

Assurance statement

DNV·GL

Independent assurance statement

Scope and approach

The Co-operative Group Ltd (the Co-op) commissioned **DNV GL Business Assurance Services UK Limited** (DNV GL) to undertake independent assurance of the Co-op Way Report 2016 (the “Report”) for the year ended 31 December 2016.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We evaluated the report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated the performance data using the reliability principle together with the Co-op’s data protocols for how the data are measured, recorded and reported. The 2016 performance data in scope was:

- Community (total UK community investment split by cash, colleague time, gifts in kind, management costs, leverage; number of colleagues, days and value of staff time for colleagues involved in community activity during work time; total investment in international communities)
- Ethical Trade and Human Rights (number of sites and workers on Sedex, % Tier 1 sites completed self-assessment questionnaire and audited; location of audits; number of supplier events carried out; number of delegates; hours of supplier training; total % increase in Fairtrade sales)
- Healthy Living (proportion of products carrying traffic light labelling that are ‘healthy’; proportion of promotions for healthier products)
- Food and Farming (£m higher welfare sales; proportion of sales by welfare standard of own-brand eggs and milk; proportion of sales by welfare standard of own-brand fresh protein; % fresh beef and pork, chicken, sausages, duck, turkey, milk and eggs sourced from UK farmers)
- Climate Change (Energy Use; Greenhouse Gas (GHG) emissions including emissions by source; Carbon intensity; % electricity from renewables; % electricity from own renewable energy projects)
- Waste (total waste from operations; % waste reused/recycled; food surplus redistributed; packaging handled by material; % reduction of weight of own brand packaging)
- Resource Use (% fish used to supply wild fish and seafood products sourced from low-risk or medium-risk fisheries; % wood and paper products purchased for Co-op Food from FSC-certified sources; % coffins manufactured by Co-op Funeralcare made from FSC-certified wood)
- Colleagues, Diversity, Health and Safety (total colleague headcount; reportable and non-reportable accidents; % colleagues by age, gender, disability and ethnicity)

We understand that the reported financial data and information are based on data from the Co-op’s Annual Report and Accounts 2016, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘limited level’ of assurance. A ‘reasonable level’ of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of the Co-op and of the assurance providers

The Directors of the Co-op have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of the Co-op; however, our statement represents our independent opinion and is intended to inform all Co-op stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. We have no other contract with the Co-op and this is the tenth year that we have provided assurance.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters. We undertook the following activities:

- Review of the current sustainability issues that could affect the Co-op and are of interest to stakeholders;
- Review of the Co-op's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by the Co-op on its reporting and management processes relating to the Principles;
- Interviews with five selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and functions covered;
- Review of supporting evidence for selected claims in the report, including reported performance against all 2016 targets. The selected claims were chosen based on their perceived importance and the materiality of issues at a consolidated corporate level;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation. Given most reported data are calculated at Group level, we undertook our testing at Head Office. For energy and waste, where data is consolidated from site level, we tested a sample back to source remotely.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe the Co-op's adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion, we also provide the following observations.

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

We observed wide and inclusive processes that provide channels for the Co-op's stakeholders to express their views. These mechanisms were founded upon the Co-op's unique and democratic membership structure. The inclusion of the members' council in the process to rank the priority issues for the Co-op Way Policy Framework was a good example of how stakeholder views were incorporated in the Co-op's overall strategy.

The Report was notably more concise than in previous years, presented as a summary supported by a more detailed performance report and in an accessible and engaging format. The Co-op should consider seeking feedback from a range of stakeholders to understand whether the new approach is meeting their expectations.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

The Co-op had processes to determine its main sustainability priorities and had relevant mechanisms in place to take stock of emerging priorities. The Co-op Way Policy Committee undertook an extensive process this year to rank the priority issues and policies which it oversees, and that process influenced the compilation of the Report. Future reports should provide greater insight into the relative priority of issues the Co-op is managing.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

Progress against 2016 targets was clearly described, and forward looking targets were in place across all the issues within the sustainability programme. We recommend future reports should include a greater balance of long and short term targets, ensuring all are specific and measurable and take account of appropriate external frameworks to demonstrate the Co-op's contribution to addressing global sustainability challenges.

Overall governance of sustainability had been strengthened through the introduction of the Co-op Way Policy Committee. Its remit should now extend to oversight of progress in the sustainability programme, including approval of targets before they are published.

The new ethical decision making tool offered an important mechanism for the Co-op to demonstrate its responsiveness. We recommend reporting on examples of how this supports decision making as it is implemented.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report was comprehensive, offering stakeholders confidence that the issues in scope are managed appropriately. For several issues, including Ethical trade, Community and Farming, the Co-op already reports on impacts along the value chain. Going forward, we recommend broadening the reporting boundary of other issues, including for example safety and scope 3 GHG emissions.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The Report was balanced, and included commentary on both the successes and challenges faced during the year. Full reporting on progress against targets achieved and not achieved added to the overall balance. Performance data included prior years, allowing readers to see trends and direction of performance. The

Co-op provided benchmark data as additional context for several indicators and should consider broadening this where possible.

Reliability

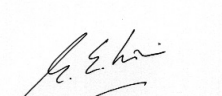
The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

Overall, for the data that is in scope we had confidence in the processes and systems to ensure the information presented in the report was accurate. In 2016, data collection processes were documented in some areas and we recommend this approach be extended to all data, to facilitate continuity and to ensure data is collected consistently year on year. Where the data are presented for an internally developed indicator, rather than one based on an external protocol such as GRI, these should also include a clear definition of how they were compiled, incorporating the scope and boundary of the indicator.

For and on behalf of DNV GL Business Assurance Services UK Limited

London, UK

10 May 2017



Mark Line

Senior Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Kate Bruintjes

Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

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