set for 2015, as we focus on reducing water consumption (see target below)	
Reduce water consumption across our operations by 30% by 2016, based on 2010	 Water consumption has reduced by 3% compared with 2010	Reduce water consumption across our operations by 30% by 2016, based on 2010
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Chemicals

We prioritise the safe use of chemicals in the manufacture and supply of own-brand food and household products.

Pesticide residue testing

Pesticides are used to protect growing crops from pests, weeds and diseases, and to preserve stored produce. However, they can have unintended consequences for human health and the environment. We have a pesticide residue testing programme that involves analysis of a representative sample of our products¹ each month for a minimum of 554 residues². We update our list of banned pesticides on the basis of international conventions that aim to prevent the use of dangerous chemicals worldwide³, and adjust our practices accordingly.

The Co-operative Food pesticide residue analysis

	2011	2012	2013	2014
Total number of samples tested	206	219	197	223
Banned pesticides detected	2	0	0	0
Permissions granted for prohibited pesticides	173	116	123	129
Number of residues in excess of Maximum Residue Limits	7	1	5	5
Prohibited pesticides detected without permission	12	10	3	2
Percentage of samples with no residues	35%	37%	32%	39%

In 2014, we detected five pesticide residues (1.3% of all residues detected⁴) at levels that exceeded the Maximum Residue Limit (MRL)⁵ set for the product. We also detected two residues of prohibited pesticides where permission for use had not been granted, and this has been followed up with the suppliers⁶.

Footnotes:

1. Tests are carried out on the final product as sold in-store.
2. The Co-operative Food has industry-leading pesticide and agronomic policies designed to reduce the use of pesticides in all our own-brand fresh, chilled, frozen and canned produce. To date, a total of 449 pesticides are listed in our Pesticide Policy as banned, prohibited or monitored. We update our list of banned pesticides on the basis of international conventions that aim to prevent the use of dangerous chemicals worldwide, and adjust our practices accordingly. Our banned list comprises pesticides listed in Annex 3 of the Rotterdam Convention for Prior Informed Consent and banned by the Stockholm Convention on Persistent Organic Pollutants.
3. Our banned list comprises pesticides listed in Annex III of the [Rotterdam Convention for Prior Informed Consent](#) and banned by the [Stockholm Convention on Persistent Organic Pollutants](#).
4. In comparison, the most recent Pesticide Residues in Food Quarterly Report states that, in Q3 2014, 4.4% of UK fruit and vegetable samples tested showed residues in excess of the set MRL.
5. MRLs are set by the European Food Safety Authority (EFSA) on the basis of the highest residues expected when a pesticide is applied in accordance with manufacturer instructions for use.
6. The two prohibited residues were omethoate and thiamethoxam. Further investigation indicated that the omethoate residue was a breakdown product of dimethoate which is permitted; and thiamethoxam which is a neo-nicotinoid. However, the prohibition of neo-nicotinoids only covers crops which are known to be pollinated or foraged on by bees. For other crops, such as cucumber where the thiamethoxam was found to be present, the use of neo-nicotinoids is not restricted and they therefore are classified on the monitored list.










Chemicals for Priority Action

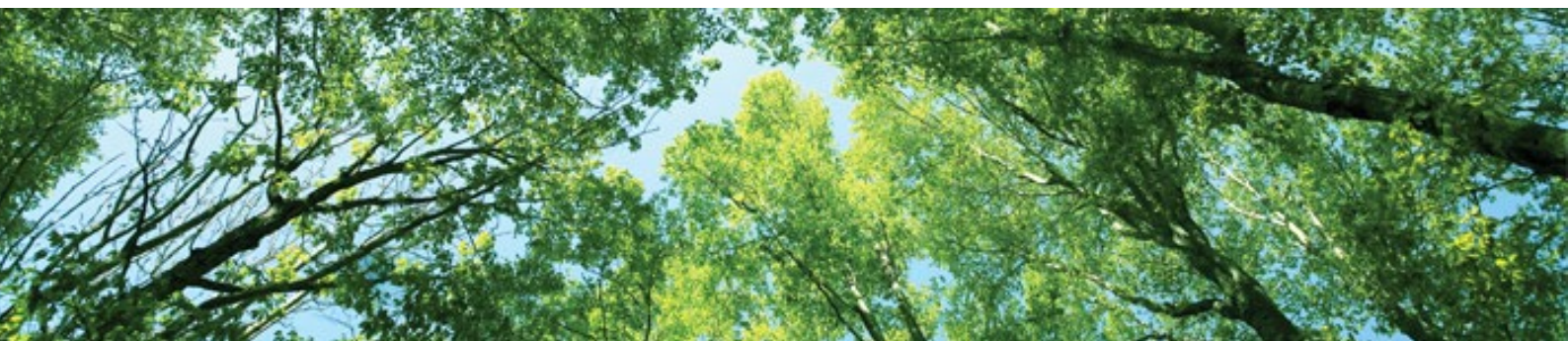
We require all our non-food products to comply with the requirements of our Policy on Chemicals for Priority Action, which identifies 44 chemical types that we have banned or are planning to remove¹, as listed in the [appendix](#). Inclusion of chemicals contrary to this policy is not permitted. The policy applies to all parts of the product, including all internal components and packaging.

Footnotes:

1. Chemicals listed include those in the [Oslo–Paris Convention for the Protection of the Marine Environment of the North-East Atlantic \(OSPAR\)](#). For others, we base our policy on emerging evidence of damaging impacts, regularly reviewing the list and adding new chemicals as evidence becomes available.

Targets

2014 target	Progress against target	2015 target
Enhance our market-leading Pesticides Policy banning endosulfan, paraquat, alachlor and aldicarb by 2014	 Endosulfan, paraquat and alachlor are all on our banned list within our Pesticide Policy. Aldicarb is on our prohibited list and there were no derogations in place for its use in 2014	Following our Pesticide Management Evaluation exercise, develop a recommendation paper in 2015, and formalise details of our management approach and the timescales for implementation
Establish further groups of supplier-based experts to determine routes and targets for residue hotspot reduction during 2014	 We are in the process of conducting a Pesticide Management Evaluation exercise with a view to further developing our approach to monitoring pesticide residue risk	
Commence product surveillance testing to ensure compliance with REACH regulations and supplier CORE database declarations	 Although product surveillance testing has started, and while declarations for all non-food suppliers are now available, the risk-assessed programme is to be initiated in 2015	Review activity to ensure compliance with REACH regulations, with a risk-assessed programme to be initiated in 2015
Identify and launch a new supplier pesticide monitoring system	 We residue test with an external laboratory and amend the testing schedule as required in line with levels of risk	Maintain the number of residue tests conducted per annum, at the same level as the previous year
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Biodiversity and sustainable procurement

We are one of the UK's leading retailers on forest stewardship and are committed to sourcing wood and paper products from sustainable sources. We are committed to marine stewardship, and continue to be guided by our Responsible Fish Sourcing Standard. In addition, we have commitments on the sustainable procurement of high-risk products such as palm oil.

Marine stewardship

Performance recognition ★

We were ranked second – attaining a Silver award in the biennial Marine Conservation Society (MCS) Supermarket Survey (2013). Our investment in improving the sustainability of the fisheries and farms we source from also earned us a Sustainability Initiative Star.

Our aim is to maintain our position as one of the UK's most responsible retailers of fish. We are a member of the Sustainable Seafood Coalition (SSC) which, in September 2014, launched voluntary [codes of conduct](#) setting out base criteria (eg, traceability and the use of risk assessments) for the responsible sourcing and labelling of fish and seafood products. In order to bring our existing Fish Sourcing Policy into alignment with these new codes, we implemented our Responsible Fish Sourcing Standard in September 2014, which applies to wild-caught fish. For details of welfare standards relating to farmed fish, see the [Animal welfare, Poultry, meat and fish section](#).

The Standard applies risk assessments to all fisheries supplying own-brand raw material (fish, shellfish and molluscs). This process requires us to examine individual products based on fishery location and catch method, species' resilience to fishing, fishery by-catch estimates and scientific stock assessments.

In 2014, **76%¹** **A** of the fisheries used to supply our wild fish and seafood products were assessed as 'well managed' or 'reasonably managed' fisheries. For the remaining sources², we are working with suppliers to implement appropriate management actions, such as engagement with a Fisheries Improvement Project (FIP) to move these fisheries to a more sustainable position. If this is not possible, we will transfer to more sustainable sources. Along with our suppliers, we are engaged in two FIPs³.

We have not sold any products identified by the Marine Conservation Society (MCS) as 'Fish to Avoid' since 2008. 100% of our own-brand skipjack tuna products are pole and line caught, a selective way of catching tuna, which avoids the by-catch issues associated with other fishing methods; and all own-brand farmed fish, shellfish and molluscs (eg, prawns) are sourced from farms certified by Global Aquaculture Alliance (GAA), Aquaculture Stewardship Council (ASC) or Global Good Agricultural Practice (Global GAP).

Footnotes:

1. Classified as very well-managed or reasonably managed fisheries by the Sustainable Fisheries Partnership (SFP) or Marine Stewardship Council (MSC)-certified.
2. Classified as poorly managed fisheries by SFP or not assessed by SFP or MSC.
3. A European pilchard fishery and a Thai fishery for fish caught for use in fishmeal.

Forest stewardship

Performance recognition ★

We maintained our Graduate Status of the WWF-UK Forest and Trade Network in 2014. This requires transparent reporting of paper and timber sourcing, and a strong commitment to improving the sustainability of these sources.

Performance recognition ★

In June 2015, we were awarded the highest level 'three trees' in the WWF UK Timber Scorecard in recognition of our public commitments to using FSC and recycled timber and timber products, our policies, control systems and reporting.

We are committed to sourcing our wood and paper products from sustainable sources, and our aim is that all own-brand wood products produced from virgin materials sold by the Co-operative Food have Forest Stewardship Council® (FSC) certification, as this is the most respected standard of sustainably harvested forestry products.

Own-brand wood or paper products sold in the Co-operative Food that were FSC-certified or recycled¹ (%) **A**

2006 baseline	2011	2012	2013	2014
50	99	99	98	97

Our Food business purchased **23,662m³** of wood and paper products in 2014 (2013: 34,006m³) **A**, all of which were of known origin with credible evidence that they were harvested legally **A**. 84% (2013: 93%) of wood and paper products sold was FSC-certified, including barbecue charcoal, Christmas wrapping and household paper. Of the remaining products, **13%** (2013: 2%) came from recycled post-consumer waste, less than 1% from recycled pre-consumer waste, and **3%** from known, legally sourced virgin material, such as that certified by the Programme for Endorsement of Forest Certification Scheme. In 2014, we achieved our objective of **100%** FSC certification for our greaseproof paper **A**. We aim to achieve FSC certification for our nappies.

Of the 81,000 coffins and caskets manufactured by our Funeralcare business in 2014, **97%** (2013: 95%) were FSC-certified **A**. The remaining **3%** were manufactured from legally sourced, non-certified solid wood **A**.

Footnotes:

1. FSC-certified products carry one of the following labels: FSC 100%; FSC Recycled, containing a minimum of 85% wood fibre content from post-consumer sources; and FSC Mixed, containing a blend of FSC 100% with recycled and/or controlled wood fibre. The controlled wood fibre is from non-FSC forests, but is screened to ensure it does not contribute to negative forest practices such as illegal logging or the destruction of high conservation value forests.

Sustainable palm oil

The Co-operative Food works with the Roundtable on Sustainable Palm Oil (RSPO) to improve the sustainability of palm oil production. In 2014, we used **4,730** tonnes (2013: 3,891 tonnes) of palm oil in **970** (2012: 589) own-brand food products. All the palm oil in these products was certified as sustainable under one of the RSPO certification schemes¹ – **3,953** tonnes (2013: 2,174) representing **84%** (2013: 56%) was obtained through segregated, Mass Balance (UTZ certification) or identity-preserved Certified Sustainable Palm Oil (CSPO) sources, and for the remaining **16%** (2013: 44%) we purchased GreenPalm Certificates which guarantee a price premium for CSPO producers, helping to support the sustainable development of the industry.

In 2014, we also sold **173** cleaning and cosmetic products containing **338** tonnes of palm oil. We achieved our target of all non-food products being certified as sustainable under one of the RSPO certification schemes including **30** tonnes (**9%**) of segregated palm oil.

Our aim remains that all own-brand products will be sustainable, and come from a segregated Certified Sustainable Palm Oil. However, traceability issues – particularly in our non-food product supply chain – mean we will not be able to secure this in the short term. In moving towards achieving this target, we will continue to reduce reliance on GreenPalm certification (16% of all palm oil used in own-brand food products was GreenPalm certified in 2014 compared to 44% in 2013) and to stipulate, as a minimum, segregated CSPO for all our own-brand food and segregated or Mass Balanced CSPO for all our own-brand non-food requirements, where feasible.

Footnotes:

1. The Co-operative uses four different routes for CSPO accreditation:

- i. Mass Balance ('UTZ certification') (40% of our total palm oil use, food and non-food), where oil from (CSPO) sources has been purchased through the supply chain to cover the amount of palm oil used in the product (the Mass Balance system allows RSPO-certified sustainable palm oil to be mixed with conventional palm oil at any stage of the supply chain process provided that overall company quantities are controlled);
- ii. 'segregated' (39%) where palm oil can be 100% CSPO traced from plantation to product, allowing the claim that this product contains RSPO-certified palm oil;
- iii. 'identity preserved' (0.02%) where oil is uniquely identifiable to the mill and its supply base, and is kept physically isolated from all other palm oil sources throughout the supply chain (including other segregated RSPO–CSPO sources); and
- iv. GreenPalm (21%), as described in the main text.

Responsible soya

Monitoring soya use in our own-brand products is challenging, as it has so many uses across the food chain. However, our most significant use by far is in animal feed used to rear livestock for our meat products. The responsible soya market is relatively young and, to date, little responsibly certified soya has been used in UK animal feed. While the responsible soya market continues to develop, this issue remains on our agenda, but no targets are in place for the coming year.

Preserving peatlands

As part of our goal to help preserve peatlands, we support the Government's target to completely phase peat out of the amateur gardener market by 2020. In 2014, **20%** of the own-brand bagged growing media we sold was peat.

Targets

2014 target	Progress against target	2015 target
Maintain our position as one of the UK's most responsible retailers of fish	 Awarded Silver in the 2013 Marine Conservation Society's biennial Supermarket Survey, and awarded a Sustainability Initiative Star	Maintain our position as one of the UK's most responsible retailers of fish
Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products	 We have maintained our market-leading sourcing policies; 97% of own-brand wood and paper products are FSC-certified or recycled	Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products
Ensure palm oil used in all own-brand products is sustainable and comes from a segregated Certified Sustainable Palm Oil (CSPO) source by 2015	 100% of our palm oil (both food and non-food products) is from certified sustainable sources; 42% of palm oil used within food products is from segregated or identity preserved CSPO sources (2013: 38%); and the remainder is from: certified Mass Balance sources – 42% (2013: 18%), or covered by GreenPalm Certificates – 16% (2013: 44%)	Continue to work towards ensuring palm oil used in all own-brand products comes from a sustainable, segregated CSPO source, by reducing our reliance on GreenPalm certification
All bagged own-brand growing media will contain no more than 20% peat	 In 2014, 20% of the own-brand bagged growing media we sold was peat. As part of our goal to help preserve peatlands, we support the Government's target to completely phase peat out of the amateur gardener market by 2020. However, a target has not been set for 2015, and performance is expected to be impacted by commercial and quality drivers in the short term	
Complete our Pollinator Patches project	 Seven areas of community land across the UK received wildflower makeovers to improve their value to pollinators and the local community in 2013/14	
Complete our Bee Roads project	 Our Bee Roads project helped to create a network of wildflower-rich corridors across Yorkshire, Lancashire, Cumbria and Greater Manchester	
		Work with our suppliers to continue to use FSC-certified wood in the manufacture of our coffins
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

People

As a purpose-led business, our Members, customers, colleagues and suppliers are central to all that we do and are key to our success. Member involvement sets co-operatives apart from other businesses and, going forward, renewed engagement with our Members will be a priority.

8.4m



Members and 63,565
Employee Members

[Read more](#)

67%



annual colleague
engagement score

[Read more](#)

£2.1m



support for the co-operative
movement

[Read more](#)

Key 2014 data have been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol: **A**. Where an inaccuracy has been identified in previously reported data, or a methodology for calculating data has changed, information is restated, as identified by: **R**.



Members

Member involvement sets co-operatives apart from other businesses and enables a focus beyond profits alone.

In 2014, our Members voted overwhelmingly for a radical overhaul of our constitution. Further details on our governance reform can be found in our [Annual Report](#).

Central to our new Purpose is making membership meaningful again. As part of our [Rebuild](#), Meaningful Membership is one of our key programmes of work – with a focus on giving people a compelling reason to become Members and giving Members a compelling reason to trade with us.

Membership

Number of Members

	2013	2014
Total	8,100,000	8,400,000
Under-16	38,000	35,400
16–24	291,000	266,600

A total of **233,153** new Members joined in 2014 and 5.3 million Members actively traded with us during the year, of which 2.9 million were eligible to participate democratically at our 2015 Annual General Meeting, based on their level of trade with us¹. The number of Members trading with more than one co-operative business in 2014 was **507,255**. We had 63,565 Employee Members at the end of 2014, 92% of all employees.

Footnotes:

1. A minimum spend of £250 was required for eligibility to participate.

Member reward

Payment of any Member dividend is based on the Group's profitability. As we did not return a profit in 2013, we were not able to pay a cash dividend in 2014 (2013: £26m). While no cash dividend was paid, we remain committed to delivering rewards to our Members. In 2014, Members redeemed £22m of Member-exclusive money-off coupons in Food stores. In the lead-up to Christmas, Members were also invited to participate in a Swipe and Win prize draw with the cash equivalent of £600,000 in prizes.

Member engagement

Members have a range of opportunities to engage with us, both democratically, and through community activities and campaigns. Examples include: [Fairtrade Fortnight](#), [Co-operatives Fortnight](#), [Let's Talk](#), [Co-operative Young Members Board](#) and [Working on Waste](#).

Member relations activities would normally be funded by the Member dividend. In the absence of a dividend for 2014, the business funded this activity with amounted to £5.8m.

Annual General Meetings


Our Annual General Meeting (AGM) in May 2015, was the first to be held under the Society's new governance rules.






Following the introduction of One Member One Vote, which gives Members a direct say in the future of the Group for the first time, more than 90,000 Members voted on motions put forward for the AGM. Of those more than 500 voted in person at the AGM.

Motions tabled included [political donations](#) and Fairtrade. Details can be found on the ['It's your business' pages](#) of the Membership website.

Sustainability-related motions tabled at the 2014 AGM (under our previous governance system) are detailed in the [appendix](#).

Targets

2014 target	Progress against target	2015 target
		Implement and embed our Governance reform programme
		Implement 'One Member One Vote' (OMOV). To be used for our May 2015 Annual General Meeting
		Support the establishment and operation of our new Member Council
		As part of our work on developing a new membership proposition, launch around 50 Community Pilots in 2015, including Member-led pilots, known as Co-operative Local Forums
Encourage new Members to join us each year	 233,153 new Members joined us in 2014	Encourage new Members to join us each year
Continue to reward our Members for their trade with us	 While no dividend was paid, the Group remains committed to delivering rewards to Members. In 2014 Members redeemed £22 million of Member-exclusive money-off coupons in Food stores. In the lead-up to Christmas, Members were also invited to participate in a Swipe and Win prize draw with the cash equivalent of £600,000 of prizes	Continue to reward our Members for their trade with us

2014 target	Progress against target	2015 target
Engage the Co-operative Young Members' Board (CYMB) in a business strategy project	 We engaged with the CYMB, an advisory panel of 15 Members aged 16–25, established to encourage our young Members to be actively involved in our business. In 2014, the CYMB worked with our businesses to co-create and review products and services for young people, for example, working with the Food business to support its objective of attracting a younger Member and customer base	Following sign-off from the Executive in 2015, the CYMB will launch and begin to deliver its Manifesto for Young People, providing our vision for youth engagement throughout our business
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		



Colleagues

We are re-designing how we are structured and how we work, to make this simpler, more effective and more efficient. We need a capable and engaged workforce to deliver on our promise to our Members, customers and colleagues, while building a competitive advantage in the face of constant change.

In 2014, our restructuring led to a significant reshaping of our workforce, which had some impact on engagement. We also started to plan a new deal for colleagues, to be clear about what working at the Co-operative means and offers.

Headcount, business change and employee turnover

Total headcount



	2011	2012	2013	2014
	102,262 ¹	98,755 ²	86,953 ³	69,241⁴

Total headcount by business, 2014

Corporate Functions	2,106
Food Retail Division (Co-operative Food, Co-operative Electricals, Supply Chain Logistics)	61,295
Funerals Division (Co-operative Funeralcare and Life Planning)	4,116
Co-operative Legal Services	338
Specialist Commercial Businesses	105
CFS Management Services Limited	107
General Insurance	1,174

Our separation from the Co-operative Bank plc, and the sales of our Farms, Pharmacy and Sunwin Services businesses in 2014, led to the majority of the reduction in the employee headcount shown in the table above. Further reductions were the result of cost-cutting programmes and the adjustment to a new target operating model, and were partially managed through redundancies.

Business change

In 2014, we delivered significant change programmes, which impacted our employees. We worked with five recognised trades unions⁵ to improve the delivery of these programmes as we believe effective relationships with trades unions, who represent the range of employees across our business, play an important part in our approach to employee relations. Through consultation, trades unions help us to support staff affected by organisational changes, and to ensure that change programmes are managed fairly and consistently. We encourage employees to become members of one of the trades unions recognised by the Group. The right of employees not to join a trades union is also respected.

Controllable turnover⁶ by business area, 2014 (%)

Corporate Functions	13.19
Food Retail Division (Co-operative Food, Co-operative Electricals, Supply Chain Logistics)	23.09
Funerals Division (Co-operative Funeralcare and Life Planning)	9.92
Specialist Businesses	47.90
Specialist Commercial Businesses	31.27
CFS Management Services Limited	11.01
General Insurance	26.91
Total	22.24

The number of voluntary leavers, which mainly includes resignations, but excludes, for example, redundancies, rose in 2014 by just under 5% to **22%**. This is to be expected at a time of great uncertainty and change within the business.

Employee Members

We had 63,565 employee Members at the end of 2014, 92% of all employees.

Footnotes:

1. As at November 2011.
2. As at 2012 year end.
3. As at 2013 year end.
4. As at 2014 year end.
5. We recognise the following trades unions: NACO, USDAW, UNITE, BSU and UCATT.
6. Controllable labour turnover is defined as employees who leave the business for one of the following reasons: 'Dismissal – Attendance/Absenteeism', 'Dismissal – Gross Misconduct', 'Dismissal – Job Performance', 'Dismissal – Medical Severance', 'Dismissal – Misconduct With Notice', 'Dismissal – UK Eligibility', 'Dismissal – Unsuitable During Probation', 'Resignation – Alternative Employment', 'Resignation – Better Career Prospects', 'Resignation – Better Pay', 'Resignation – Dissatisfaction/Management Style', 'Resignation – Dissatisfaction/Terms of Employment', 'Resignation – Dissatisfaction/Working Conditions', 'Resignation – Ill Health', 'Resignation – Leaving Area', 'Resignation – Long Hours', 'Resignation – Maternity/Pregnancy', 'Resignation – Personal/Domestic Reasons', 'Resignation – Violence In Workplace', 'Resignation – Within Probationary Period', 'Retirement – By Business', 'Retirement – Ill Health Partial', 'Retirement – Ill Health Total'.

Colleague engagement

Colleague engagement is a strategic priority for the Group.

Colleague engagement score (%)

	2013	2014
	74	67

Overall engagement in 2014 was down 7% compared to 2013, with 82% of colleagues completing our annual employee engagement survey, Talkback (2013: 86%). Following the Group's challenges in 2013 and 2014, we expected the employee engagement survey results to dip. The survey measures motivation to deliver for our customers, as well as looking more broadly at different aspects of people's experience at work.

Emotional connection to our brand was particularly impacted over the year, reflecting the changes that have taken place within the business, as well as the reputational damage experienced.

Most other aspects of colleagues' experiences at work have also declined year on year.

Colleague diversity

We believe that our diverse mix of customers should be reflected in the workforce. We promote diversity among our people in terms of sexuality, race, gender and age.

Proportion of employees in each age band (%)



≤24	20
25-34	23
35-49	29
50-64	25
65+	3

Proportion of female, ethnic minority and disabled employees and managers (%)

	All employees	Managers ¹
Female	57	43
Ethnic minority ²	2.26	2.62
Disabled ³	0.96	0.88

Lesbian, gay, bisexual and transgender

Performance recognition ★

The Group was ranked 26th in the Stonewall Workplace Equality Index 2015. This index showcases and promotes Britain's top 100 employers taking a proactive approach to encouraging a fully inclusive culture and officially recognised as the most 'gay friendly' places to work.

Our lesbian, gay, bisexual and transgender (LGBT) employee network, Respect, has around 600 members and 9,000 followers on Twitter. Respect activities help to raise awareness of LGBT issues and the network supports the professional development of its members across the business. The Group supported four Pride events across Manchester, Brighton, Bristol and Doncaster during 2014, and Respect has been shortlisted for the Outstanding Diversity Network Award by the Excellence in Diversity Awards 2015.

Gender

Performance recognition ★

In 2014, the Co-operative Group was ranked in The Times Top 50 Employers for Women.

We are a signatory to the Government's 'Think Act Report' initiative, which encourages businesses to embrace gender equality at work by considering issues such as recruitment and retention. We remain committed to monitoring and reviewing equal pay across the business. Our employee network, Aspire, is led by and for female colleagues. It provides career advice, mentoring, personal development and access to senior managers.

Age

In 2014, we continued a three-year project started in 2013 to identify the health and wellbeing needs of an ageing workforce, seeking to discover how to optimise employee health and business productivity. An internal report will be published at the end of the project to help formulate best policy and practice to support our employees. Also, whilst we have a recommended retirement age, this is subject to the wishes of the individual.

Footnotes:

1. Data for managers is given as a percentage of all managers. A manager is deemed to be any employee in managerial role bands, or with 'manager', 'head of', or 'director' in their job title, except in the Co-operative Insurance where a manager is deemed to be any employee paid £25,000 or more.
2. Based on employees identifying themselves as belonging to an ethnic group.
3. Based on employees identifying themselves as having a disability.

Reward



Proportion of staff in each salary band (%)

Up to £15,000	67
£15,001 to £20,000	13
£20,001 to £30,000	11
£30,001 to £40,000	6
£40,000 +	3

Chief Executive pay

We have carried out an analysis of the Chief Executive's pay as a multiple of the lowest paid (full-time employee) for the Co-operative Group and, for comparison, the median of other large retailers. Further details can be found in our [2014 Annual Report](#).

Pensions

Staff who are members of a pension scheme¹ (%)

	2011	2012	2013	2014
	18	18	54	57

Following the Government's introduction of automatic enrolment, pension membership across Group employees increased to 54% in 2013. And in 2014, pension membership increased slightly to 57%².

Our automatic enrolment offer exceeds the minimum required, and we also offer employees who do not meet automatic enrolment criteria the opportunity to join and receive the same level of benefit. Employees who meet the automatic enrolment criteria can 'opt out'³. The opt-out rate is in line with other employers and is less than 10%.

Footnotes:

1. Data for 2011–13 includes those businesses which were subsequently discontinued in 2014 (Pharmacy, Farms, Sunwin Services). However, 2014 data excludes these businesses.
2. Pace (the Co-operative pension scheme) is also responsible for pension members who have left the business and in 2014, this comprised 63,000 deferred and 52,400 pensioner members.
3. These employees, if they still meet the automatic enrolment criteria, will be re-enrolled in 2015 as required by legislation.

Health, safety and wellbeing

Absence

In 2014, we had an absence rate of **3.92%** (2013: 3.46%). The main reasons for absence were unspecified or unknown, with the main known absence reason being gastrointestinal problems (by occurrence) and anxiety/stress (by hours).

Whistleblowing

The Group has a Code of Business Conduct which outlines how we operate in respect of our employees and suppliers. As part of this Code, we have a whistleblowing policy and an independent, impartial service called Speak Up for colleagues and suppliers wishing to report misconduct by a Group employee.

All calls are reported annually to our Audit and Risk Committee. During 2014, **234** (2013: 126) correspondences were received, the majority of which were of a low level of concern and **98** reports were recorded¹. An independent benchmarking exercise shows that overall the Group received slightly fewer calls compared to similar-sized organisations.

Accidents per 100,000 employees²

	2013 [®] ³	2014
Reportable	488.92	667.2
Non-reportable	6,152.08	7,030.5

Absolute number of accidents in 2014: **462 reportable and 4,868 non-reportable** (2013⁴: 391 reportable and 4,920 non-reportable). In 2015, we will be looking to ensure accident rates do not rise further, by raising colleague awareness of health and safety at work.







Footnotes:

1. 'Correspondences' refer to calls for advice or calls where the caller decides not to make a report. 'Reports' relate to the official reports made.
2. As per HSE guidance
3. 2013 figures restated to exclude businesses disposed of in 2014.
4. Excludes businesses disposed of in 2014.

Funeralcare: Apprenticeships

In 2014, Funeralcare welcomed **399** new apprentices, following our launch of the funeral industry's first national apprenticeship scheme in 2013. Our Apprenticeship in Funeral Operations and Services is an accessible national qualification framework which each of our new employees based in a funeral home work towards. The apprenticeship scheme has helped us to change the way we recruit people into our business (and the industry), providing those without prior experience of the funeral profession with the knowledge and skills they need, and helping to make our workforce more diverse.

Targets

2014 target	Progress against target	2015 target
		Progress work to deliver a new target operating model, reinforce leadership capability, develop a Group-wide total reward proposition and improve our engagement strategy
Continue to build a fairer and more inclusive workplace, proving by 2016 that 85% of employees agree that their manager treats everyone fairly and that colleagues treat each other with respect – with engagement levels of core diversity groups not being significantly different from the norm	<p>  In 2014, 76% (2013: 80%) of colleagues agreed that their manager treats everyone fairly, and 89% (2013: 86%) of colleagues agree that they are treated with respect by colleagues¹. We also continue to review the engagement levels of core diversity groups (such as ethnicity, gender, faith and sexuality) and have built this into our monitoring of employee engagement. </p> <p>From 2015 we will no longer report against this target, and, to reflect our current priorities, we will instead ask whether colleagues feel they are treated with respect by their leaders (2014: 77%), managers (2014: 87%), and their fellow colleagues (2014: 89%)</p>	Monitor whether colleagues feel they are treated with respect by their leaders, managers and their fellow colleagues, and aim to improve on the scores achieved in 2014
		Deliver a new Target Operating Model for all our businesses to ensure Members and customers remain central to our work
		Develop a reward proposition that is fit for purpose and communicate this to all colleagues to help attract and retain colleagues
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Footnotes:

1. In 2013 we were more specific and asked whether colleagues were treated with respect regardless of individual differences, whereas in 2014 we asked whether they were treated with respect.



Customers

We aim to build customer trust and loyalty, and to encourage customers to become Members of the Group.

Customer satisfaction

Our businesses all measure customer satisfaction through regular customer surveys. Generally speaking, customer satisfaction scores remained consistent with the previous year, showing that the year's challenges did not impact front-line service.

Customer satisfaction surveys are conducted by independent research agencies, and are tailored to each business. A variety of methodologies are used to capture customer views. Because of the different research methodologies and markets that our businesses operate in, satisfaction scores vary by business and are not comparable across our businesses.

Food *(customer satisfaction score out of 10)*



	2013	2014
	7.4	7.4

Our Food business achieved an average customer satisfaction score of **7.4** out of 10, which was the same as 2013, although below the target for 2014 of 7.7. Prior to 2013, a different methodology was used for measuring customer satisfaction, therefore comparable data is not available for previous years. Satisfaction is measured via a quarterly telephone survey, with over 2,500 Co-operative customers.

Funeralcare *(Funeralcare's Excellence Score (FES))*



	2011	2012	2013	2014
	92.4	93.3	93.8	94.7

Funeralcare's Excellence Score (FES) for 2014 was **94.7**, exceeding both its target of 91.5 and the 93.8 achieved in 2013. We use customer service questionnaires to calculate the FES. Due to the sensitive nature of the services offered by Funeralcare, we use postal surveys for those who have organised a funeral, used one of our crematoria or used our memorial masonry service.

General Insurance *(customer satisfaction, %)*



	2013	2014
	77	78

In General Insurance, the 2014 average for overall customer satisfaction was **78%** compared to 77% achieved in 2013.

Legal Services *(customer satisfaction, %)*



	2013	2014
	89	89

Legal Services scored **89%** for customer satisfaction, achieving the same score as in 2013.

Electrical

The Co-operative Electrical received a customer satisfaction rating of **98%** from Feefo, the customer feedback service, earning us a *Gold Trusted Merchant Accreditation*.

Customer complaints

Customer Care department (primarily relating to the Co-operative Food)

The Customer Care department is the first point of contact for escalated complaints from customers who wish to comment on our products, policies and operations, or to find out about the source of own-brand products. This process generates information that helps us understand and respond to emerging customer issues. Complaints to our central Customer Care department are largely related to our Food business, and the table below details complaints we have received about our products.

Product complaints *(number of complaints)* ^A



	2011	2012	2013	2014
	29,135	27,007	25,999	25,195

The number of contacts received by Customer Care continued to decline in 2014. The Customer Care department received 245,623 calls, emails and letters from customers (2013: 260,970), the majority of which related to the Co-operative Food. Customers are increasingly contacting us via social media, with 13,990 people contacting us in this way in 2014 (2013: 5,876).

General Insurance

The total volume of reportable complaints¹ for General Insurance in 2014 was **6,946** ^A (2013: 6,923). General Insurance received 2.39 (2013: 2.2) reportable complaints per thousand live policies in the first half of 2014 and 2.69 (2.32) in the second half.

Footnotes:

1. A reportable complaint refers to a complaint that has not been resolved by close of business the day after it has been received in line with the FCA Dispute Resolution: Complaints Rules (DISP).

Targets

2014 target	Progress against target	2015 target
Achieve a customer satisfaction score of 7.7 out of 10 for the Co-operative Food	✗ The Food business achieved an average customer satisfaction score of 7.4 out of 10, which was the same as 2013, although below the target of 7.7	Achieve a customer satisfaction score of 7.7 out of 10 for the Co-operative Food
Maintain a Funeral Excellence Score (FES) of at least 91.5	✓ Funeralcare's Excellence Score for 2014 was 94.7, exceeding both its target of 91.5 and the 93.8 achieved in 2013	Maintain a Funeral Excellence Score (FES) of at least 91.5
✓ Target achieved = On track < Close to target < Behind schedule ✗ Target not achieved		



Suppliers

Suppliers are a key stakeholder for any retailer – providing both products for sale and critical business services. They also present a challenge and an opportunity in terms of minimising environmental and social impacts along the supply chain. We actively engage with suppliers and take a collaborative approach to supply chain management.

Related content can be found in the [Ethical trade](#), [Fairtrade](#), [British sourcing](#) and [Animal welfare](#) sections.

Supplier policies

Human Rights and Trade Policy

Introduced in 2009, our Human Rights and Trade Policy identifies the extreme conditions under which we will suspend trade with a nation state or designated region. We believe that trade can bring positive change, but also recognise that in exceptional circumstances the benefits of trade can be undermined.

One such condition is where there is a broad international consensus that the status of a settlement is illegal. There are only two examples of such settlements: the Israeli settlements in the Palestinian Occupied Territories and the Moroccan settlements in Western Sahara. Our policy is not to source any produce¹ or own-brand product from the Israeli or Moroccan settlements. As of 2012, we do not source from any supplier of produce known to be sourcing from the Israeli settlements. In February 2013, we completed the process of removing the very small amount of settlement produce present as ingredients² in all our own-brand products. We remain committed to sourcing produce from Israel, and continue to use Israeli suppliers that do not source from the settlements in the Palestinian occupied territories. To date, our position has not led to a significant reduction in our overall trade with Israeli businesses.

Sustainable Procurement and Supplier Policy (goods not for resale)

Our SPSP supports us in our aim to work with suppliers and partners who can make a positive contribution to our pursuit of sustainable development. In 2014, our SPSP continued to apply to our procurement activity for goods not for resale. In 2014, 10 suppliers and 16 partner and sponsorship companies were referred for screening against the SPSP³.

Footnotes:

1. Produce is defined as fresh fruit, vegetables and flowers, whether whole or prepared.
2. Where the ingredient makes up more than 5% of the product.
3. Suppliers with which we have a spend of over £100,000.

Supplier payment

We work to ensure our supplier management practices, including supplier payment, do not undermine efforts to meet our standards on sustainable procurement.

Trade creditors *(number of days outstanding)* ^{A1}



	2012	2013	2014
	39	44	41

We negotiate payment terms with each of our suppliers individually, and endeavour to pay them in accordance with their specific payment terms. As at 3 January 2015, trade creditors expressed as number of days outstanding was 41 days.

Footnotes:

1. For all years, data excludes the Co-operative Insurance (and, previously, the Co-operative Bank plc) as it refers only to those businesses in the Trading Group. Data for 2013 and 2014 excludes those businesses divested in 2014 (the Co-operative Pharmacy, the Co-operative Farms and Sunwin Services). Data for 2012 includes those businesses.

Farming groups

Our Food business has established six dedicated farming groups, through which we have been developing long-term relationships with carefully selected meat and dairy suppliers, helping to reduce supply chain environmental impacts and improve animal welfare. Read more about these in the [British sourcing section](#).

Compliance with Groceries Supply Code of Practice (GSCOP)

The GSCOP is a legally binding Code that applies to all grocery retailers with a turnover greater than £1bn and is designed to regulate the relationship between supermarkets and their suppliers. It aims to address a number of findings of a Competition Commission investigation of the market for the supply of groceries in the UK. See our [Annual Report, pages 80–81](#), for further details.

Ethical sourcing and food fraud

Our [Annual Report](#) highlights the principal risks and uncertainties for our business, including risks concerning ethical sourcing and food fraud, and what we're doing to manage and/or reduce the risks.

Food safety and quality control

We are actively working with suppliers to simplify our supply chains and strengthen our risk management, traceability and quality assurance processes. All own-brand suppliers are certified against British Retail Consortium (BRC) Global Food Safety or BRC Consumer Products standards (or equivalents), and we work with our suppliers to ensure all products are compliant with relevant legislation and our own standards, which often exceed regulatory requirements.

Targets

2014 target	Progress against target	2015 target
Continue to champion our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement	 In 2014 we continued to implement our Human Rights and Trade Policy	Continue to champion our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement
		Continue to implement our Sustainable Procurement and Supplier Policy (SPSP) to goods and services of high or medium ethical risk
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

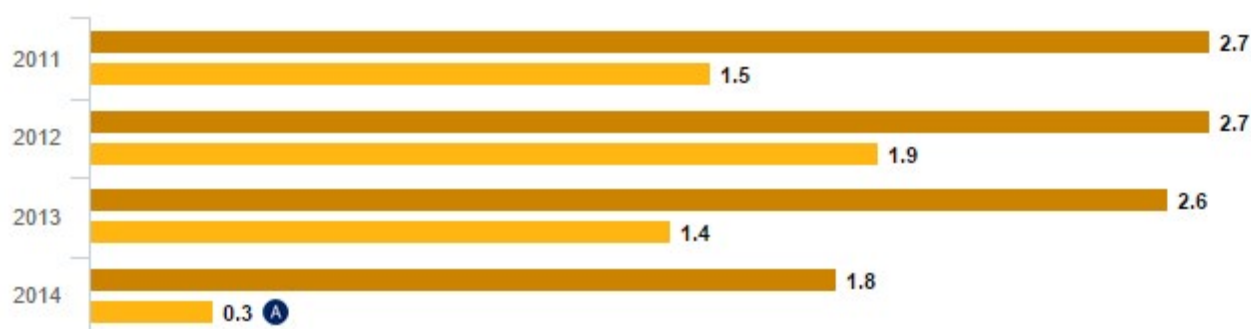


Co-operative movement

We are guided by the co-operative principles, and are committed to 'co-operation between co-operatives'.

Support for the co-operative movement

Financial support for the co-operative movement (£m)



	2011	2012	2013	2014
Support to representative bodies of the co-operative movement	2.7	2.7	2.6	1.8
Support via the Co-operative Enterprise Hub	1.5	1.9	1.4	0.3 A

We continue to provide support to the co-operative movement, which in 2014 amounted to **£2.1m**, the largest component of which was our subscription to Co-operatives UK, the national trade body that campaigns to promote, develop and unite co-operative enterprises. While less than in previous years, this remains a substantial amount of support, and is underpinned by Service Level Agreements with principal parts of the co-operative movement, setting out levels of on-going funding to be provided and services to be received in return.

We are working to establish strong beneficial relationships with all our key partners that demonstrate our better, co-operative way of doing business. The Group serves a federal role, operating a buying group, Co-operative Federal Trading Services, for itself and other independent societies, as detailed in the About us section. We also launched the Co-operative Power Energy Club in 2014, a facility offered on the back of our bulk purchase arrangements, providing low-cost green energy to selected organisations, including co-operatives.

The Co-operative Enterprise Hub

The Co-operative Enterprise Hub, our programme to support the co-operative business model, offered a pioneering programme of business advice and support to develop new and existing co-operatives in the UK. We paused new applications to the Hub in early 2014, as we began to look afresh at our many community and campaigning activities. Whilst the Hub continued to fulfil existing commitments, we have since ceased this programme of work.

Co-operatives Fortnight

We supported Co-operatives Fortnight, 2014. We worked collaboratively with Co-operatives UK to deliver a social media campaign which our fellow co-operatives across the UK could also use as their own. We posted positive facts about co-operatives on Twitter during the fortnight. Participants were invited to retweet the facts in order to be entered into a daily prize draw (to win a co-operative-related prize or Co-operative vouchers). The campaign saw 14,646 retweets of the facts we posted, and 90% of the 17,376 tweets using the #Coops14 hashtag during the fortnight, were attributed to the campaign.

Co-operative schools

We provide an education programme based on co-operative values, which includes sponsorship of seven academy schools in Manchester, Leeds and Stoke-on-Trent. [The Co-operative Academies Trust](#) is responsible for our academy schools and has been created to help develop and deliver the Group's vision for these schools: *"To inspire a new generation of high-achieving, aspirational, skilled and confident young people who fully understand and appreciate how a co-operative approach will prepare and enable them to play their part in a changing global society"*. Through our academies, we offer support to students and staff, including access to resources, high-quality governors, work experience placements, training and leadership development. As at June 2015, all of our primary academies were rated as Good by Ofsted.

In addition, we support Co-operative Trust Schools, providing financial and in-kind support to the Member-owned Schools Co-operative Society, which aims to raise the profile and capability of the Co-operative schools sector.

We also provided curriculum resources through our Green Schools Revolution initiative during 2014.

Targets

2014 target	Progress against target	2015 target
Open a fourth Co-operative primary academy in September 2014	 We opened our fourth primary academy in 2014, the Nightingale Primary Academy	Continue our sponsorship of the Academies programme via the Co-operative Academies Trust
Launch the Co-operative Power Energy Club, providing low-cost green energy to selected organisations, including co-operatives	 We launched the Co-operative Power Energy Club in 2014	Expand the Co-operative Power Energy Club further, to include a greater number of organisations
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Strategy and management

During 2014, we launched our new Purpose and a three-stage strategy to begin to deliver this: to Rescue, Rebuild and Renew the Co-operative Group.

90,000



Members voted on motions put forward for our 2015 Annual General Meeting

[Read more](#)

2nd



for openness and honesty at Corporate Register Global CR Reporting Awards 2015

[Read more](#)

51



sustainability targets set for 2015, across the range of issues we address

[Read more](#)

Key 2014 data have been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol: **A**. Where an inaccuracy has been identified in previously reported data, or a methodology for calculating data has changed, information is restated, as identified by: **R**.

The co-operative

About us and our reporting

This report is created from our 2014 Sustainability Data Centre, published in July 2015. It forms part of our annual sustainability reporting output, alongside the Sustainability Review within our [2014 Annual Report](#).

As we have done for over a decade now, our 2014 sustainability reporting sets out how we are addressing the key sustainability issues for our business. The process of accounting, auditing and reporting on our material social, ethical and environmental issues is important to drive performance and provides crucial information to stakeholders.

About our reporting

We are taking an interim approach to reporting on our sustainability activities and performance this year. For 2014, our reporting comprises this comprehensive Sustainability Data Centre, together with a concise Sustainability Review in our [2014 Annual Report](#). Openness and honesty in our reporting remain a priority as we work to define our approach going forward, and key 2014 data have been independently audited (further details in the [Reporting and assurance](#) and [Putting our performance in context](#) sections).

Scope of reporting

Performance relates to the calendar year 2014 (unless otherwise stated) and to our operations and stakeholders. It covers those businesses wholly owned by the Co-operative Group Ltd as of 31 December 2014 (see the Business change section below for details of businesses excluded from reporting, and related impacts on our reporting against a small number of targets).

Reporting on products sold by the Co-operative Food focuses on own-brand products. Like other retailers, we have greater influence over own-brand than we do branded products, and our priority is to improve the sustainability of these products.

About us

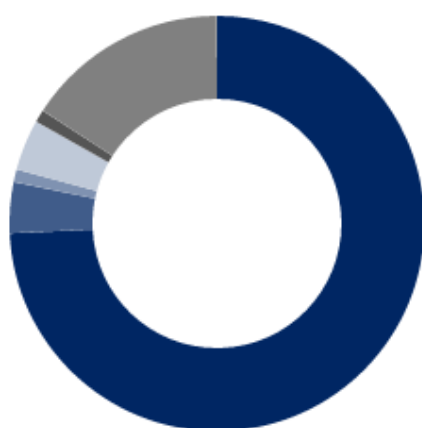
The Co-operative is the UK's largest mutual business owned by 8.4 million members. We operate almost 2,800 retail stores and employ more than 69,000 people. We are a major food retailer, the largest funerals provider in the UK, a general insurance business, an online electricals retailer, and a legal services provider.

We are registered in the UK under the Community Benefit Societies Act, 2014. We operate only in the UK and our main offices are in Manchester.

The Co-operative Group, 2014 (£m)

Revenue	9,433
Underlying segment operating profit	172
Profit	216

Revenue by business, 2014 (% of revenue)



Food	75
Funeralcare	4
Electrical	<1
General Insurance	4
Legal Services	<1
Federal	16

Food

The Co-operative Food operates in every postal area throughout the UK, selling food and family consumables.

	2013	2014
Revenue (£m)	7,240	7,090
Underlying operating profit (£m)	247	251
Employees		60,265
Stores		2,796

Funeralcare

Funeralcare is the UK's leading funeral services provider running 961 funeral homes across the UK, providing individual support, care and reassurance when it matters most.

	2013	2014
Revenue (£m)	370	363
Underlying operating profit (£m)	62	66
Employees		4,116
Funeral homes		961

Electrical

The Co-operative Electrical is one of the UK's leading online retailers for customer service, offering a carefully selected product range and free home delivery.

	2013	2014
Revenue (£m)	88	84
Underlying operating profit (£m)	0.7	0.6
Employees		102
Sites		3 (Manchester, Luton, Barnsley)

General Insurance

The Co-operative Insurance offers a range of home, motor and pet insurance products to customers.

	2013	2014
Revenue (£m)	476	371
Underlying operating profit/loss (£m)	36 (profit)	7 (loss)
Employees		1,137
Sites		5 (Manchester, Nottingham, Rugby, London, Bury St Edmunds)

Legal Services

Dedicated to widening access to legal services, the Co-operative Legal Services provides advice on legal issues from will writing and family law to personal injury and probate.

	2013	2014
Revenue (£m)	33	23
Underlying operating loss (£m)	9	5
Employees		342
Sites		3 (Manchester, London, Bristol)

Federal

Federal relates to the activities of a joint buying group that is operated by the Group for itself and other independent co-operative societies. This is run on a cost-recovery basis and therefore no profit is derived from its activities.

	2014
Revenue (£m)	1,479

Business change

We took some difficult actions in late 2013 to deal with the high levels of debt that had built up from a series of underperforming acquisitions in prior years and to deliver on the 2014 financial commitments made under the Liability Management Exercise (LME) to rescue the Co-operative Bank plc. Business disposals are summarised below and further details can be found in the [Annual Report 2014](#). Performance data and information on the businesses listed below are not included within the Sustainability Data Centre, unless otherwise indicated.

The Co-operative Pharmacy

We completed the sale of the Pharmacy business to Bestway Group in October 2014.

The Co-operative Farms

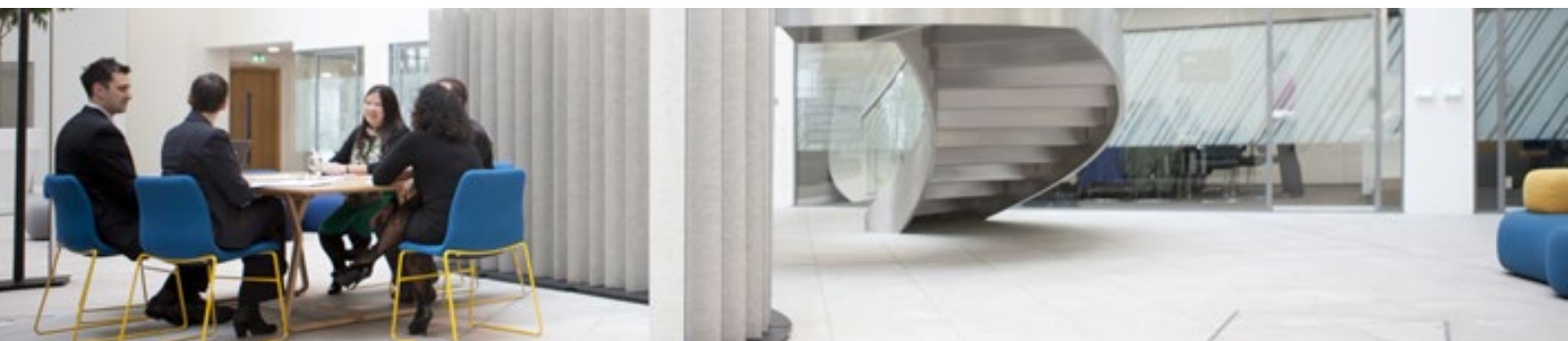
The Farms business was sold to the Wellcome Trust in August 2014.

Sunwin Services

Sunwin Services was sold to Cardtronics in November 2014.

The Co-operative Bank plc

In June 2013, the requirement for a £1.5bn recapitalisation of the Co-operative Bank plc (LME) was announced. As part of the successful completion of the LME, the Group's shareholding in the Bank was reduced to 30%. In May 2014, following a further successful capital raise, the Group's shareholding was reduced to 20%.



Strategy

During 2014, we launched our new Purpose: '**Championing a better way of doing business for you and your communities**', along with the three-stage business strategy to begin to deliver this: to Rescue, Rebuild and Renew the Co-operative Group. This strategy will touch all aspects of the organisation – from our commercial operations to our membership proposition, strengthening our infrastructure and redefining ways of working with key stakeholders.

Rescue, Rebuild and Renew

Rescue

The Rescue phase of our plan was completed in September 2014. Key achievements were: saving the Co-operative Bank plc without recourse to taxpayers' money, improving the Group's financial position through the sales of Farms and Pharmacy, restructuring the Group's governance and defining our new Purpose.

Rebuild

We started our three-year Rebuild phase in October 2014. Rebuilding the Group will take time. We will restructure the Group's functions and core infrastructure, creating an organisation which is fit and ready to deliver growth. The Group is pushing further with efficiencies, reducing running costs so we can focus on our colleagues who deliver our services at the front line. We have a detailed plan for our Group businesses, with clear strategies for each one that will create competitive advantage. Our plan, running to 2017, will see new investment implemented across the majority of Food stores, growth in Funeralcare, our General Insurance business transformed into a Member-focused and data-driven operation, and Co-operative Legal Services growing in its core markets. Underpinning everything is better serving the needs and concerns of Members and customers.

Our Food business's True North transformation strategy is a priority. We are investing in growing the core convenience estate, upgrading store formats, improving the product range, getting availability right and ensuring that prices are competitive. Most importantly, our colleagues need to have the skills and tools to service our Members and customers brilliantly.

Our Purpose is the driving force for everything we do. Central to this is making membership meaningful again. We will give people a compelling reason to become Members and give Members a compelling reason to trade with us. We will demonstrate why membership is good for them and their communities. We will also champion those key issues that are relevant to our businesses and impact our Members' lives. By the end of 2017, we will have rebuilt the business for long-term, sustainable growth.

Renew

From 2018, the Group will move into our Renew phase. In addition to growing our existing businesses in this phase, we will bring forward a strategy for expanding into markets where our Members are poorly served and where the Co-operative Group should intervene, just as we have done successfully throughout our 150-year history.

Co-operative Values and Principles

Our business is guided by the Values and Principles of the Co-operative Movement.

Our Values

Co-operatives are based on the Values of self-help, self-responsibility, democracy, equality, equity and solidarity.

Co-operative Members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Our Principles

In putting these Values into practice, we are guided by the co-operative Principles of:

- 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.
-

Business Key Performance Indicators

In 2014, we reported against business Key Performance Indicators (KPIs), focusing on five areas: Financial, People, Customer, Membership and Social Responsibility (further details can be found in our [2014 Annual Report](#)). We are currently developing a new set of KPIs, which we will use from 2015 to monitor the progress of our new strategy.

The Social Responsibility KPI is based on our performance in the Business in the Community Corporate Responsibility Index, as an indicator of the degree to which we are viewed as a leading champion of corporate responsibility in the UK.

Sustainability strategy

As we progress through our Rebuild, a very different business is emerging and, in light of this, we are undertaking a review of our sustainability priorities and approach.

Two strands of activity were initiated during 2014:

1. Co-creating (with Members and key stakeholders) campaigns and activities around a small number of priority themes (more information in the [Campaigning section](#)); and
2. Fulfilling a commitment to getting the fundamentals of being a 'good business' right, and ensuring our sustainability practices, such as supply chain management and minimising the environmental impact of our operations, continue to meet our Member and wider stakeholder expectations.

The first of these activities forms one of the key programmes identified to deliver the business's core strategy as part of our Rebuild, and both help to deliver our Purpose.

Putting our Purpose into practice



In addition to delivery of centrally managed sustainability activity, the Food business has in place a strategy to deliver a sustainability programme specific to the food sector. Progress on key themes set out in the Food strategy is reported in this Data Centre.

Sustainability policies

Our [Sustainable Development Policy](#) sets out how we seek to deliver value to our stakeholders in an ecologically sustainable and socially responsible manner. It guides the approach to sustainability across all our businesses.

Other policies and codes of conduct, including our Sound Sourcing Code of Conduct, Sustainable Procurement and Supplier Policy, and Human Rights and Trade Policy, are detailed in the relevant sections throughout this Data Centre, and key policies are available in the [Downloads section](#).



Sustainability management and governance

We have adopted an interim approach to sustainability management and reporting during 2014 and into 2015, as we redefine our sustainability strategy, priorities and management.

We have started to implement a three-stage strategy: to Rescue, Rebuild and Renew the Co-operative Group (further details in the [Strategy section](#)). We faced some setbacks in our sustainability performance during the 'Rescue' phase, which we completed in 2014, as certain activities were paused and others were affected by business change and financial performance. However, our commitment to our sustainability agenda, and to being among the leading businesses in terms of our sustainability performance, remains strong and a solid performance was achieved in certain areas, beyond what might have been expected given the context.

Stakeholders

Engagement with stakeholders is key to achieving an accountable and strategic response to sustainability issues. During 2014, our stakeholder engagement activities have included:

- Our 'Have Your Say' survey, run by YouGov: More than 180,000 people responded, feeding into the development of our new Purpose.
- Our 'Let's Talk' online Engagement Platform: Provides ongoing opportunities for our Members and customers to join 'live' business discussions, promoting two-way conversations on how we approach a range of topical issues. During 2014, 'Let's Talk' was used to engage Members and customers on our future sustainability strategy and to gauge their opinion on the issues we should champion as a business. Over 30,000 Members and customers engaged with us, helping to prioritise campaign themes. Further information can be found in the [Campaigning section](#).
- The Annual General Meeting (AGM): Members continue to exercise democratic participation via the tabling of motions to our AGM. Furthermore, our AGM in May 2015 was the first to be held under the Society's new governance rules. Following the introduction of One Member One Vote, which gives Co-operative Group Members a direct say in the future of the Group for the first time, more than 90,000 Members voted on motions put forward for the AGM (further details in the [Members section](#)).
- Engagement with specific groups: We engaged, for example, with the Co-operative Young Members' Board (CYMB), an advisory panel of 15 Members aged 16–25, established to encourage our young Members to be actively involved in our business. In 2014, the CYMB worked with our businesses to co-create and review products and services for young people, and one seat on our new Members' Council is reserved for an elected CYMB representative.

We have identified six key stakeholder groups. Further details on each, and our engagement with them, can be found in the [People](#) and [Community and society](#) sections:

- Members
- Customers
- Employees
- Suppliers
- The co-operative movement
- Wider society

Materiality

Businesses are faced with a wide range of issues they could address and report on. We aim to ensure that we focus on the issues that matter most to our stakeholders and our business, reflecting our significant social, environmental and economic impacts.

During 2014, stakeholder engagement was central to the process of deciding on our future campaigning activity. Further information is available in the [Campaigning section](#).

We also started working with colleagues from across the business – drawing on our knowledge and analysis of stakeholder concerns and expectations, and sustainability best practice and reporting; and inviting input from external experts – to review the material issues for our business and our existing strategies, and to map our current performance. This work will continue in 2015 and beyond, as we work to define our future sustainability management and reporting strategy.

Sustainability governance

In 2014, our members voted overwhelmingly for a radical overhaul of our constitution. Further details on our governance reform can be found in our [2014 Annual Report](#). As a result, our sustainability governance has changed, as detailed below.

Members' Council

Our new [Members' Council](#) is 'a structure that gives members appropriate powers to hold the Board properly to account for the performance of the business and adherence to Co-operative Values and Principles'. It holds key responsibilities, as set out in the Group's new Rule Book, with regard to sustainability, campaigning and community investment:

- The Council's 'guardian' role includes '*ensuring the community implementation plan is aligned with Values and Principles by making representations to the Board*'.
- The 'holding to account' role includes '*holding the Board to account for the way in which the annual level of investment is deployed in the community*'; and '*reviewing and commenting on the Sustainability Report*'.
- The 'consultation and representation role' includes '*in accordance with a member communication policy agreed by the Board and the Council, delivering updates and communication to members on, among other things, Values and Principles, community activity, sustainability, social goals and ethical standards*'.
- The 'approvals' role includes '*approving how Values and Principles are effectively embedded within the Society based on recommendations submitted by the Executive*'.
- The 'decisions' role includes '*determining the distribution of surplus funds between members, the communities, campaigns, research, innovation and other relevant activities*'; and '*determining the Society's campaigns from a list of recommendations made by the Executive (such recommendations to take account of a wide range of inputs, including (without limitation) recommendations made by Members and the Council) in relation to the current expression of the Society's Purpose*'.

Sustainability management

Sustainability management is delivered both by a central function, which provides a Group-wide perspective; and by functions embedded within the business. These business-based functions include teams within Food, Consumer Services, Strategy, Human Resources, Finance, Procurement, Estates and Membership.

Risk management

In 2014, work began on developing a new Risk Management Framework. Further detail can be found in our [2014 Annual Report](#).

Reporting and assurance

Performance recognition ★

2nd in the 'Openness and Honesty' category at Corporate Register's Global CR Reporting Awards 2015.

The process of accounting, auditing and reporting on material social, ethical and environmental impacts helps to drive improvements in our performance as well as providing crucial information to stakeholders. We recognise the need to continue to set ourselves challenging targets and report back to our stakeholders on our performance, both good and bad.

We are taking an interim approach to reporting on our sustainability activities and performance this year. For 2014, this Sustainability Data Centre forms part of our reporting output, along with a concise Sustainability Review in the [2014 Annual Report](#). Openness and honesty in our reporting remain a priority, as we work to define our approach going forward.

This Report is aligned with the [Global Reporting Initiative's \(GRI\) G3.1 Sustainability Reporting Guidelines](#), achieving application level A+. Our [GRI index](#) provides further details.

Assurance

Key data presented within this Sustainability Data Centre, and within the Sustainability Review section of the [2014 Annual Report](#), has been independently audited by sustainability assurance provider, DNV GL, as identified by the symbol **A** and detailed in the [audit statement](#). Going forward, we remain committed to obtaining robust, independent assurance of the sustainability information and data we report.

Putting our performance in context

Benchmarking

We believe that better sense can be made of how we're doing if performance can be compared to that of our peers. We continue to report performance in the Business in the Community (BITC) Corporate Responsibility (CR) Index, which challenges businesses to demonstrate the degree to which CR is embedded in their business strategy and performance. In 2015, we achieved three out of five stars (2013: Platinum Big Tick, under the previous scoring system).

We also include relevant performance benchmarks throughout this Data Centre, detailing not only where we lead, but also where we strive for improvements.

Target-setting

We set out our performance – both good and bad – against targets across the range of issues we address. During 2014, we worked towards 53 targets set in previous years, of which 43 have been achieved or are 'on track'. Due to business change, one target set for 2014 is no longer relevant, as it related to the Pharmacy business which was disposed of during the year. A number of other targets have not been achieved, due to changing business priorities, as indicated within the relevant target tables. We have set 51 targets for 2015.

Targets

2014 target	Progress against target	2015 target
Continue to set new standards for openness and honesty globally	 We came second in the 'Openness and Honesty' category at the 2015 Corporate Register Reporting Awards. While we are taking an interim approach to our reporting this year, openness and honesty remains a priority	Continue to set new standards for openness and honesty globally
 Target achieved  On track  Close to target  Behind schedule  Target not achieved		

Appendix

Group donations and subscriptions 2014 (£m)

Co-operatives UK	625,600
National Association of Funeral Directors (NAFD)	192,588
Law Society	154,902
British Retail Consortium (BRC)	150,855
Confederation of British Industry (CBI)	80,000
Association of British Insurers (ABI)	63,542
International Co-operative Alliance	59,424
European Community of Consumer Co-operatives (Euro Co-op)	48,260
IGD Services (Institute of Grocery Distribution)	48,074
Downstream Fuel Association	34,155
Co-operative Employers Association	29,358
The Wine & Spirit Trade Association	21,224
Business in the Community (BITC)	37,300
Forum for the Future	15,000
Association of Convenience Stores	12,566
Institute of Customer Service	11,700
British Institute of Embalmers	10,550
International Co-operative and Mutual Insurance Federation (ICMIF)	10,498
Scottish Grocer Federation	10,050
Inclusive Employers	8,000
Institution of Crematorium and Cemetery Management	5,810
British Nutrition Foundation	5,788
Federation of Burial and Cremation Authority	5,017
National Association of Memorial Masons	4,735
London Benchmarking Group	3,750
Opportunity Now	3,500
Business Disability Forum	3,300
Race for Opportunity	3,000
Ethical Trading Initiative (ETI)	2,500
Stonewall	2,500
The Association of Private Crematoria and Cemeteries	2,124
Roundtable on Sustainable Palm Oil	2,000
WWF Forest and Trade Network	1,500
Irish Association of Funeral Directors	1,138
Total	1,670,308

Public Health Responsibility Deal Pledges

Pledge	Progress
Food	
F1 Out-of-home calorie labelling. Providing calorie information for customers in out-of-home settings such as cafés and restaurants	Achieved
F2 Salt reduction. Committing to salt reduction targets for the end of 2012	Pledge withdrawn and replaced with F9
F3 Non-use of artificial trans fats. Not using ingredients that contain artificial trans fats	Achieved
F4 Calorie reduction. Supporting and enabling our customers to eat and drink fewer calories	On-going
F6 Fruit and vegetables. Enabling people to increase their consumption of fruit and vegetables	On-going
F7 Front of pack nutrition labelling:	
(a) adopting and implementing the UK Government's 2013 recommended Front of Pack Nutrition Labelling Scheme	Achieved
(b) promoting and explaining to customers how to use the scheme	On-going
F9 Salt reduction 2017	85% progress
Alcohol	
A1 Alcohol labelling. Ensuring over 80% of products on shelf have clear unit content, NHS guidelines and a warning about drinking when pregnant	Achieved
A3 Awareness of alcohol units, calories and other information in the off-trade. Providing clear information to raise awareness of units and calorie content, NHS guidelines and the health risks of exceeding guidelines	Achieved
A4 Tackling under-age alcohol sales. Taking effective action to reduce and prevent under-age sale of alcohol	Achieved
A5 Support for Drinkaware. Maintaining levels of funding and in-kind support for Drinkaware	On-going
A6 Advertising and marketing alcohol. Developing a new sponsorship code requiring promotion of responsible drinking. Not putting alcohol adverts near schools and following Drinkaware brand guidelines	On-going
A7 Community actions to tackle alcohol harms. Supporting schemes in local areas to tackle social and health harms	On-going
A8 Alcohol unit reduction:	
(a) improving consumer choice of lower alcohol products	On-going
(b) by December 2014, we will not produce or sell any carbonated product with more than four units of alcohol in a single-serve can	Achieved

Pledge	Progress
Physical activity	
P1 Physical activity: Community. Using our local presence to get more children and adults more active, more often including engaging communities in planning and delivery	On-going
P2 Physical activity guidelines. Contributing to the communication and promotion of the Chief Medical Officers' revised physical activity guidelines	Achieved
P3 Active travel. Promoting and supporting more active travel (walking and cycling). We will set measurable targets for this health-enhancing behaviour	Achieved
Health at work	
H1 Chronic Conditions Guide and Carers	Achieved
H2 Occupational Health Standards	Achieved
H3 Health & Wellbeing Report	Achieved
H4 Healthier Staff Restaurants	On-going

Chemicals for Priority Action

Chemical name/family	Potential uses/products	Notes	Banned	Only with permission
Alkylphenols and their derivatives	Surfactant in industrial detergents, paints and some cosmetics. Possibility of use in paints, garden chemicals and as antistatic agents in some plastics.	Removal complete pre-2001	Yes	
Asbestos	Wide range of manufactured goods, mostly building materials (eg, roofing, ceiling and floor tiles, paper products and cement products), friction products (vehicle clutch, brake and transmission parts) heat-resistant fabrics and coatings.	Never used in own-brand products.	Yes	
Benzene	Used as a solvent in industrial paints, rubber cements, dyes, detergents, adhesives, paint removers, degreasing agents, production of artificial leather and of rubber goods, and in the shoe industry. Benzene vapours have also been detected from such products as carpet glue, textured carpet, liquid detergent and furniture wax.	Removal complete pre-2001	Yes	
Benzophenone-3, Benzophenone-4	Protect against colour fade in a wide range of liquid cosmetic and household products.	Removal complete in 2001 following concern that they might be oestrogenic.	Yes	
Bisphenol A	Used for some baby bottles (branded products only, the Co-operative does not sell an own-brand bottle).	Removal complete in 2004. Polycarbonate bottles replaced with a suitable alternative (polypropylene).	Yes	
	In can lacquers and rubber seals on food jars. Main component of polycarbonate plastic.	Continue to lobby packaging manufacturers to identify replacements. Replace food contact polycarbonate with a suitable alternative.	Yes	

Chemical name/family	Potential uses/products	Notes	Banned	Only with permission
Brominated flame retardants	Furniture, furnishings and clothing. Banned in Oeko-Tex standard which applies to all Co-operative brand textiles.	Removal complete in 2002	Yes	
Cadmium	Numerous including batteries, rechargeable power tools, photography, printing, cathode ray tubes (TVs and computer monitors), non-stick coatings, pigments for plastics, paints and enamels, and fireworks.	Removal complete pre-2001	Yes	
CCA wood treatment (copper-chrome-arsenic)	Biocide for outdoor wooden furniture.	Removal complete pre-2001	Yes	
Chlorine gas bleaching of paper products	Household paper, disposable plates, baking cases, etc. The Co-operative allows the use of elemental chlorine-free (ECF) or totally chlorine-free (TCF) technology.	Removal complete pre-2001	Yes	
Chromium (VI)	Textile mordant dye usage.	Removal complete pre-2001	Yes	
Colours – soluble azo dyes that can originate carcinogens	Textiles. Banned in Oeko-Tex standard which applies to all Co-operative brand textiles.	Removal complete pre-2001	Yes	
Colours – associated with hyperactivity	Toothpaste and mouthwash. Colours on the Co-operative prohibited list have been removed from all own-brand toothpastes.	Chemical of concern		Yes
1,2-dibromoethane (EDB)	Lead antiknock agents (eg, lead tetraethyl) in petrol, soil, grain and fruit fumigant used as intermediate in chemical syntheses, in manufacturing as a resin solvent, waxes, gums and dyes.	Removal complete pre-2001	Yes	
Dimethyl fumarate (DMF)	Antifungal in leather products and footwear.	Removal complete pre-2001	Yes	
1,4-Dioxane	By-product in cosmetic and toiletry ethoxylated ingredients.		Banned above 0.1%	
Dodecylphenol	As a surfactant in industrial detergents, paints and some cosmetics. Possibility of use in paints and garden chemicals.	Removal complete pre-2001	Yes	
EDTA and similar materials	Used in preservative and anti-bacterial systems and as a sequesterant. Where indicated as an ingredient in non-food products, use is questioned and removal discussed. It has poor biodegradability and is thought to mobilise heavy metals in the environment. There are a few own-brand products where a small amount of EDTA is present.	Chemical of concern		Yes
Ethylhexyl methoxycinnamate (octyl methoxycinnamate)	UVB sunscreen used within cosmetics and personal care.	Chemical of concern		Yes
Formaldehyde	Household cleaning and toiletry products, plastics, lacquers, textile finishes, wooden materials and furniture, wood adhesives and moulding compounds in electronics.	Removal completed February 2008	Yes	
Hexamethyldisiloxane	Household cleaning and toiletries products.	Removal complete pre-2001	Yes	

Chemical name/family	Potential uses/products	Notes	Banned	Only with permission
Lead and organic lead compounds	Numerous. PVC, oil based paints, glass, ceramic glazes, solder and batteries.	Removal complete pre-2001	Yes	
Mercury and organic mercury compounds	Batteries, barometers, thermometers, electrical and electronic items, and fluorescent lighting.	Removal complete pre-2001	Yes	
Methyldibromo glutaronitrile	Cosmetic preservative, household detergents, car care products, paints and wax/polishing products for floors.	Removal complete pre-2001	Yes	
Methyl eugenol	Perfume ingredient. Can occur naturally in essential oils. Please refer to separate Fragrance Policy.	<0.01% from natural occurrence	Yes	
Methylisothiazolinone (MIT) within leave-on cosmetic and personal care applications	Preservative used in cosmetics, personal wash and household applications, and incorporated blends.			
	Growing scientific evidence on sensitisation. SCCS opinion to restrict use within leave-on applications.	Removal by Q1 2015	Yes	
Methylisothiazolinone (MIT) within rinse-off cosmetic and personal care applications	Preservative used in cosmetics, personal wash and household applications, and blends incorporated blends. Growing scientific evidence on sensitisation.	Chemical of concern		Yes
Mica	A shiny mineral pigment used in cosmetic, personal wash and oral care products.	Not used in 2014, added Feb 2015	Yes	
Nickel	Found in alloys used to make certain jewellery and garment accessories.	Removal complete pre-2001	Yes	
Nitromusks (musk xylene, muskene, musk ketone, musk tibetine). (See also polycyclic musks)	Perfume ingredients. Please refer to separate Fragrance Policy.	Removal complete in 2004	Yes	
Organic tin compounds	Preservatives, antibacterial agents, catalysts – have been used in shoe insoles.	Removal complete pre-2001	Yes	
Parabens	As a preservative in toiletries and food. Removal of parabens will be difficult because the number of alternatives suitable for leave-on applications is limited.	Programme under way to remove		Yes
PFOS (perfluorooctane sulfonate), PFOA (perfluorooctanoic acid)	Used in the production of Teflon for non-stick cookware and bakeware.	Removal complete in 2009	Yes	
Phthalates – dibutyl phthalate (DBP), diethylhexyl phthalate (DEHP), benzylbutyl phthalate (BBP), diisobutyl phthalate (DIBP) and diethyl phthalate (DEP)	Oestrogenicity concerns. Used in perfumes. May be found in other perfume sources, eg, perfumed candles, pot pourri.	Removal complete in 2005	Yes	
Pentachlorophenol (PCP), certain formulations of methyl parathion and tetrachlorophenol (TeCP)	Wood preserver, textile/leather fungicide.	Removal complete pre-2001	Yes	

Chemical name/family	Potential uses/products	Notes	Banned	Only with permission
Phenol, 4,4'-(1-methylethylidene) bis 2,6-dibromo- (tetrabromobisphenol A) (TBBPA)	Flame retardant and corrosion resistance additive for plastics. Electronics.	Removal complete pre-2001	Yes	
Polyaromatic hydrocarbons (PAH)	PVC additives, dyes, surfactants and dispersants, tanning agents, insecticides, carbonless copy paper and moth repellent, pigments, resins, pesticides and synthetic rubbers.	Removal complete pre-2001	Yes	
Polybrominated biphenyls (PBBs)/hexabromobiphenyls	Flame retardants in moulded thermoplastics for electrical and electronic equipment.	Removal complete pre-2001	Yes	
Polychlorinated biphenyls (PCBs)	Lubricating and cutting oils, plasticisers in paints, carbonless copying paper, adhesives, sealants and plastics.	Removal complete pre-2001	Yes	
Polychlorinated dibenzodioxins (PCDDs) and polychlorinated dibenzofurans (PCDFs) (dioxins and furans)	Produced in the manufacture of pesticides, PVC and surfactants. Evolved in poorly controlled incineration materials including wood and PVC. Very little PVC is used in Co-operative Food packaging (c 1%) and is only allowed with express permission.	Chemical of concern		Yes
Polychlorinated terphenyls (PCTs)	Lubricating and cutting oils, plasticisers in paints, carbonless copying paper, adhesives, sealants and plastics.	Removal complete pre-2001	Yes	
Polycyclic musks	Biodegradability concerns. Perfume ingredients. Please refer to separate Fragrance Policy.	Removal complete in 2005	Yes	
Polyvinylchloride (PVC)	Packaging material. It is questioned and alternatives requested. Concerns about release of dioxins during disposal. Very little PVC is used in Co-operative Food packaging (c 1%).	Chemical of concern		Yes
Short-chained chlorinated paraffins (SCCPs)	Flame retardants in rubber, plastics and textiles, and as plasticisers in paints, adhesives, sealants and other coatings.	Removal complete pre-2001	Yes	
Tris (2,3-dibromopropyl) phosphate Bis (2,3-dibromopropyl) phosphate Tris (1-aziridinyl)-phosphine oxide (TEPA)	Flame retardant.	Removal complete pre-2001	Yes	
Triclosan	Antimicrobial, antibacterial household cleaners and toiletries including handwash, deodorants, bodysprays and shower gels. Used as an antibacterial in plastic articles under the trade name Microban™.	Removal complete in 2002	Yes	

Motions raised at 2014 AGM

Raised by (region)	Motion	Response
Wales/Cymru	Local sourcing: Called for the Group to demonstrate a commitment to genuine local sourcing by the establishment of regional buyers to allow flexibility, responsiveness, and sensitivity to local demands; and as a sustainable way of establishing provenance and demonstrating support for rural communities.	The Board supported the motion and noted that the process is underway in Scotland with a Regional Buyer already in place. Lessons from this initial deployment will form the basis of the roll-out plan. We are also in discussion with our Co-operative Retail Trading Group (now Co-operative Federal Trading Services) partners regarding how we can work together on this.
Scotland and Northern Ireland	Pay ratios: Requested that the Board research and adopt a policy on pay ratios by the 2014 half-yearly general meeting.	The Board noted that an overall Reward strategy is being formulated that would be applicable across the Group. This is focusing on, among other things, fair pay for customer-facing colleagues, affordability, bonus potential for all and our market positioning. With a number of diverse businesses in our portfolio, and the need to retain talent, we are not specifically looking at pay ratios.

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