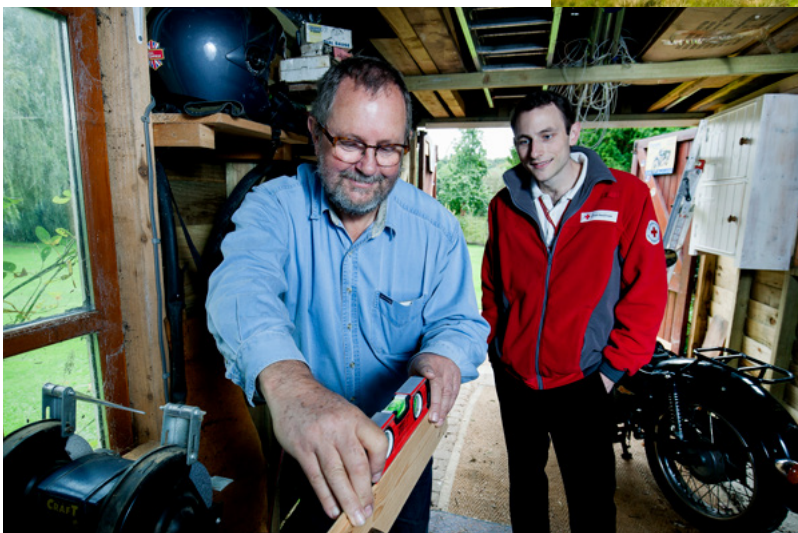


Co-op Way Report 2017

Our ethics and sustainability performance



co
op

Contents

It's important to our members that their business is run in an ethical and sustainable manner. For over a decade we've been committed to providing members with a comprehensive report on our ethics and sustainability performance to help them understand how we're doing.

We recognise that many members want to receive this information in a short summary, while others welcome, and indeed require more detail and full transparency on our performance, to evaluate how we're doing. So our report is in two parts: an Overview and a Performance Data Report.

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Our Co-op

We're one of the world's largest consumer co-operatives, with over 4.6 million members and 64,000 colleagues. Our purpose is 'Championing a better way of doing business for you and your communities'.

Since 1844 our Co-op has been a business with a clear social commitment. We exist to create value for our members and their communities and can only achieve this by running a successful Co-op. The more successful we are the more value we create: the Co-op virtuous circle shows our ambition to create a Stronger Co-op and Stronger Communities. It may be an old idea but its meaning remains modern and relevant and continues to shape our strategic thinking.



Our main markets

Food retail

Almost 56,000 colleagues
2,532 Co-op Food stores
Sales: £7,054m

Insurance

1,300 colleagues
Revenue: £331m

Funeral services, legal services and life planning

5,000 colleagues
1,079 funeral homes
Sales: £343m

Our [Annual Report](#) provides more detail.

The main markets in which we operate – food retail, insurance, funeral services, legal services and life planning – mean there are lots of ways we can meet our members' needs. By offering great products and services we grow our customer base and our membership.

We've set ourselves seven goals that will shape activity over the next few years and help us to deliver on our purpose, championing a better way of doing business for you and your communities.

1. Competitive businesses with a Co-op difference that attract more customers and members
2. New business opportunities that build trust, extend reach and create value
3. Colleagues who are proud to work here
4. A Co-op which is agile, leaner, safer and connected
5. A revitalised membership offer that creates more value for our members and communities
6. Greater impact from our community work
7. A joined-up story that shows what the Co-op difference is all about.

CEO statement



Welcome to our annual Co-op Way report where we set out our performance on our ethical, social and environmental priorities.

We're a business that seeks to be commercially successful so we can reward and support our members and their communities. We also set high ethical and sustainability standards across our products, services and operations. The more successful we are, the more value we can put back into communities – defined in the broadest sense – at home and overseas.

Stronger Communities

In 2017, our total community investment reached £29.7m, that's not only a significant increase on where we were two years ago (£6.9m in 2015), it's also the highest level of community investment in our history. In addition, our members earned £61m through our Co-op Membership rewards.

Campaigning for change

We have a long history of campaigning for social justice, and we continue to use our influence to campaign on those issues that matter most to our members and their communities.

Our campaign with British Red Cross to tackle loneliness is today making a difference to the lives of thousands of people across UK communities. As well as making a difference locally, we were proud to be on the Jo Cox Commission on Loneliness and are delighted that the work of the Commission has resulted in the creation of the first government minister with responsibility for addressing loneliness.

We've also campaigned on modern slavery – something our members and colleagues feel strongly about, voting overwhelmingly in support of our AGM motion. Our Bright Future programme offers victims of modern slavery the chance of a paid work placement and a job in our food business.

Long term thinking

Building stronger communities and contributing to broader sustainable development requires long term commitments. One of the advantages of our co-operative model is that we're not restricted by short term investor demands and can make long term commitments and see them through.

You can see this in our support for Fairtrade where we've extended our offer while other big retailers are starting to backtrack on their commitments. It also applies to our long standing commitment on climate change. Some ten years ago we set out to significantly reduce our greenhouse gases. I'm delighted to say that in 2017 we passed our target with a 54% reduction and are committed to reducing it even further.

We're now applying this long term thinking to many other areas of our business, not least on the recyclability of our packaging and food waste. Both require long term solutions but also impact on each other. Packaging today does play an important role in maintaining the quality of fresh food products, but we need to find alternative materials to achieve the same outcome.

Another challenge we face is the disappointing news that the Groceries Code Adjudicator is investigating some of our practices related to suppliers. We need to live our values and achieve the high standards we set ourselves all of the time and we know we've fallen short, but are taking action to address this.

In future we want to be more ambitious about setting challenging targets. I believe that the UN's Sustainable Development Goals (SDGs) provide a helpful framework for co-operation amongst businesses, NGOs, governments and individuals. Through the SDGs we're exploring ways in which we can set better and longer term ambitions and then measure the difference we make to communities.

I'm proud to see our work being recognised, not least through awards we've received during 2017 for our sustainability reporting and campaigning – work that we will continue to focus on over the coming year.

I'd like to thank our members for choosing us and for getting involved in our work, from campaigning to voting at our AGM. Without your support the work described in this report would not be possible.

Steve Murrells, CEO, Co-op

Our approach to ethics and sustainability

At the beginning of 2018 we set out our ambition for 'Stronger Co-op, Stronger Communities'. This sets the scene for our approach to ethics and sustainability, which we aim to map out in more detail over the coming year.

As we do so, a number of themes are emerging:

Shared value

We want to better understand and build on the value that we create for our members. And we're under no illusions about the challenge of doing this. In 2017, we started to look at how to measure the impact we have on communities (and we report this on pages 10-11). By understanding where and how we create impacts – for example through our products and services, our supply chains and our environmental footprint – we can make more informed decisions and make a difference where it's needed.

Co-operation and campaigning

We also recognise that it can be challenging for any one business to act alone to create change, either for members or wider communities. More than ever, co-operation is key – between business, NGOs, civil society, governments and the broader public, both locally and globally.

We want to promote grass roots co-operation to bring people together in their local communities to campaign for change. At the Co-op we've also used campaigning to give a national voice to issues like loneliness and Modern Slavery. In 2018, we will look at where the Co-op can build a national platform and add its voice and co-operative solutions to other issues.

Global collaboration

At a global level, we welcome and support the vision provided by the UN Sustainable Development Goals (SDGs) as a framework that allows for genuine long-term and collaborative action. In 2018, we became a signatory to the [UN Global Compact](#); signed up to the [British Retail Consortium's Better Retail, Better World](#); and pledged our support to the [International Co-operative Alliance's Co-ops for 2030](#). And in 2018, we'll go further. We'll look at how and where our material activities align with the SDGs and we'll aim to create robust, long-term targets.


In setting ourselves this challenge, we recognise the opportunity we have to build both a stronger Co-op and stronger communities for the long term, through local and global co-operation and activism.

Member engagement

Of course, none of this work would be possible without the involvement of our members. In 2017, members helped shape our work in lots of different ways, from voting on AGM motions to improve the recyclability of plastic and volunteering to help tackle loneliness, to signing up to be Member Pioneers in their local communities. This reciprocal arrangement is integral to how we do business as a co-operative. We listen and respond to members' needs and they in turn engage with us to initiate and support activities to drive change and to strengthen our business and our communities. In 2018, we'll explore even more opportunities for members to be involved in their Co-op so that, together, we can build even stronger communities.



Membership and democracy

 Read more in our [Performance Data Report](#)



Our approach to running our business in an ethical and sustainable way is rooted in our co-operative values and principles.

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

The co-operative principles are guidelines by which we put our values into practice.

1. Voluntary and open Membership



2. Democratic member control



3. Member economic participation



4. Autonomy and independence



5. Education, training and information



6. Co-operation among co-operatives



7. Concern for community



Governance



Executive: Key members of management running the business on a day to day basis in accordance with the strategy determined by the Board

Board: Responsible and accountable for determining strategy and holding Executive to account

Council: Responsible for holding the Board to account. Acts as a guardian of: our Values and Principles; our Purpose and our Constitution.

As a co-operative, we're owned by individual members and other co-operatives, not by shareholder investors. This means that as well as being rewarded for trading with us our members have an opportunity to shape the business: from who represents them on the Members' Council to which causes we champion on their behalf.

Democratic member control

Democratic member control is achieved in a variety of ways - both in our governance structure and in other less formal ways.

All of our Board directors are members themselves, needing to meet both membership and eligibility requirements. Our Member Nominated Directors are elected through a direct ballot of our members and our Independent Non Executive Directors are appointed by our Board and subsequently elected by members at our AGM.


We also have our 100 strong [Council](#) of elected members representing both our individual members and independent co-operative societies, who hold our Board to account as well as having more informal contact with colleagues. Various other matters also require our Members' approval via our system of "one member, one vote".

Outside our Rules and Regulations, we engage with members on a wide variety of issues - asking Members to [comment or provide feedback](#) on the Group's products; [Member Pioneers](#) involved in local communities listening to members on the ground; and participation in local [Shape your Community](#) events.

Member economic participation

In 2016, we launched the biggest change to our Membership in decades. Now, every time a member buys selected Co-op branded products and services, they get something for them and something for their community. Over the coming years, we'll continue to evolve our member rewards to make sure they help grow the business and make our communities even stronger.

Co-operation among co-operatives

 Read more in our [Performance Data Report](#)

£1.97m

paid to representative and affiliated bodies of the co-operative movement in 2017 (2016: £1.77m)



Social Saturday: Group Board Director, Lord Victor Adebowale raising awareness of the difference that social enterprises make

11

We sponsor 11 academy schools (2016: eight)



As a co-operative we're part of a global movement of some [three million co-operatives](#) representing 1.2 billion people. This provides us with an opportunity to build alliances and partnerships to not only progress the principles of co-operation and thereby champion a better way of doing business, but to build coalitions for social and environmental progress.

It's our ambition to be at the forefront of this movement, driving it forward using our scale and influence to help others.

Developing co-operative partnerships

We continue to build our partnerships nationally and internationally, supporting growth and recognition within the co-operative movement. As part of this, in 2017, we paid £1.97m (2016: £1.77m) to support representative and affiliated bodies of the co-operative movement.

In the UK, we have partnered in the development of the [National Co-operative Development Strategy](#) to raise awareness of and support the development of co-operatives and social enterprises.

We've taken part in initiatives like [Co-operatives Fortnight](#) and [Social Saturday](#), gained support from our members for our [Local Community Fund](#) and shared the economic advantages of our size and scale with others through a [federal model of purchasing](#) between ourselves and other large retail co-operatives in the UK and created £59m of trade with other co-operatives in 2017 (2016: £52m)¹. We aim to increase the value of our trade with other co-operatives going forward.

Internationally, we were represented at the [International Co-operative Alliance \(ICA\) Global Leadership Forum](#) which provided the opportunity to re-establish relationships with key global co-operative leaders. We also donated £50,000² to [Co-operatives UK's](#) fund to establish co-operatives in areas affected by recent natural disasters overseas.

We are one of 300 co-operatives to have pledged support for [Co-ops for 2030](#) - the ICA initiative to bring together the full extent of the global co-operatives commitment in support of the UN's Sustainable Development Goals.

Co-op Academies Trust

By the end of 2017, we were proud to sponsor 11 academy schools (2016: eight) in Greater Manchester, Yorkshire and Stoke-on-Trent through the [Co-op Academies Trust](#). It's our vision to inspire a new generation of high-achieving, aspirational, skilled and confident young people.

We aim to grow the Co-op Academies Trust over 2018, and provide even more support and advice to the governance of the schools.

2018 target:

- Increase the number of academies in the Co-op Academies Trust to at least 16

¹ Figure excludes FRTS activity with Independent Society Member partners which was £1,683m in 2017 (2016: £1,573m).

² Additional to the £702,960 to Co-ops UK referenced on page 34 and 36.

Our campaigning

The Co-op was founded to address social injustice. Through our campaigning work we carry on the legacy of responding to issues that matter most to our members and their communities, and support the championing element of our purpose.

We're campaigning on two issues that our members have asked us to pursue, tackling modern slavery and loneliness.

Our campaign against modern slavery

Tackling modern slavery

We're working to ensure slavery has no part in the production, growth or manufacture of the products we sell and services we use. We've put strong policies in place and we're making sure they're rigorously enforced throughout our supply chains and our own business operations. We also know we'll only be effective if we work together – so we're learning from each other, and taking collaborative action to tackle modern slavery.

But perhaps most importantly, we never lose sight of those affected by modern slavery – the people who fall victim to the criminals who exploit vulnerable and often desperate individuals for their own gain. This is something our members also feel strongly about, voting overwhelmingly in support of a motion at our AGM in May 2017 committing us to campaign for victims of modern slavery.

Bright Future

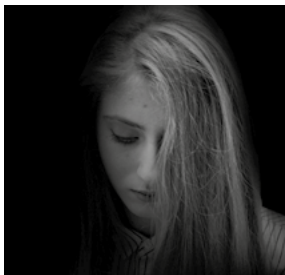
Central to our campaign is our Bright Future programme, which offers victims of modern slavery a paid work placement and the opportunity of a job in our business. By the end of 2017, we provided 14 placements in our food stores and depots, and saw 12 other businesses trained on the programme and ready to host a placement. As well as working with City Hearts on Bright Future, over the past year we've developed further charity partnerships including with The Snowdrop Project, the Sophie Hayes Foundation and the Medaille Trust. We're encouraging other businesses to join us in giving even more people a chance to rebuild their lives.

Advocacy and lobbying

Bright Future will only ever be one part of the solution for victims of modern slavery. There are many people who, because of their emotional or personal situation, are not ready or legally entitled to work. Those individuals are being left in precarious situations once their 45 days of statutory support ends². Therefore we're working to help change this situation, through advocating for a longer period of support for victims. In 2017 we actively engaged with parliament on this issue including lending our support to Lord McColl's Private Members' Bill on enhanced support for Victims of Modern Slavery³. We also participated in the Expert Group set up by Baroness Lola Young on her Private Members' Bill on Transparency in Supply Chains, and a number of other influential forums.

Raising awareness

Although modern slavery has been getting more attention in government, business and the media, we know that there is still very low awareness across the general public. According to research we carried out in 2017, 18% of people don't know what modern slavery is. Until this changes, modern slavery will remain 'hidden in plain sight' – which is why our campaign plans include awareness-raising activities to help people understand how to spot the signs of modern slavery and know what to do if they suspect it is happening. You can read more details about our campaign in our [Modern Slavery Statement 2017](#).



No.1

Recognised as the number one UK campaigning business¹



The only UK business to receive the Thomson Reuters Stop Slavery Award in 2017

¹ Research by ICM Unlimited, November 2017.

² House of Commons Work and Pensions Committee, 'Victims of modern slavery: Twelfth Report of Session 2016–17', HC 803, 30 April 2017; C. Beddoe, L. Bundock and T. Jordan, 'Life Beyond the Safe House for Survivors of Modern Slavery in London: Gaps and Options', Review Report, Human Trafficking Foundation, 2015.

³ Lord McColl wrote a Co-op blog to mark the second reading of his Bill, and the Co-op and Bright Future were positively mentioned in the [debate on 8 September 2017](#).

6

Six awards won in 2017 for our campaigning activity

over 1,300

We've funded over 1,300 charities responding to loneliness and promoting social inclusion

Impacts of our campaign to tackle loneliness:

- UK government appoints a minister with responsibility for loneliness
- Reduction in loneliness for those accessing the new services funded
- Through our research, evidenced that loneliness affects all ages

Tackling loneliness

Fundraising to provide new services

In 2015, our members told us that loneliness is an issue that is affecting communities across the UK. 80,000 members and colleagues had a say and overwhelmingly voted for us to tackle loneliness in partnership with the British Red Cross. Since then we've raised over £6.5m to help thousands of people reconnect with their communities. And we've secured lasting change on the issue through our new British Red Cross Community Connector services in 39 locations across the UK. Early results from this service are very positive, people have reported a reduction in their loneliness, measured using an academically rigorous scale.

Supporting our colleagues, members and customers

We've changed the way we operate as a business to support people who are experiencing loneliness. We are supporting colleagues through our employee assistance programme and we're developing and expanding our social groups for the bereaved in our funeral business. We've also funded over 1,300 local charities and organisations that are responding to loneliness and promoting social inclusion in their communities through our Local Community Fund.



Advocacy

To broaden our impact beyond those we come directly into contact with, we have been advocating and campaigning. We were a founder member of the Jo Cox Commission on Loneliness. As part of this, we launched a new report calling on the government to recognise and respond to loneliness as a major issue in society.

As a result, the UK government announced in January 2018 the appointment of a minister with responsibility for loneliness and accepted the recommendations made in the report, including the need for a UK-wide strategy and a national measure of loneliness across all ages.

To take forward the legacy of the Commission, we have launched, with the British Red Cross, a new Loneliness Action Group. This brings leading charities and organisations together to collaborate on developing new insight and action across society, and holds the government to account. We are also supporting an All Party Parliamentary Group on loneliness to provide cross-party parliamentarians with a forum to engage on the issue.

Research

All our activity is underpinned by valuable insight from our partnership's research, Trapped in a Bubble, which shows that loneliness affects all ages, is likely to impact nine million people in the UK, and that ordinary life events such as becoming a mum and experiencing a bereavement or health issue can be triggers for loneliness.

2018 target:

- Explore opportunities for a further national campaign to launch in 2019

Creating shared value

Distributing the value we create

Colleague wages / pension benefits	£1,353m
Payments to government	£201m
Distribution to members	£61m
Community investment	£29.7m

We want to show that the Co-op way of doing business is not only the right way to do business but is better for our members, communities and society. We know that, like other businesses, we generate economic value for our members, colleagues and society through our financial contributions such as wages and pensions, taxes and community investment.

Separate to this we also contribute by being socially and environmentally responsible in our operations, products and services and campaigning, which we have reported each year for over a decade. However, we have an ambition to better articulate and evidence the extent to which these activities and programmes create shared value for members, communities and wider society.

Therefore in 2017, we initiated work to better understand our impacts, inviting three expert organisations to undertake bespoke social value assessments of three current programmes. The studies provided us with insights into the projects themselves and how we can better measure social value. In the interests of openness and transparency, you can find links to the full reports within the summaries below - when it comes to defining social value, we've taken a case-by-case approach, as set out in these reports.

In 2018, we will use these insights to progress how we better measure our social value and to help shape our evolving thinking around where we create value for our members through our Co-op difference.



A social value assessment of Co-op funded clean water projects in Southern Malawi

For every litre of Co-op water sold, 3p is donated to The One Foundation to fund water and sanitation projects, mainly in Africa. Co-op asked Itad to assess the social value created from a selection of these projects so we visited six communities to explore the difference that the water points¹ in Malawi had made (you can read the full report [here](#)). Co-op has funded the following:



153 Water points in



122 Communities

We posed three questions

1. Did construction of the water points mean that people had access to safe water?
2. Are the water points continuing to provide people with access to safe water?
3. What are the wider changes as a result of the availability of safe water?



All six of the water points¹ visited were still working



53 out of the 54 households we spoke to use the water points



People reported improvements to quality of life and better health

Some of the challenges: The assessment only covers the six communities we visited- 4% of Co-op funded water points in Southern Malawi. The communities may need more support to ensure the water points keep working in future.

1 The six water points we visited were hand-pumps constructed between 2014-2017.



Social Value: The changes people experienced

Quality of life

- ✓ Freedom from planning a whole day around collecting water makes life a little easier
- ✓ The ability to decide how to spend their time: with family, in fields or resting
- ✓ Being able to better look after family and household

Better health

- ✓ Women reported fewer cases of diarrhoea in their families



Social value assessment of the Co-op's Apprenticeship Programme



The Connectives undertook a social value assessment of the Co-op's Apprenticeship Programme, to see whether it enhanced the social mobility of apprentices. We created an impact matrix with the Co-op to hypothesise the objectives we needed to test:

Objective 1

Apprentices perceive the Co-op as a fair and inclusive organisation; future potential apprentices are inspired to apply to the Co-op.

Objective 2

The Apprenticeship Programme increases the confidence and loyalty of apprentices and creates a desire to progress within the organisation and succeed for the business.

Objective 3

The Apprenticeship Programme results in increased job satisfaction and a desire for continued learning.

Using social accounting methodology (developed by [Social Audit Network](#)), surveys and interviews collected information from apprentices and other key stakeholders; responses were analysed for key themes and quantitative conclusions drawn.

The evidence suggested that four key indicators from our impact matrix on social mobility were met by the programme:

1. Provides access to regular employment
2. Creates loyalty towards the Co-op and intention of long service
3. Provides opportunities for learning and inspires career progression
4. Encourages high confidence levels

Overall, we concluded that Objective 1 was met, and Objectives 2 and 3 were partially met, indicating that the programme contributes a significant opportunity for individuals to improve their social mobility. It provides access to secure employment and income, encourages personal development aspirations, and improves confidence – key elements of increased social mobility.

Whilst we recognise the challenges in assigning a financial value to social value, we also explored this approach when assessing the Apprenticeship Programme. Results can be found in our [full report](#).

Estimating the social value created by the Local Community Fund (LCF)

A summary of the approach and findings



This section summarises the findings of PwC's report 'Estimating the social value created by the Local Community Fund' which describes the full scope, methodology, and findings of the assessment and is available [here](#); reading this summary is no substitute for reading the full report and must be read in conjunction with our [disclaimer](#).

In the first round of LCF funding, Co-op provided:

£9.2 million in grants to local causes

Source: Co-op data

Creating an estimated social value of:

At least £18.3 million

Source: Lower bound of estimate from PwC analysis

Equivalent to, on average

At least £2 of social value created per £1 spent


Source: Lower bound of estimate from PwC analysis

Co-op asked us to estimate the social value created by the first round of LCF funding awarded in April 2017, using existing sources of data. We carried out a review of existing Social Return On Investment (SROI) studies that examined similar services and beneficiaries, based on a sample of 200 projects within the LCF; and used the results of a survey already carried out by Co-op of those receiving LCF funding.

The SROI ratios⁴ identified from the literature were aggregated to estimate the social value created for each category of grant and for the LCF overall. We included only the proportion of projects whose responses to the survey identified outcomes within the scope of Co-op's theory of change.

4 An SROI ratio is an estimate of the amount of social value created by an activity, expressed as a ratio when compared with the financial cost of delivering those activities. We define social value as the quantification, in monetary terms, of the effect on people's welfare that they experience from change in their lives. For more information, see 'A Guide to Social Return on Investment' here: <http://www.socialvalueuk.org/resources/sroi-guide/>

Community

 Read more in our [Performance Data Report](#)



£29.7m

total invested in communities
(2016: £11.8m)

£27.6m

invested in UK communities
(2016: £10.8m)

£2.1m

invested in international
communities (2016: £1.0m)

As a member-owned and values-led organisation, we connect with the communities served by our food stores and funeral homes and throughout our supply chain. We seek to create meaningful relationships with local community causes that matter to our colleagues and members.

Our support for global communities is just as important. We aim to strengthen our relationships with the communities we source our products and services from, both in the UK and overseas, and support the wider international community - including the most vulnerable at times of crisis.

In 2017, we invested a total of £29.7m in communities: £27.6m in UK communities and £2.1m in international communities.

Local Community Fund

We give 1% of what our members spend on selected products and services to community causes across the UK. Members get to decide which local cause they want to support.

Through the 1% and money from the sale of our carrier bags, members and customers have raised £20m for over 8,000 local community projects since we re-launched Membership in September 2016.

To celebrate this achievement we brought members, colleagues and local causes together for two celebration days, where we handed over £9m in April 2017 and £11m in November 2017. We also trialled an [impact assessment](#) to better understand the potential added value that this funding is generating in communities across the UK.

Listening to our members

The opportunity for our members to shape and influence the business they own, and tell us what they think of Co-op products and services, is an important part of our Membership. We want to create new ways for our members to stay in touch with each other and grow networks of co-operation across the country.



During 2017, we held 20 Shape your Community events inviting members and others in the community to share their views. The events were hosted by Co-op leaders and our National Members' Council and gave people the opportunity to tell us about the issues they'd like us to champion, what they think would improve their community, and share their ideas about what we could do to help.

Supporting communities

We achieved another significant milestone for our Co-op - by the end of 2017, we had recruited 200 Member Pioneers. A role created in collaboration with our National Members' Council, these are a network of people of all ages and from a variety of backgrounds who share our passion to make great things happen locally.

Member Pioneers are unique in that their sole focus is to bring our colleagues, members and local causes together to find new ways to co-operate and get things

done in our communities. They listen and inspire other members in their communities to get involved and help arrange local activities, focusing on the things that matter most where they live.

They also spread the word about the great things our Co-op is doing and why we're a different kind of business. By 2020 we hope to have a Member Pioneer across all 1,500 Co-op communities working with members, colleagues and causes locally.



Community wellbeing

To help us understand what matters most to our members, and inform what we do locally and nationally, we are developing our approach to understanding community wellbeing. During 2017 we talked to people across the UK about what matters most to their communities. Drawing on these conversations, and a review of related initiatives, we've identified around 45 indicators that, when brought together, provide a clear picture of wellbeing across the UK at a local level. We will be launching our Community Wellbeing Index in 2018 and using it to inform our wider community activity. We'll be sharing the data online so that it can be used by anyone interested in understanding their community better.

International communities

The £2.1m of support that we provided for international communities in 2017 included support for water and sanitation projects in Africa; donations for hurricane-struck communities in the Dominican Republic; money raised for the Disasters Emergency Committee appeals for Yemen, East Africa and most recently the emergency appeal for people fleeing violence in Myanmar; and projects funded by carbon offsets from our insurance and funeral businesses.

We significantly increased the amount we give to The One Foundation in 2017 by donating 3p from every litre of Co-op branded water we sell (previously, donations were only made for sales of Co-op Fairbourne Springs Water). This means we've increased our total donation to an estimated £1.2m a year (an increase of 30%) to, in the main, fund water projects in Africa. We also became UK founder members of the newly-launched Global Investment Fund for Water, and will donate 1p per litre of branded water sold through our shops (generating a further estimated donation of £900,000 a year to fight water poverty across the world). In addition, we continue to support international communities through our commitment to Fairtrade.




The Co-op Foundation

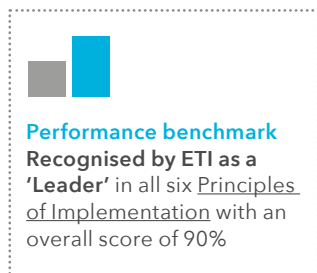
The Co-op Foundation is the Co-op's charity. It helps disadvantaged communities work together to make things better. In 2017 the Foundation launched Belong, a new programme helping young people beat loneliness, complementing the Co-op's wider campaigning on loneliness. The Foundation partnered with the #iwill campaign to create a £2m fund to tackle loneliness through youth social action.

2018 targets:

- Give back at least £20m in 2018 to local causes through our Local Community Fund
- Launch a Community Wellbeing Index to help us listen to, and understand, what matters most to our members, and inform what we do locally and nationally
- By 2020 have a Member Pioneer across all 1,500 Co-op communities

Ethical trade and human rights

 Read more in our [Performance Data Report](#)



Trade, when undertaken fairly, can significantly improve quality of life and empower communities.

We're committed to ethical trade – ensuring that those who provide the products and services we buy and sell are treated fairly, and that their fundamental human rights are respected. We focus on labour rights including fair reward, safe and decent working conditions, and protection from forced labour, modern slavery and harsh or inhumane treatment.

Our main responsibility is towards our Co-op brand suppliers and supply chains. This is where we have the greatest chance to make positive change and monitor performance. We also have a long-standing commitment to Fairtrade, supporting better prices, working conditions and terms of trade. We also recognise there are exceptional circumstances under which we would withdraw trade from a state or region.

Upholding labour standards

We source Co-op branded products sold in our food stores from 1,873 sites¹ around the world that employ more than half a million workers.

There are five key components to our ethical trade programme for Co-op brand suppliers in Co-op Food.

1. We expect our suppliers to share our policy commitments² and provide us with the necessary transparency on their labour standards performance.
2. We have a comprehensive auditing and monitoring programme. Suppliers are identified for audit using a risk-based approach determined by their responses to [Sedex \(supplier ethical data exchange\)](#) self assessment questionnaires, worker profiles, country of origin and sector. 98%³ of our high-risk Tier 1 sites had been audited at the end of 2017 (2016: 100%). For our Tier 1 and Tier 2 suppliers, 788 sites had an independent audit across 2016/17.
3. When we find issues, we work with our suppliers to put things right. In our 2016/17 audits, 2,975 issues were raised (70% are completed, we've agreed a plan to complete 26% in 2018, and 4% are outstanding and have been escalated).
4. We work collaboratively to extend our influence and share best practice. In 2017, 1,005 participants (mostly from 621 supplier sites) attended 27 engagement and training events in Europe and Africa.
5. We are committed to tackling modern slavery in our global supply chains and are founder members of [Stronger Together](#).

Below: Workers at Flamingo Flowers, Kenya, suppliers of Fairtrade certified roses to Co-op.
Photo credit: b-photos.co.uk



¹ 1,873 sites: 891 Tier 1 and 982 Tier 2. A Tier 1 site is a production site where goods are finished, ready for supply to, or sale by, the end company. A Tier 2 site is a production site that supplies goods or materials to a Tier 1 site for incorporation into the finished product. Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

² We expect suppliers to share our commitments, as set out in, for example, our Sound Sourcing Code of Conduct and our [Human Rights and Trade Policy](#).

³ The remaining sites have audits scheduled for Q1 2018.

In 2018, our Food ethical trade programme will be focusing its activities around four strategic priorities: driving innovation in supply chain transparency, embedding ethical trade into core business processes, building capacity and resilience of our supply base to address the underlying causes of human rights issues and tackling modern slavery.

In 2017, we extended the approach to ethical trade that we take for the goods we sell in our food business, to help increase the visibility of the suppliers that provide us with the goods and services we use in our business (such as IT equipment, stationery and transport services). This included a new Buying Goods and Services Policy that has a greater focus on ethics, and a new programme for prioritised high-risk suppliers to be registered on Sedex. We will continue to encourage suppliers to register on Sedex, making sure they're aware of our ethical standards and expectations.

Victims of modern slavery

We believe that society has a responsibility to help people who have been victims of slavery to rebuild their lives. Read more in our [Campaigning section](#).

Empowering communities through Fairtrade

We've been a pioneer of fairly traded goods since before the Fairtrade Mark was introduced and we have a host of 'Fairtrade firsts' that we're proud of. We were the first supermarket to sell Fairtrade bananas in the UK and the first to convert an entire own brand range of hot beverages to Fairtrade.

Today we focus on the categories set out below in line with, and beyond, the Fairtrade Foundation's own focus on where we can have the biggest impact on producers.



Wine
World's largest retailer of Fairtrade wine



Bananas
100% Fairtrade



Cocoa
100% Co-op branded chocolate confectionery is Fairtrade marked and all the cocoa for Co-op branded recipe production is sourced under Fairtrade terms

Flowers
All our rose bouquets and single stem roses are Fairtrade



Tea
100% Co-op branded is Fairtrade



Sugar
All bags of Co-op branded sugar are Fairtrade



Coffee
100% Co-op branded is Fairtrade



1st



In 2017, we became the first UK retailer to sell and use only Fairtrade cocoa in our own brand products, from the chocolate sprinkles on our doughnuts to the chocolate chips in our cookies.

Whilst 2017 was a challenging year for Fairtrade in the UK, with some major brands opting to move away from certification and progress their own schemes, we have continued to increase our commitment to Fairtrade.


The Fairtrade Mark is well recognised and trusted by our members and customers and we believe that the independence it provides is critical to its success. Despite new and alternative schemes emerging, producers continue to tell us that the empowerment that Fairtrade gives them, alongside the economic security of a minimum price and premium, makes it the most effective certification for them.

2018 targets:

- By the end 2018 we will have requested all new high-risk⁴ suppliers of goods and services not for resale to complete a Sedex self-assessment questionnaire
- Reach 1,000 delegates in 20 events as part of our global supplier capacity building programme to address underlying causes of human rights issues
- All the tea, coffee and bananas we use in Co-op branded recipe production will benefit Fairtrade producers and their communities
- All roses we source from Africa - whether marked as Fairtrade or not - will be purchased on Fairtrade terms (rose bouquets, single stem roses and roses for mixed bouquets)

⁴ We categorise suppliers as high-risk based on a range of ethical criteria and an expected contract spend of over £100,000.

Food and farming

 Read more in our [Performance Data Report](#)



Performance benchmark
Tier 2 achieved in the **Business Benchmark on Farm Animal Welfare (BBFAW)** in 2017, for the fourth year running (1-6 scale, where 1 is the highest). BBFAW classes businesses that reach Tier 2 as having 'farm animal welfare as an integral part of business strategy'.

BBFAW
Business Benchmark
on Farm Animal Welfare



£88m

sales of higher welfare
fresh, frozen and prepared
products (2016: £99m)



Cruelty Free
INTERNATIONAL

No Co-op brand toiletry or household products (or their ingredients) have been tested on animals

We know from our members and customers that they're concerned about animal welfare and where the food they buy comes from.

We invest a significant amount in British sourcing, establishing strong relationships with producers through our Farming Group farms ([see page 17](#)) and offering everyone products produced to good animal welfare standards, regardless of their budget. We also take a stance against animal testing for cosmetics and household products.

Respecting animal welfare

In our food business, respecting animal welfare is a core element of our work on agriculture. For all our Co-op branded fresh, frozen and prepared meat and poultry products, our minimum welfare standard, and our main focus, is [Red Tractor](#). For higher welfare, we use [RSPCA Assured](#) or equivalent.

All farms that supply our meat, dairy or poultry products, whether they're part of our Farming Groups or not, may be subject to announced and unannounced visits or audits by us or an appointed independent audit body to check compliance with our animal welfare requirements.

This helps us make sure all Co-op branded products are traceable from farm to store. In 2017, our agricultural team made 117 site visits to monitor animal welfare at sites such as farms, hatcheries and abattoirs (2016: 127). You can read more about our standards and how we monitor compliance in our [Performance Data Report](#). To benchmark our performance and provide a measure of how we're doing, we use the [Business Benchmark on Farm Animal Welfare](#).

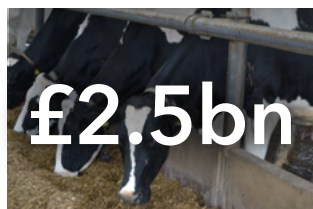
Antibiotics

[Antimicrobial Resistance](#) is an increasing global challenge and threat. Food retailers in particular have a responsibility to take action and we recognise there are further opportunities to improve antibiotic usage performance across the supply chain. We've been engaging and working collaboratively with industry bodies and within our supply chain to establish ways to approach this in a holistic manner. We've established key [projects](#) to attempt to reduce the antibiotic usage levels within the different species areas and we'll publish our performance in antibiotic usage within our Farming Groups in 2018.

Supporting British farming

Since 2015, we've invested £2.5bn in sourcing Co-op branded British meat, produce and dairy products. To further our commitment to British farming we met our target of moving to 100% Co-op branded fresh British meat in May 2017 and we're the only UK retailer to offer this. This year we're expanding this further and by 2019 all meat used in Co-op branded frozen products will also be British.

We've continued to support British farming financially and through activities such as sponsoring [Love British Food](#) for a second year. We've also expanded our Young Pioneers programme, where we work with the next generation of farmers to build their skills. With 60 young members currently on the programme we will have 100 completed or taking part by 2019.



£2.5bn invested in sourcing Co-op branded British meat, produce, and dairy products since 2015

Developing our Farming Groups

More than 3,000 farmers and growers feed into our own brand fresh supply chain, and that includes just over 400 British farmers and growers in our Farming Groups. By working with our Farming Groups we can support British farming and, at the same time, address issues such as animal welfare, environmental impacts and supply chain transparency. In 2017, we invested £7.5m in British agriculture through our Farming Groups (2016: £21m). The year-on-year variance reflects improved performance in the dairy market during 2017.

Our Farming Groups are based on five pillars¹, our farms are audited against them and rated Bronze, Silver or Gold according to performance. We also report on compliance for animal welfare, which in 2017 was 91% based on data available (2016: 90%). In 2017, 199 independent audits were conducted of our Farming Groups' compliance to our five-pillar model (2016: 198).

We had eight Farming Groups by the end of 2017 (2016: eight)



2011 - 2017

In 2017 we launched our Salmon Group and expanded our Lamb Group. We also took the decision to combine our Standard Beef and Co-op Beef Groups into one group.

The new Produce Group (that's fruit, vegetables and horticulture) will now launch in 2018.



2018

100%

100% of Co-op branded fresh meat has been British since May 2017

100% of Co-op branded eggs, milk, farmed salmon, yoghurt and butter are British (2016: 100%) – we're the only UK retailer to offer this

Co-op Enviro-Map

We have completed year one of our Co-op Farming Enviro-Map project, which measures carbon footprint and biodiversity across our Farming Groups. As we move into years two and three, the Enviro-Map will allow farmers to benchmark their business performance, improve efficiency and reduce their impact on the environment. In 2017 20 million kWh of renewable energy was produced across the Farming Groups and 1,633km of hedgerows were created.

2018 targets:


- Retain Tier 2 status within the Business Benchmark on Farm Animal Welfare (BBFAW)
- Publish Co-op performance in antibiotic usage within our Farming Groups
- Use 100% British meat in Co-op branded frozen products by 2019
- In 2018, all Co-op-branded, fresh pork, bacon, sausage, gammon and ham to be sourced from 100% outdoor-bred pigs on RSPCA Assured farms

Below: Phil Pearce, one of the farmers in our Lamb Farming Group



¹ Health, welfare and quality; Co-op branded; Sustainability; Environmental; and Ethical and training

Environment and resource use

 Read more in our [Performance Data Report](#)

100%

of our electricity is from renewables

54%

reduction in our direct GHG emissions since 2006 (16% since 2016)

1.17 million

tonnes of carbon emissions offset for our Insurance customers since 2006

There are limits to the earth's resources, from the materials we can extract to the waste that can be absorbed. Exceeding these limits is ultimately unsustainable. As a co-operative, we're led by our values and principles and that means part of our approach is to minimise our impact on the world.

We report on three areas of performance: climate change, waste and resource use. We recognise it's not enough simply to comply with legislation, we must go beyond this to ensure we're doing everything we can.

We aim to:

Reduce the environmental impacts of our direct operations



Set high expectations of our suppliers, and reduce the impact of our own products and services



Campaign and champion issues where appropriate, such as when an industry-wide or national response is needed



Climate change

Greenhouse gas (GHG) emissions from human activity are causing the climate to change. This is something we contribute to through our operations, supply chain, products and services and it poses a risk to our business, as well as communities across the globe.

We recognised the need to act on climate change long before most businesses and we've reported on our climate impacts since 2005. Our long-term aim was to halve our direct GHG emissions by 2020 compared to 2006. After 11 years we've achieved this target three years early, with a 54% reduction since 2006.

Our 54% reduction is like-for-like, and based on UK grid average electricity.¹ We've taken a decision to reach this target the most stretching way, so we haven't accounted for the renewable energy we buy and generate, instead we've achieved this through drastically cutting the actual energy we use. In 2017 we used half as much electricity and fuel as we did in 2006.

We've also purchased renewable electricity for many years, and in 2017, 100% of our electricity was from UK wind farms² (including our own wind farms). In 2018 we'll be working to develop a new, ambitious target to address our remaining sources of GHG emissions.

Finally, we recognise that our impact doesn't stop with our own operations, and are signatories to the Courtauld 2025 agreement, which brings together food organisations to cut system-wide waste and GHG emissions associated with food and drink by at least one fifth by 2025.

¹ By this we mean that we have accounted for divested businesses, and that each year we've calculated our GHG emissions from electricity in the same way as we did in 2006, using DEFRA's annual figure for the GHG intensity of UK grid electricity. From this year onwards we'll be reporting both figures (based on UK grid average, and accounting for our renewable supply).

² We have previously reported our electricity as being 99% renewable, to account for the small number of new properties we open, and the minority of sites for which we cannot source a renewable supply. To align with the GHG Protocol (and other initiatives such as RE100), for 2017 we have purchased excess renewable energy guarantee of origin certificates (REGOs) to cover these remaining sites and can now report this as 100% renewable.

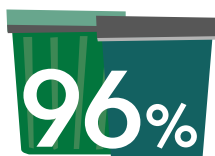
Case study



Ecoinsurance

With our Ecoinsurance product, we've been offsetting carbon emissions for our Insurance customers for over 10 years and by early 2017, one million tonnes of carbon emissions had been offset. This year we've expanded this to offset a proportion of emissions from our customers' homes and cars as standard for all new home and motor policyholders.³ Co-op Insurance is the only major insurer to do this.

We screen the projects we support, only choosing those that are accredited to a recognised standard and have a positive impact on the world, like the Gyapa Stoves project in Ghana. Each tonne of carbon offset through this project means we're supporting four people to access cleaner cookstoves for a year.

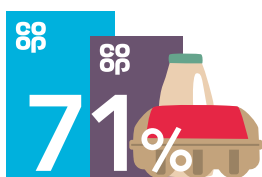


96% of our total operational waste was reused, recycled or recovered (2016: 96%)

Waste

We generate waste across our businesses, with the majority coming from Co-op Food due to its scale. While much of our direct waste impact is from our own operations, we also pay particular attention to the packaging of our food products, which is ultimately disposed of by our customers.

The amount of waste we produce has decreased by 39% since 2006 and decreased by 8% compared to 2016. We believe this is due to a considerable amount of colleague time being invested to reduce the amount of waste that we send back to our depots from food stores.



71% of our Co-op brand product packaging is easy to recycle (2016: 46%)

We know food waste is of particular interest to the public, so we're putting in place the systems to accurately measure this waste and committing to report our annual food waste tonnage for 2018 onwards.

Another of our key priorities is to improve the recyclability of our product packaging. Last year we moved to a new, more relevant and stretching target on this, aiming for 80% of our packaging (by product line) to be 'easy to recycle' by 2020⁴. By the end of 2017 we've made good progress, with 71% of our Co-op branded product packaging easy to recycle (2016: 46%).

Case study



Improving packaging recyclability

Over 2017 we've continued to lead cross-industry work to improve packaging recyclability, including engaging with local authorities and government to improve the UK recycling system.

We've also made several market-leading innovations to increase the amount of plastic which can be recycled. This includes new cooked meat packaging made from one type of plastic, meaning it can now

be easily recycled, new pizza packaging bases which can be recycled along with paper, and minimising the amount of black plastic (difficult to separate and recycle) in our fresh product lines, including the packaging for our mushrooms, baby corn, mange-tout and tomatoes.

Altogether this means that 71% of our Co-op branded packaging is now easy to recycle, up from 46% in 2016.

2018 targets:

- Roll out a process for redistributing surplus food from our stores to charities and community groups
- Publicly report annual food waste tonnage for 2018 calendar year onwards
- 80% of our packaging (by product line) will be easy to recycle by 2020⁴
- Set an ambitious new target to reduce our remaining GHG emissions, to be reported next year

³ We offset 10% of new customers' CO₂-equivalent emissions from their car or home energy use, for motor or home insurance customers respectively, for the first year of their policy. This is based on government-published national averages and DEFRA conversion factors.

⁴ We define 'easy to recycle' as being labelled 'widely recycled', 'recycle with carrier bags in larger stores' or, for beverage containers, 'widely recycled at collection point, check locally for kerbside'. See [OPRL](#). Our packaging recyclability is counted by product, not by weight. Many others measure by weight which shows a much higher percentage.



Performance benchmark
9/9 received in the **WWF Palm Oil Scorecard** 2016, achieving 'Leading the Way' on essential actions

Resource use

The ingredients and raw materials we use can have a significant impact on the natural environment and on biodiversity, whether that's in waterways, agricultural land, soil or forests.

We focus on the responsible sourcing of the resources that have the greatest impact on their environments, as shown below.

How we manage resources

Fish	Wood and paper	Palm oil	Soy
We aim to be one of the UK's most responsible retailers of fish	We ensure that the wood and paper used in our products comes from a responsible source	We aim to use sustainably sourced palm oil in our products	We work with suppliers to find a solution to the responsible sourcing of soy
<p>57% of Co-op branded fish was wild caught and 43% was farmed.</p>  <p>Wild-caught fish brings environmental challenges, with overfishing and destructive catch methods. Since 2008, we risk-assess the fish we source and address any issues in our supply chain. 99.27% of Co-op seafood (wild caught and farmed) was from low or medium-risk fisheries (2016: 96%).</p>	<p>100% of the wood and paper used in products for Co-op Food is of known origin – 95% comes from Forest Stewardship Council (FSC) or recycled sources (2016: 97%).</p>  <p>95% of coffins manufactured by our funeral business were made from FSC-certified wood (2016: 96%).</p>	<p>Palm oil production has impacts on deforestation, and thereby climate change, habitat loss and communities. To ensure we don't contribute to this, 100% of the palm oil in our food products has been certified by the Roundtable on Sustainable Palm Oil since 2012, with non-food included from 2016.</p> 	<p>Global demand for soy production has been linked to the destruction of natural habitats and communities, and intensive farming.</p>  <p>Our most significant use of soy is in animal feed. We covered just under 10% of soy used in animal feed through Round Table on Responsible Soy credits, a similar percentage to 2016.</p>

Case study



Responsible sourcing of fish

Co-op branded tuna is already caught responsibly by pole and line, not nets. This year, we achieved our commitment to ensure the tuna fisheries we source from are either [Marine Stewardship Council](#) (MSC) certified or part of a Fisheries Improvement Project (FIP) (a five-year journey to become MSC certified). Alongside this we worked with our branded suppliers John West and Prince's to ensure their products on Co-op shelves are sourced from fisheries which are MSC certified or in FIPs.



Case study

Collaborating with suppliers to reduce their impacts

In 2017, we became founding partners of [Manufacture 2030](#), an online platform designed to make sustainable manufacturing happen at scale. We've also collaborated with our suppliers to gather data on energy, water and waste.

This, alongside our [Farming Enviromap tool](#), is helping us to understand the environmental hotspots in our supply chain so we can prioritise activity in 2018.



Performance benchmark

In 2017, we received the [WWF UK Timber Scorecard Benchmark 'Three Trees'](#) for our commitments to Forest Stewardship Council and recycled timber, timber products, and reporting

We've maintained our [Graduate status of WWF's UK Forest and Trade Network benchmark](#) and were the first retailer to achieve this

Water

We're working to reduce the amount of water we use, and as of 2017, we have reduced average water used per site by 21%¹, since 2010.

However, we also recognise that we use more water in our supply chains, particularly in agriculture. We have eight [Farming Groups](#) in Co-op Food, made up of just over 400 farmers and growers. 79% of these farms have active plans in place to reduce the amount of water they use, and 100% have water pollution controls in place.

We know that access to clean water is a basic human need and it's one that remains unfulfilled in many of the world's poorest communities. Our partnership with [The One Foundation](#) has raised over £8m from sales of Co-op bottled water² and supported 1.7 million people over 11 years, through water, hygiene and sanitation projects in Africa.

In 2017 we donated £50,000 from sales of Co-op bottled water to help restore water and sanitation facilities for our banana-growing communities in the Dominican Republic devastated by Hurricanes Irma and Maria. And we donated a further £50,000 to the [Disasters Emergency Committee Emergency Appeal](#) to support people fleeing conflict in Myanmar over the border into Bangladesh where water and sanitation provision was put under immense pressure.

As well as making donations from sales of Co-op branded bottled water, in 2017, we became UK founder members of the Global Investment Fund for Water, and will donate 1p per litre of branded water sold through our shops (generating an estimated donation of £900,000 a year to fight water poverty across the developing world).



over £8m

Our partnership with The One Foundation has raised over £8m from sales of Co-op bottled water over 11 years

2018 targets:


- Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell
- Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits
- Develop our Responsible Soy roadmap reviewing usage directly in products and in animal feed – this will include exploring the options around certification, project work and reductions in soy use

Malawi, where Co-op has invested in clean water projects with The One Foundation.
Photo credit: b-photos.co.uk

¹ Site in this context means buildings operated by the Co-op, including food stores, funeral homes, depots and support buildings.

² Including Co-op Fairbourne Springs.

Healthy living

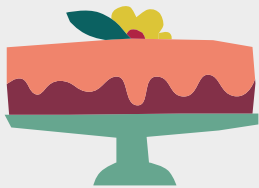
 Read more in our [Performance Data Report](#)



Q Awards

We won five product awards at the Good Choice! Quality Food Awards 2017

Salt: 97% of Co-op branded products met their maximum 2017 Department of Health salt target (2016: 93%) as did 35 out of 46 relevant categories



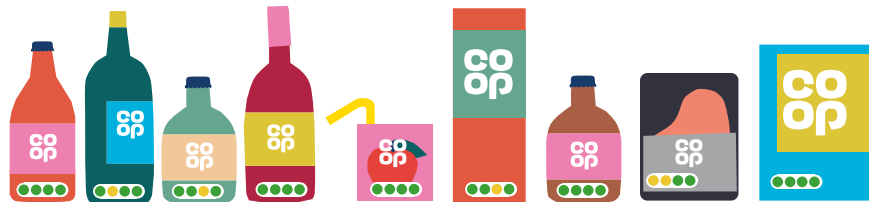
Sugar: 63 million teaspoons of sugar were removed from categories such as Co-op branded breakfast cereals, grocery cooking sauces, flavoured milk, desserts and confectionery in 2017 (based on annual sales)

We recognise that we have an important role to play in supporting our members, colleagues and customers to lead healthy lives - through both the products we sell and our campaigning.

We've led the way on clear and honest labelling over the years, allowing customers to make informed decisions about their purchases. Our traffic light labelling provides front-of-pack, colour-coded nutritional information at a glance.

At the end of 2017, 44% of our Co-op branded food and drink products carried no red traffic light (2016: 44%). To help customers spot healthier options quickly and easily, we also put green dots on the front of products across all food ranges, which highlight nutrition information such as high fibre, low fat or high protein.

To make sure healthier choices are accessible to everyone, 96% of our own brand healthier choices are no more expensive than their standard equivalent product (2016: 100%). We're also committed to the responsible promotion of the food and alcohol we sell and in 2017 36% of price-based food promotions were for healthier products (2016: 38%).



Nutritional content

We continue to take responsibility for reducing the amount of salt, sugar and fat in key product categories. This product reformulation remains one of the cornerstones of how we can make sure our members and customers have access to healthier options.

We are participating in the Public Health England sugar reduction programme to achieve a 20% reduction in sugar by 2020 across nine categories that contribute the most sugar to children's diets.

Alcohol and tobacco


The health impacts of smoking and alcohol are well documented. To support our customers to give up smoking we sell E-cigarettes and smoking cessation products, such as gums and lozenges in the majority of our stores and in larger stores we offer a wider range including patches and sprays. We're also committed to selling alcohol responsibly. We work in partnership with the [Drinkaware Trust](#), providing over £230,000 of funding to them in 2017, and we also help to raise awareness of their campaigns.

When it comes to emotional wellbeing, loneliness is reported to be as bad for health as obesity, and nine million people in the UK are always or often lonely. We're the first major UK business to respond to this issue, partnering with the British Red Cross to make a difference in communities across the UK. Read more on our [campaign to tackle loneliness](#).

2018 targets:

- ▶ A minimum of 50% of price based promotions (for food and non-alcoholic drinks) will be for healthier offerings by 2020

Health and safety

 Read more in our [Performance Data Report](#)

The safety of our colleagues, members and everyone who visits our premises is a priority for our business.


This year we've built on the activities we put in place in 2016. We've created a new safety operating model which has restructured how we manage, report on and take responsibility for health and safety within each of our businesses and support functions. Our Health and Safety function continues to provide support with oversight and appropriate challenges.

We're working on a new safety management system that will make it easier for our colleagues to report health and safety issues. This will give us the information we need to provide even safer ways of working. The launch of this system was planned for 2017 but was delayed to align with our new safety operating model, and will be launched in 2018.

How we manage safety

In 2017, we refreshed our Health and Safety Policy to reflect our [Ways of Being Co-op](#), using language that's more accessible and appropriate for our colleagues. Our revised policy continues our commitment to not only comply with the law, but to go above and beyond wherever possible. All business leaders have signed the policy, demonstrating commitment to safety across the Co-op.

5,277 non-reportable accidents in 2017
(2016: 5,832 )

That's 8,291 per 100,000 colleagues (2016: 8,413 )



229 reportable accidents in 2017 (2016: 338)

That's 360 per 100,000 colleagues (2016: 488)



Our operating model

We are embedding our new safety governance framework and health and safety policy across our Co-op. As a result we'll have clearer accountability and ownership for the safety of our colleagues, customers and members.



Reporting accidents

We monitor and report data on colleague accidents as a key indicator of how effectively we're managing workplace safety. Our significant reduction in reportable accidents can be attributed to a concerted effort across the business to improve safety. This has reduced serious accidents caused by, for example, slips and trips. We'll continue to focus on the improved reporting of near misses and minor accidents.


Looking ahead

As our new safety operating model is embedded across our businesses, we'll work together to ensure that we continue to reduce the total number of accidents through new ways of working. We'll do this by:


- Empowering colleagues to flag safety risks and take ownership for intervening
- Ensuring consistent safety leadership behaviours throughout the business
- Launching our new accident/incident management system to encourage increased levels of reporting, improve visibility and help target interventions more effectively

2018 targets:

- A new accident and incident management system will be used by all our businesses by the end of 2018
- Set a minimum safety standard with our new policies, to be achieved across our Co-op
- Reset our key performance indicators to drive a stronger safety culture

 Restated due to reclassification and backdated incidents which have been recorded during 2017

Diversity and inclusion

 Read more in our [Performance Data Report](#)

55%

of our colleagues (and 41% of managers¹) are female (UK population: 51%)¹



Diversity and Inclusion
Pioneers programme



Performance Benchmark
We're signed up to
Level 2 of the **Disability
Confident Scheme**

Equality has been a founding value of co-operatives since the Rochdale Pioneers gave members equal rights and equal benefits. Today, equality and diversity are key in helping us create an inclusive Co-op and achieve a commercial advantage.

We embrace individual differences, whether legally protected (such as age, religion and gender), or other areas like social background, where people come from, or their caring responsibilities.

We have a Diversity and Inclusion Strategy, which looks to create a more inclusive Co-op and increase our diversity to reflect the communities we serve. To help us achieve this aim in 2017, we focused on four priority areas: inclusive recruitment; respect at work; visible leadership and data about our colleagues' diversity.

We report on our colleague demographics and to put this in context, we benchmark ourselves against the UK population (2011 Census). We also [report on](#) how we support our diverse mix of colleagues through our networks focusing on gender, and the LGBT+ community.

To help embed our four areas of focus we've launched a new Diversity and Inclusion Pioneers programme, a network of colleagues across the business who work to identify areas for improvement and help to ensure our Co-op offers an inclusive environment for everyone.

This year we also transferred to Level 2 (of 3) of the [Disability Confident Scheme](#) (formerly the Two Ticks), a government programme that recognises employers who go the extra mile to make sure disabled people get a fair chance.

Age

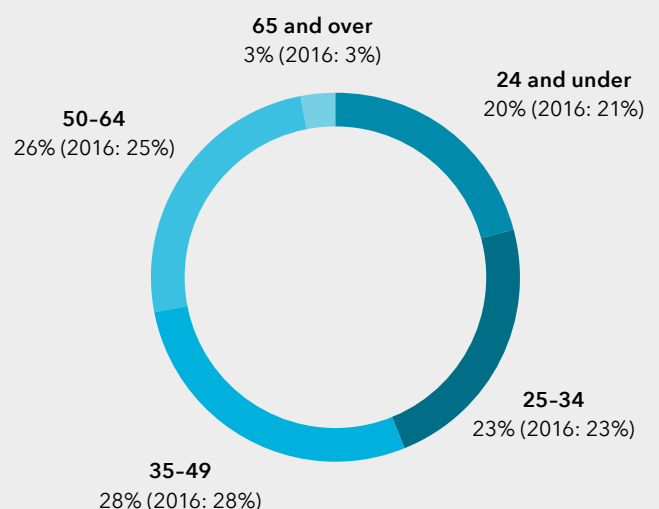
The UK has an ageing population and some organisations now have up to five generations in the workplace for the first time. We've continued our relationship with [Business in the Community](#) and as part of their Age at Work Leadership Team, we are looking at ways to support our inter-generational workforce, encouraging their continued employment and relationship with our Co-op.

We have an apprenticeship programme, which is open to anyone over the age of 16, giving younger colleagues the opportunity to start their careers

with us, but also offering older colleagues the opportunity to change career direction, to learn new skills or apply existing ones (you can read more about our apprentices [here](#)). We also encourage continued employment if that's what colleagues choose, we don't enforce a retirement age.

To better understand the needs of our colleagues, in 2017 we held focus groups which identified the need for a colleague network specifically for younger people, to enable their voices to make a positive impact on our business. The network will launch in 2018.

Proportion of employees in each age band





Performance Benchmark
The Stonewall Workplace Equality Index 2018
 ranked us 66th in its index of Britain's top 100 employers actively encouraging inclusive places to work in 2017 (2017 Index: ranked 31st)



Gender, ethnicity and disability

We're required by law to capture information on colleagues' gender and age. However, it's up to colleagues if they want to share more about their backgrounds such as their ethnicity or disability. We report data using our annual survey Talkback to which 84% of colleagues responded in 2017 (with 84% and 83% responding to tell us about their ethnicity/disability respectively). We know our colleague population does not mirror that of the UK closely enough, and that's something we've been working to address as part of our strategy to build a more inclusive Co-op.

4%

identify as having a disability
 (UK population: 9%)¹
 (2016: 4%)

10%

identify as belonging to
 an ethnic minority group
 (UK population: 14%)¹
 (2016: 9%)

33%

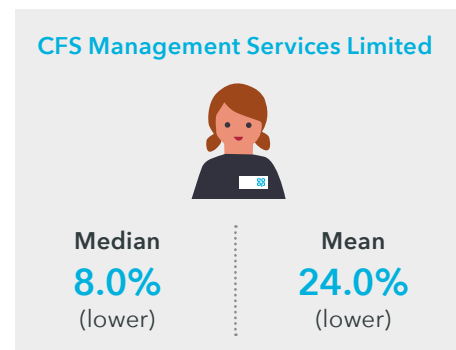
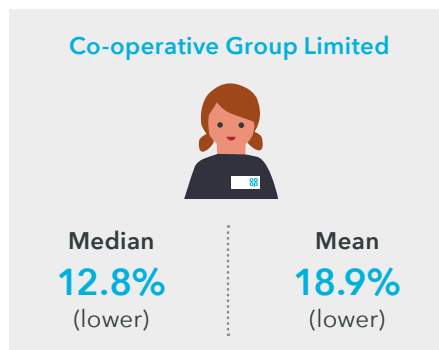
have dependant or
 caring responsibilities
 (2016: 34%) ^R

Gender pay gap reporting

Employers with 250 or more employees are required to publish information showing different calculations of any pay gap between their male and female employees. Gender pay gap reporting shows the overall difference in the average pay for all men and women across our business. It doesn't compare what men and women are paid for doing the same job. Where a business has more men than women in its higher paid jobs, this will create a gender pay gap.

We published our gender pay gap in February 2018 - you can read the full report explaining our results, and how we're addressing them, in more detail [here](#). We know that having more men than women at senior levels has an impact on our pay gap. Right now we're working to understand more about the underlying reasons for our gap which will help to inform and refine the initiatives which are already underway.

Women's hourly rate²



The median compares the hourly rate of the middle male role to middle female role, and the mean compares the average hourly male rate to the average hourly female rate.

Looking ahead

In 2018, we will continue to build on our work to create a more diverse, inclusive Co-op and will focus on creating a more inclusive recruitment experience, taking the findings from the 2017 review.

2018 targets:


- Continue the focus of increasing 'respect at work' measured by colleagues telling us they are treated fairly via our colleague survey Talkback
- Launch two additional colleague networks representing ethnicity and early careers
- Launch our Inclusion Council formed of internal and external parties

^R - restated due to recalculation

¹ Based on the 2011 Census.

² We have to produce data by employer. In our Co-op there are two employers: Co-operative Group Limited which employs most of our colleagues, and CFS Management Services Limited which is mainly made up of our Insurance colleagues.

Colleague wellbeing

 Read more in our [Performance Data Report](#)

22.6%

voluntary turnover
across our business
(2016: 24.2%)

63,645

colleagues (2016: 69,320)

We want all of our colleagues to feel valued and recognised for the part they play in our success. It's also important they feel healthy, motivated and at their best, not just at work but in everything they do. We believe the best way to support our colleagues is to listen to them, find out what matters most and focus on what they need.

Colleague engagement, rates of absence and voluntary turnover are all important indicators of how we're doing on colleague wellbeing, showing us where we're doing well and where we need to improve. In 2017, our engagement score remained in the mid-70s, the rate of voluntary turnover reduced slightly since last year and absence remained steady.

We've listened to our colleagues and improved their support package to include a new range of activities that focus on the things that matter to them, like physical and mental health, and financial wellbeing.



Performance Benchmark
Our **engagement score of 75%** continues to perform above a benchmark of other retailers (73%)



Performance Benchmark
4.1% absence rate
(2016: 4.1%) UK Retail average: 2.8% (CIPD¹)

What colleagues are telling us

Colleague engagement helps us measure the commitment and motivation of our colleagues, and find out how they feel about working at the Co-op, and that's an important part of how we deliver a strong business performance. We measure engagement through a survey called Talkback, which gives us an index score. In 2017 that score was 75% (2016: 78%). The continued high level is encouraging, but we know there is always room for improvement. We are taking the time to listen to colleagues to give them the chance to help us develop solutions.

Our engagement score (75%) continues to perform above a benchmark of other retailers (73%) including Sainsbury's, Matalan, Morrisons, Asda and Boots.

- For the first time, the survey was available online to all colleagues and received a response rate of 84% (2016: 82%).
- We know that managers who are great at encouraging discussion and asking for feedback manage colleagues with high engagement levels. These colleagues recorded an average engagement level of 84%.
- 72% of colleagues are optimistic about career opportunities at the Co-op (2016: 72%). This year we've analysed perceptions to understand in more detail why colleagues feel this way and how this links to their intention to stay. Using the findings will help us to take a more targeted approach to retaining our talent.

¹ 2016 Absence Management Report - latest available.

Health and financial wellbeing

Our colleagues have told us they want support on health and financial wellbeing issues. In 2017, we launched a range of initiatives to increase the support colleagues receive in these areas, for example:

- Our Employee Assistance Programme is now provided in partnership with Lifeworks. It provides colleagues with 24/7 telephone assistance on health, wellbeing, work, family, legal and money issues. Onward referrals for specialist counselling are also available when further support is required. We've actively promoted the new service across the Co-op to make sure everyone knows about it.
- We tried out a wellbeing website and app, which gives colleagues immediate access to the Employee Assistance Programme, as well as information and tools for fitness, diet, relationships, budgeting and debt. The wellbeing app and website were made available to all Co-op colleagues in early 2018.
- We also looked at an absence support service to provide nurse-led support by telephone, and a service that provides colleagues and their immediate family with 24/7 telephone and web access to GP consultations. In 2018, we will evaluate the trial results, which will help us to decide whether they will be rolled out business wide.
- In addition, we have simplified our processes for supporting colleagues when they have health issues, to ensure that they receive effective and integrated care when they need it, for example through our occupational health and psychological support services.



Lois McClure, Highly Commended finalist for the **2017 National Apprenticeship Champion award**

We know that issues around mental and physical health and financial wellbeing will always be important to our colleagues and we'll do even more to support them in 2018. We're introducing a debt consolidation service that gives colleagues access to low-cost, responsible borrowing and an alternative to sources like payday lending. We'll also investigate the provision of a Workplace ISA (a tax-efficient savings plan) and continue our close relationship with credit unions, which provide savings and lending services to our colleagues.

Celebrating our colleagues

Every day our colleagues do amazing things for our members, customers and communities and we believe it's important to recognise and celebrate them. In 2017 we introduced new, practical ways for colleagues and managers to simply say 'thank you' for a job well done, and to share the good news with others. This year we're launching the Thank You for Being Co-op Awards, to celebrate outstanding achievements from our colleagues that make a real difference to peoples' lives.

Apprenticeships

We offer a range of apprenticeships across our business and we've recruited over 3,600 apprentices since 2011. This year, we've assessed the social impact of our apprenticeship programme to understand the difference we make, you can find out more about this on [page 11](#).

2018 targets:

- Provide 1,000 apprentice opportunities each year from 2018
- Maintain levels of colleague engagement as measured by our engagement index
- Introduce new ways to recognise and celebrate the great work our colleagues do every day across our Co-op businesses, including launching Thank You for Being Co-op Awards
- Provide colleagues with new services and tools to support their health and wellbeing and to help them improve their finances



Performance data report

We aim to be open and honest in all that we do, including our reporting. This section of our report contains supplementary information and data to help readers understand more about our performance.

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Sustainable Development Goals

At a global level, we welcome and support the vision provided by the [UN Sustainable Development Goals \(SDGs\)](#) as a framework that allows for genuine long-term and collaborative action. In 2018 we became a signatory to the [UN Global Compact](#), signed up to the British Retail Consortium's [Better Retail, Better World](#), and pledged our support for to the International Co-operatives Alliance's [Co-ops for 2030](#).

Below we summarise our progress against the 17 goals. And over the coming year, we'll look in more detail at how and where our material activities align with the SDGs and aim to create robust, long-term targets.

	<p>Our work on Fairtrade helps to ensure that workers in our global supply chains get a fairer deal. We saw a 15.1% increase in Fairtrade sales in 2017 vs 2016 (against market growth of 7.4%).</p>		<p>Through our carbon offsetting we support wind farms in India, facilitating the development of sustainable infrastructure in the country.</p>
	<p>We're committed to safeguarding the security and supply of food. We aim to reduce the risk of environmental impacts on our business and in the wider supply chain.</p>		<p>Our long-standing commitment to Fairtrade contributes to reducing inequalities, and we were the first business to sign Fair Funerals' new enhanced pledge to tackle funeral poverty.</p>
	<p>As part of the Jo Cox Commission on Loneliness, we launched a new report calling on the government to recognise and respond to loneliness as a major issue in society.</p>		<p>In 2017 we invested £27.6m in UK communities and £2.1m in international communities.</p>
	<p>We offer a range of apprenticeships across our business and we've recruited over 3,600 apprentices since 2011. In addition we were proud to sponsor 11 academy schools by the end of 2017.</p>		<p>By 2020 we want 80% of our food product packaging to be easy to recycle by product line, and our latest data shows we're at 71%.</p>
	<p>55% of colleagues and 41% of our managers are female and our colleague 'Aspire' network enables and encourages female peer support at work.</p>		<p>We've achieved our target to reduce our direct greenhouse emissions by 50% compared with 2006, three years ahead of schedule. We'll be setting an ambitious new target to reduce our remaining emissions.</p>
	<p>We also report our Gender Pay Gap, and are using this data to inform and refine our initiatives in this area.</p>		<p>We aim to be one of the UK's most responsible retailers of fish. In 2017, 99% of wild-caught fish was from low or medium-risk fisheries.</p>
	<p>Our partnership with The One Foundation has raised over £8m and supported 1.7 million people over 11 years, through water, hygiene and sanitation projects in Africa. We also became UK founder members of the newly launched Global Investment Fund for Water.</p>		<p>We're committed to the protection of natural resources, and aim to source responsibly wherever possible, from wood to palm oil and soy.</p>
	<p>Through carbon offsetting for our insurance customers we support the provision of fuel-efficient stoves in Ghana. 100% of our electricity is from renewables.</p>		<p>Our Human Rights and Trade Policy identifies the exceptional conditions under which we will suspend trade with a nation state or designated region.</p>
	<p>We are a member of the Ethical Trading Initiative, a founder of Stronger Together, and we continue to support the fight against modern slavery.</p>		<p>We support initiatives with the British Retail Consortium and the International Co-operatives Alliance to further the aims of the SDGs through co-operation.</p>

Business ethics and behaviour

Making decisions ethically

We are committed to putting our Values and Principles and our members' views at the centre of our approach to business ethics. Our ethical decision-making tool, built collaboratively with members, and endorsed by our Board and Members' Council in 2016 is how we'll do this. We haven't monitored the use of the tool over the past year, but will carry out further work to develop this model during 2018.

Ethical decision-making tool

- What would our members think?
- Does it create commercial and social value for our members?
- What is the impact on our communities?
- Could our members understand what we have done and why?

Fair Tax Mark



We know that a responsible approach to tax is an issue of great concern to the UK public. In 2015, 2016 and 2017 we were awarded the Fair Tax Mark. This sets a new standard for responsible tax practice and reporting, and demonstrates how we are open and transparent about our tax affairs. Our application for the Mark followed a recommendation made by our Members' Council in 2015, and demonstrates how the Members' Council and the business worked co-operatively to put our Values, Principles and Purpose into action.

Distribution of economic value added

'Economic value added' measures the financial benefits that commercial organisations deliver to stakeholders. Our reporting is based on the Global Reporting Initiative's indicator on 'direct economic value generated and distributed'.

Distribution of economic value added (£m)

	2014	2015	2016	2017
Colleague wages and pension benefits	1,223	1,174	1,323 [Ⓢ]	1,353
Payments to government (mainly business rates, employers' National Insurance and irrecoverable VAT)	188	191	199	201
Distribution to members	23 (including 22 in promotional vouchers and 0.6 from Swipe and Win payments)	28 (including 24 in promotional vouchers and 3.6 from Swipe and Win payments)	23 (including 4.4 redeemed through members' 5% reward, 15.2 in promotional vouchers and 2.9 from Swipe and Win payments)	61
Community investment	8	6	11	30
Payments to providers of capital (interest paid to bankers or bondholders for loans)	114	83	82	73
Set aside for capital maintenance and future growth (ie after accounting for other payments, including payments to government, members and community investment)	287	270	207 [Ⓢ]	183
Total	1,843	1,752	1,845 [Ⓢ]	1,901

[Ⓢ] Restated due to the impairment of the investment in the Co-op Bank and the restatement of wages and salaries figures in relation to national insurance and pension costs adjustments, in line with our statutory accounts.

Public policy engagement

As a responsible business, we continue to use our influence to campaign for a fairer and more sustainable world, and are open about our lobbying and its outcomes.

For reporting purposes, 'engagement' is restricted to instances where we've raised or supported a significant initiative relating to issues identified in our [Co-op Way Policy Framework](#).

Issue	Audience	Engagement	Policy position
Business ethics and behaviour			
Support for the growth of the co-operative economy	Government Department for Business, Energy and Industrial Strategy (BEIS)	Submission of response to Corporate Governance Green Paper	Supportive of a UK corporate governance framework that is designed to create long-term value and commands the confidence and respect of all stakeholders. But one-size does not fit all, and not all of the Green Paper options were relevant to us as a member-owned co-operative business
Support for the growth of the co-operative economy	Government Department for Business, Energy and Industrial Strategy (BEIS)	Submission of response to Industrial Strategy Green Paper	Supportive of many of the proposals, but emphasised that an emerging industrial strategy needs to include measures to enhance the economic and social well-being of communities throughout the UK
Support for the growth of the co-operative economy	Government , Her Majesty's Treasury (HMT)	Submission of response to consultation about audit thresholds for co-ops	Welcomed proposal to raise the threshold level for audits of smaller co-operatives to a level equivalent to companies
Food and farming			
Support for British food and farming	Government Department for Food and Rural Affairs (DEFRA), Members of the House of Commons and House of Lords , NGOs	A series of events to showcase credentials, including: <ul style="list-style-type: none"> - Presence at Agricultural Shows with outreach to ministers and parliamentarians including Royal Highland Show (June 2017) and Great Yorkshire Show (July 2017) - Department for Environment, Food and Rural Affairs Food Innovators roundtable (July 2017) - Store-based events in London, Cardiff and Edinburgh (September - October 2017) 	Commercial commitment to source £2.5bn of UK meat, fruit and vegetables over the next three years (May 2017), with the Co-op becoming the only retailer to provide 100% UK fresh and frozen own brand meat (excluding cured and continental fresh meat eg Chorizo)
Groceries Code Adjudicator (GCA)	Government Department for Business, Energy and Industrial Strategy (BEIS)	Submission of response to consultation on the GCA	Supportive of the Groceries Supply Code of Practice (GSCOP) and the role of the adjudicator working for the interests of consumers, suppliers and the businesses in scope. Recommended that the Code is regularly reviewed to reflect future market changes, such as the growth of online retail and new market entrants. Expressed concern that if the GCA remit were extended to third party suppliers, costs could rise without commensurate benefit for all involved.

Issue	Audience	Engagement	Policy position
Ethical trade and human rights			
Modern Slavery: Support for victims	Government Home Office and Department for Work and Pensions (DWP) Members of the House of Commons and House of Lords , NGOs	A series of Westminster interventions over the course of 2017 including: - Submission of written evidence of Bright Future to Joint Committee on Human Rights Inquiry on 'Human Rights and Business' (March 2017) - Submission to Work & Pensions Select Committee inquiry on 'Victims of modern slavery' (March 2017) - Support for Lord McColl Private Members' Bill on 'Victims of Modern Slavery' (September 2017)	Call on businesses and government to do more to support victims of slavery in the UK Explicit support for provision in Lord McColl's Private Members' Bill for extension of government support for victims up from 45 days to one year
Modern Slavery: Project Bright Future - employment opportunities for victims	NGOs	Public launch at event at International Anti-Slavery Museum (March 2017)	Call on businesses and government to do more to support victims of slavery in the UK
	NGOs, Members of the House of Commons and House of Lords , Independent Anti-Slavery Commissioner	Publication of interim evaluation report (November 2017) Presentation to All Party Parliamentary Group on Human Trafficking and Modern Slavery (November 2017)	
Modern Slavery: Business reporting under the Modern Slavery Act	Government , NGOs	Modern Slavery Statement 2016 and report published in May 2017 and widely distributed to stakeholders, including Home Office and International Anti-Slavery Commissioner	Call on government to promote business compliance with the Modern Slavery Act
	Members of the House of Commons	Briefings led to positive mentions in 'Implementation of the Modern Slavery Act' backbench debate (October 2017)	
Modern slavery: The response of the UK business community	Independent Anti-Slavery Commissioner, government (Home Office), business community	Key note speech at the launch event of the International Anti-Slavery Commissioner Annual Report in October 2017	Call on businesses in the UK to work together to combat modern slavery and to provide support for victims
	Government , business community	Invited to participate in new Home Office CEO Forum to be led by the Home Secretary	
Modern Slavery: Support for victims	Delegates and visitors to the Co-operative Party's Centenary Conference	Speech to plenary and participation in a lunch-time fringe meeting	We are leading the way, building on past campaigning heritage but addressing 21st century social issues, by campaigning to support victims of slavery in the UK
Fairtrade: Extending our range	All Party Parliamentary Group for Fairtrade	Support and speaking opportunity at its annual reception to mark Fairtrade Fortnight	In 2017, fifteen years after the Co-op launched the UK's only Fairtrade own brand chocolate, we became the first UK retailer to source 100% cocoa across our Co-op branded range

Issue	Audience	Engagement	Policy position
Environment and resource use			
Recycling	Government Department for Environment, Food and Rural Affairs (DEFRA), Members of the House of Commons	Briefings to Members of Parliament, including members of the Environment, Food and Rural Affairs and Environmental Audit Select Committees (December 2017)	Support for the concept of UK-wide deposit return schemes, as part of a package of measures to reduce the impact of single-use plastics. Pledge to work in partnership to shape implementation
United Nations Sustainable Development Goals	Office of National Statistics	Co-signed open letter calling on government to acknowledge the importance of the United Nations Sustainable Development Goals (January 2017) Response to the Office of National Statistics consultation about its approach to measuring and reporting Sustainable Development Goals in the UK (September 2017)	Supportive of United Nations Sustainable Development Goals and, in particular, keen to encourage UK measurement and reporting against Sustainable Development Goals in a way that enables business to align and benchmark themselves through use of consistent and robust data
Healthy living			
Salt and sugar reduction	Members of the House of Commons and House of Lords	Written submission to the All-Party Parliamentary Group on Diabetes (October 2017)	We aim to help our members and customers make healthy and informed choices, and have sugar and salt reduction targets for Co-op branded products
	Public Health England	Regular engagement with officials to help shape Childhood Obesity Plan	
Tackling loneliness and social isolation	Government and parliamentarians in the UK's four nations	The Co-op was the only business on the Jo Cox Commission on Loneliness which met regularly during 2017 and published a call to action (December 2017)	In line with Co-op and British Red Cross campaign partnership objectives
Tackling loneliness and social isolation	Specifically regarding Scotland	Briefings led to positive mentions in Scottish Parliament debate on 'Triggers of loneliness' (March 2017) Co-op and British Red Cross partnership meeting with Social Security Minister, Jeanne Freeman Member of the Scottish Parliament	In line with Co-op and British Red Cross campaign partnership objectives
Tackling loneliness and social isolation	Specifically regarding Wales	Alongside British Red Cross, presented oral evidence to Health, Social Care and Sport Committee inquiry on 'Loneliness and Isolation' (June 2017)	In line with Co-op and British Red Cross campaign partnership objectives
Community			
Children's funeral fees	Members of the House of Commons , Charity sector	Engagement with parliamentarians to brief on Co-op's policy 'under 18, no charge, Co-op move praised by Prime Minister at Prime Minister's Questions (March 2017)	Call on all organisations to not impose charges for children's funerals
Funeral costs / affordability	Government , Department for Work and Pensions (DWP)	Written submission to Department of Work and Pensions consultation on Funeral Expenses (August 2017)	Call on government to improve Funeral Expenses scheme, making it easier for those in need to claim
Funeral plans regulation	Members of the House of Commons	Engagement to discuss regulation of funeral plans in light of 10 Minute Rule Bill	Better regulation of funeral plan market to protect consumers and promote consumer confidence

Trade and business association membership fees

We disclose all of our principal memberships, subscription fees and donations to trade and business associations that engage in public policy activities.

Donations and subscriptions, 2017 (£)

Co-operatives UK	702,960
Drinkaware Trust	230,000
National Association of Funeral Directors	209,500
British Retail Consortium	158,489
The Law Society	68,666
International Co-operative Alliance	65,366
Institute of Grocery Distribution Services	48,646
Funeral Planning Authority	42,000
Downstream Fuel Association	37,958
Ethical Trading Initiative	37,508
Business In The Community (BITC)	36,000
Association of British Insurers	31,999
Incorporated Society of British Advertisers	29,030
The Wine and Spirit Trade Association	22,082
Waste and Resource Action Programme (WRAP)	20,000
British Institute of Embalmers	16,500
The Association of Convenience Stores	13,475
Inclusive Employers	10,000
Marine Stewardship Council	9,000
Scottish Grocers Federation	8,734
RECYCLING Of Used Plastics Limited (RECOUP)	7,500
National Farmers' Union	6,000
Retailers' Soy Group	5,000
Retail Palm Oil Group	5,000
LBG	4,700
Business Disability Forum	3,600
Federation of Burial and Cremation Authorities	3,500
Freight Transport Association	3,168
Opportunity Now	2,800
Race for Opportunity	2,800
Round Table on Responsible Soy	2,500
Stonewall	2,500
British Nutrition Foundation	2,478
Enterprise Forum Ltd	2,100
Roundtable on Sustainable Palm Oil (RSPO)	1,713
WWF Forest and Trade Network	1,500
UK Sustainable Investment and Finance Association	1,150
Total	£1,855,922

Screening of Co-op Insurance investment opportunities

Since 2011, all investments made by our insurance business in fixed-income bonds to underpin home and motor premiums have been screened against its Ethical Policy. The screening is carried out by the dedicated Responsible Investment team within Royal London Asset Management (CIS), which provides asset management services. Any potentially problematic investments are referred to our Policy and Campaigns team for assessment and final recommendation.

In 2017, 16 fixed-income investment opportunities were screened (2016: 11). Two were referred for assessment and one of these was declined (2016: three referred and none declined).

Compliance with Groceries Supply Code of Practice ('the Code')

We want our suppliers to feel that they have effective, collaborative and fair relationships with us. Our Food business's trading relationships with groceries suppliers are regulated by the Groceries Supply Code of Practice. Our Co-op is one of ten designated retailers in the UK that the Code applies to. The Groceries Code Adjudicator (GCA) is the regulator responsible for the Code.

On 8 March 2018, the GCA launched an investigation into some of our practices relating to delisting and the introduction of benchmarking and depot quality control charges. We acknowledge that we have fallen short and have been discussing the two issues raised with the GCA. We have taken decisive steps in line with our commitment to ensure the fair treatment of all of our suppliers including:

- Strengthened our systems and processes for the future.
- Retrained 450 commercial colleagues in the operation of the Code.
- Written to all of our 1,500 direct suppliers to seek information on any delisting decisions that they believe may have been taken without appropriate consultation. A small number of suppliers have raised concerns which we are working through with them.
- Reviewed every case where a supplier was charged for benchmarking and quality control. As a result 110 suppliers have been refunded a total of approximately £0.5m.

As part of our standard compliance activities, retailers are required to train all members of their buying teams on their obligations under the Code, both when colleagues join our Co-op and annually thereafter. In addition to our buying teams, we train a wide set of colleagues across our supply chain, technical and finance functions. We conduct a programme of spot checks and compliance audits that have

informed improvements to our policies, procedures and training. For more detail on our compliance activities in 2017 please see our [Annual Report](#).

Suppliers are encouraged to contact our Code Compliance Officer (Co-op.Code.Compliance.Officer@coop.co.uk) if they want more information.



Performance benchmark

We ranked **8th of 10** food retailers on how well we complied with the Code in 2017¹

Speak Up

In line with best practice and to ensure we do the right thing by our values and principles, a whistleblowing procedure, known as Speak Up, has again been in operation during the year. Managed by an independent external company, this allows colleagues to raise concerns about business practices confidentially should they not wish to talk to someone within the Co-op. It also allows suppliers to report on any wrongdoing in relation to the Co-op. The whistleblowing policy is included in the Code of Business Conduct, and is available on the colleague intranet and our website.

In 2017 we received 74 whistleblowing reports through Speak Up (2016: 84). In total Speak Up were contacted 170 times in 2017 (2016: 187). As well as whistleblowing reports this included the provision of additional information, requests for feedback and the seeking of advice.

In addition to the whistleblowing reports made via Speak Up, 28 whistleblowing reports were made direct to colleagues at the Co-op. We have a procedure for recording and investigating whistleblowing reports, a summary of which is presented to our Risk and Audit Committee.

Food safety and quality control

We are working continuously with our suppliers to simplify our supply chains and strengthen our risk management, traceability and quality assurance processes. All Co-op Own Label suppliers are audited against British Retail Consortium (BRC) Global Standards. Food safety, legality and product quality requirements are delivered by working with our suppliers to ensure all products are compliant with relevant legislation and our own Co-op standards.

Our approach to authenticity which has been recognised² as industry leading, is one of collaboration. Working with our suppliers and an independent testing laboratory, we have established a comprehensive testing programme which covers origin, production system, species, variety, composition and adulteration. This ensures our Co-op branded products deliver against all aspects of authenticity and protect our customers and the Co-op brand.

¹ YouGov survey. Rank is based on supplier responses to the following questions: Overall, how well or not do you think these retailers follow the Code?

² Recognised by Professor Chris Elliott, Queen's University Belfast, Northern Ireland. Director of the Queens Institute for Global Food Security and Chair of Food Safety and Microbiology. Led an independent review of the UK's food system, following the horsemeat scandal and is also a non-executive independent adviser to the Food Industry Intelligence Network (FIIN).

Membership and democracy

As a co-operative, we're owned by our members – and this makes us different from other businesses. Making Membership meaningful and involving members through our democracy is important to us. We aim to give people a real reason to become members, reward them and give them a voice to shape how we work.

	2016	2017
Active members Those who have traded with us in the last year in Co-op Food, Electrical, Funeral and Life Planning, Insurance and Legal Services.	4.0m	4.6m
New members	0.5m (0.4m joined us after we launched our Membership Scheme in September 2016)	1.0m

Our Membership Scheme

In 2016 we launched our Membership Scheme: something for you and something for your community

- £61m was earned by members for themselves (of which £50.6m was redeemed) during 2017. This is £82.4m cumulatively from the launch of the Scheme in May 2016
- £12.4m was accrued by members for over 12,000 community projects with causes across our 1,500 local communities, during 2017. A total of £20m was paid out during 2017 which included £12.9m from Member's own brand purchases since the start of the Scheme in 2016 and £7.1m from the sales of our 5p carrier bags and wider re-usable bag range. This will support a wide range of projects including young people, community development, social inclusion as well as health, education and arts and culture

Democratic member control

Having a strong relationship with our members, giving them a voice and listening to their views is key to our success and helps us to define our unique Co-op difference.

Democratic member representation is achieved through one member, one vote. Eligible members are able to elect representatives to the Members' Council and Member Nominated Directors to the Board.

All our Board directors are members themselves, needing to meet both Membership and eligibility requirements. Our Member Nominated Directors are elected through a direct ballot of our members and our Independent Non-Executive Directors are appointed by our Board and subsequently elected by members at our AGM.

Our Members' Council, comprising 100 members¹, represents our wider Membership base and acts as guardian of our Values and Principles.

In 2016, the Council launched its Co-op Compass, a monitoring framework to support the Council in its role of holding the Board to account. There are four lenses, with associated KPIs:

1. Member value
2. Member voice
3. Ethical and sustainable leadership
4. Co-operative leadership

The Council also has an important role to play in representing the views of its members. It hosted 20 Shape your Community events across the UK in Autumn 2017 where it was able to hear feedback from 1,100 members (2016: 796) on key local and national issues.

77,000 members voted in our 2017 AGM and elections (2016: 99,000), with 800 voting in person at the AGM (2016: 750). Voter turnout among eligible members was 3.5%, lower than 2016 (4.7%) but comparable to 2015.

Our members vote on motions at our AGM, which are put forward by our Board, Council or members. In 2017 members voted on motions including:

- **Modern slavery** – supporting a commitment to help victims of modern slavery with jobs in our stores
- **Recycling** – supporting a long-term ambition that 100% of Co-op packaging will be recyclable, with 80% recyclable by 2020
- **Fairtrade** – supporting an ongoing commitment to Fairtrade
- **Political donations** – agreeing political expenditure on items including donations and subscriptions to political parties
- **Pay gaps** – supporting a commitment to review colleague pay gaps

¹ Includes individuals elected by members by constituency, representatives of independent society members and eight Council appointed representatives

Member voice

Members also have the opportunity to participate in our Co-op through less formal channels. Members can get involved in shaping day-to-day business decisions by [joining in](#) with opportunities via their member account. At the end of December, over 30,000 members had signed up to take part in activities as diverse as creating the first member-designed Co-op Wine - [Members' Choice Pioneer Pinot Grigio](#), [exploring community investment ideas with the Co-op Foundation](#) and identifying priorities for [ethical policy development](#). We're developing a wider participation strategy, which will focus on creating more opportunities for members to engage in five key areas: community, business, democracy, education and campaigns.

Young members

At the end of 2017, we had 158,441 active¹ members aged 25 and under (2016: 91,700), of whom 1,169 have actively joined in with an opportunity to influence their Co-op. We know that young people are under-represented in our Co-op. Our Co-op Young Members' Board (CYMB) is an advisory panel of 15 members aged 16-25 and helps to foster representation of young members in our business.

Throughout the year, the CYMB has been focusing on the development of strategies and models for engaging young people in our Co-op, and has been working closely with the business, for example, providing input into our Renew strategy. Throughout the autumn the CYMB explored how the Co-op could deliver life skills to young people, and this culminated in a life skills 'bootcamp' for 16-19 year olds that ran for three days in Manchester.

¹ Members who have traded with a Co-op business in the past year.

Co-operation among co-operatives

Financial support

In 2017, we paid £1.97m to support representative and affiliated bodies of the co-operative movement.

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

2014	2015	2016	2017
1.80	1.80	1.77	1.97

Breakdown of financial support for the co-operative movement (£)

Organisation	
Co-operatives UK	702,960
Co-operative Party	625,600
Co-operative Academies Trust	334,000
Co-operative Press	119,000
Co-operative College	102,000
International Co-operative Alliance	65,366
Co-operative Heritage Trust	18,000
Total	£1,966,926

Our activities to support and promote co-operation and social enterprise

Co-operatives Fortnight

Co-operatives Fortnight ran from 17 June to 1 July 2017. It is the co-operative sector's national campaign to promote co-operation. We held an awareness event for colleagues, launching the [Co-operative Economy Report 2017](#) from Co-operatives UK, and engaged audiences via social media.

Social Saturday

Social Saturday is an annual campaign to raise awareness of the difference that social enterprises are making in communities at home and around the world, and to encourage support for these businesses. Held on 14 October 2017, the campaign is led by Social Enterprise UK and is supported by the Co-op and the Department for Culture, Media and Sport. We provided staff time, and £35,000 of financial support. Following a media launch in parliament and national event launch at our support centre in Manchester, activities included over 100 social enterprise-led community events throughout the UK; and an extensive print, broadcast and social media campaign.

Local Community Fund

We are looking to extend the eligibility criteria for our [Local Community Fund](#) to allow co-operatives, social enterprises and other community benefit societies to apply for funding for community causes. A total of 86 such organisations have been involved in the pilot to date.

Federal Retail and Trading Service

Through Federal Retail and Trading Services Limited (FRTS), we provide services for our own business and other Independent Member Societies. These services cover (where appropriate) collective buying, marketing and distribution. As FRTS is run on a cost recovery basis, it does not generate any profits, but allows us to share the economic advantages of our size and scale.

Co-op Academies

We sponsor 11 academy schools in Greater Manchester, Yorkshire and Stoke-on-Trent through the Co-operative Academies Trust.

In 2017, we embedded co-operative values and principles by running training programmes for colleagues within each of our academies; extending Co-op colleague benefits to academy staff; and by identifying a Co-operative Co-ordinator within each academy to promote the wider benefits of co-operation.

Over the coming year, we aim to grow the Co-op Academies Trust (number of schools); support greater governance through provision of expertise from our business (governors, advice and support provided); and align the branding of the Co-op Academies Trust with our own.

UK community investment

Our community activities in 2017 led to a total investment of £29.7m. We use the [LBG](#) methodology to collate and present our community investment data.

The figures captured in our community investment data represents what has been distributed during 2017.

Total UK community investment (£m)

	2015	2016	2017
Cash	1.6	1.5	14.5
Colleague time	1.0	1.5	2.0
Gifts in kind	0.8	0.9	0.5
Management costs	0.2	– ¹	– ¹
Leverage (donations by members, customers and suppliers)	2.2	6.9	10.6
Total	5.8	10.8	27.6

UK community investment has increased by almost £17m during 2017. This is due to the introduction of the Local Community Fund where we give 1% of what our members spend on selected products and services along with the funding generated by statutory charges on sales of our carrier bags and donations from our wider re-usable bag range to local causes, as chosen by our members.

Total international community investment (£m)

	2015	2016	2017
Cash	1.03	0.88	2.07
Colleague time	0.01	0.05	0.02
Leverage (donations by members, customers and suppliers)	0.04	0.06	0.05
Total	1.1	1.0	2.1

The increase in cash investment for 2017 is due to the significant increase in the amount we give to the One Foundation, by donating 3p from every litre of Co-op branded water we sell (previously, donations were only made for sales of Fairbourne Springs Water). This means we've increased our total donation to an estimated £1.2m a year (an increase of 30%) to fund water projects in Africa.

Colleagues involved in community activity

We encourage all colleagues to play an active role in the community, whether that's through our formal volunteer programme, setting up, running or participating in community projects or taking part in civic duties. Colleagues can volunteer in the community for two days each year during working time.

1,576 colleagues took part in our volunteering programme, delivered by the Co-op Foundation. 160 schools and community groups benefits from over 10,000 hours of volunteering. The Foundation also developed more sustained relationships with several of these organisations, to focus on volunteering activities that contribute to longer-term impact through targeted matching of skills and building capacity within communities.

Colleagues involved in community activity during work time

	2015	2016	2017
Number of colleagues	8,989	14,601	9,543
Number of days (hours)	9,629 (72,219)	14,180 (106,355)	17,757 (133,180)
Value of staff time (£m)	1.0	1.5	2.0

The decrease in colleagues involved in activity in 2017, compared with 2016, was due to the winding down of the fundraising activity linked to the national charity partnership campaign to tackle loneliness with the British Red Cross which had seen 100% engagement of Food stores in 2016.

Despite the overall decrease, colleague community activity remains high due to celebration events that took place in stores and funeral homes at the time of the two Local Community Fund payouts to causes during 2017 as well as the introduction of 200 Member Pioneers who bring our colleagues, members and local causes together to find new ways to co-operate and improve our communities.

Co-op Insurance community activity

Co-op Insurance continues to champion safer communities following our [Safe Used Car Award in 2016](#) where we analysed the safety of used family cars under £15,000 with research partners Thatcham Research to provide a shortlist of cars that rate on a set of safety criteria.

We launched the [Safe Used First Car Award in 2017](#) for vehicles under £5,000 to flag safety with young people looking to buy a car.

¹ All management costs from 2016 onwards have been attributed to projects through cash, colleague time or gifts in kind.

We continued with our Co-op Academies educational programme, working with our partner, [Brake](#), the road safety charity, to engage teenagers aged 14-16 in how they can protect themselves on the road. We visited four Academies and high schools last year, speaking to around 240 pupils about road safety. We also launched our [Park Smart](#) digital tool, which uses government car crime data to help its users to see the best places to park their car.

Our partnership with [Neighbourhood Watch](#) continues in support of safer communities and during 2017 we communicated regularly with around 300,000 members of Neighbourhood Watch through their newsletter. We also helped promote the Friends Against Scams campaign, run by Trading Standards and supported by Neighbourhood Watch, to colleagues. Towards the end of the year we worked to bring together Co-op Member Pioneers and Neighbourhood Watch co-ordinators, to support safer communities.

Co-op Funeral Business community activity

Our funeral business approach to community support evolved in 2017 to have a bigger impact on individuals and communities. Core to this was the increase in Bereavement Support Groups, rising from 32 at the end of 2016 to 71 at the end of 2017. Hundreds of initiatives, both local and national, continued to be supported including: Christmas memorial trees, Remembrance services, Macmillan Coffee Mornings, and our Be Safe Be Seen initiative (supported by Brake, a road safety charity), where we engaged with over 700 schools, rising from 274 schools in 2016. There was also a bigger focus on engagement activities including awareness sessions with Social & Health Care Professionals, memory box and similar activities with community groups.

We continue to make our bereavement books for children available across our 1,000 funeral homes. The aim of the book is to help children recover from bereavement and they are used by schools and other organisations.

[Read more](#) about funeral business activity in the community and see our [Campaigning](#) section for how this links with our campaign to tackle loneliness with the British Red Cross.

Co-op Food community activity

Our food business continues to engage in and support local community activity across the UK, responding to local needs within our local communities. Hundreds of local activities have been supported, including financial support of local sporting leagues and teams; general maintenance and tidying up of public spaces; local parades, fairs and carnivals including Christmas events and supporting local organisations. Colleagues also continued to fundraise for local initiatives across the UK with over £400,000 generated through colleague fundraising activities.

We continued to support Community Champions, encouraging stores to thank local people in their community. 15,000 Good Will Stockings were gifted to customers and members in 2017.

A major focus of the year has been the support of local causes via the [Local Community Fund](#), with stores encouraging members to support the proposition.

The Co-op Foundation

The Co-op Foundation is the Co-op's charity. It helps disadvantaged communities work together to make things better. In 2017 the Foundation:

- Launched Belong, a new programme helping young people beat loneliness
- Created a £2m #iwill fund to tackle loneliness through youth social action
- Built a network of 24 partners, in every UK nation and region, working together to start a national conversation about youth loneliness and strengthen local services

In 2018, the Foundation aims to expand the Belong network through a second round of the #iwill fund; launch a new social investment and support programme for community-led enterprises; and significantly raise the public profile of the Foundation and its work.

Carrier bag levy

We're putting proceeds of the carrier bag levy back in to communities where those funds are raised.

In England and Scotland we accrued £7m in carrier bag levy funds and the profits from our re-usable bags range (which also includes IoM) and distributed £7.1m¹ to causes via the Local Community Fund.

In Wales, during 2017 we accrued £395,200 from the Welsh carrier bag levy. Up until June 2017 this has been distributed via Wildlife Trust Wales (WTW). We are currently reviewing how we distribute Welsh carrier bag levy funds in line with our community strategy. This means that £83.5k has been distributed via WTW during 2017 and the remaining balance and future accruals will be distributed in 2018 once this review has taken place.

In Northern Ireland all money raised from the levy goes to the Northern Ireland Exchequer, to distribute to good causes of its choice. As this is a mandatory agreement, executed via the Exchequer, we do not include this total in our community investment data.

1 This includes a portion of funds accrued during the end of 2016. Funds generated since the final payment date in November 2017 will be paid out via the Local Community Fund in 2018.

Ethical trade and human rights

Monitoring labour standards in Co-op Food (for Co-op brand suppliers)

We're founder-members of the Ethical Trading Initiative (ETI) and we adopt the ETI Base Code, which is founded on the conventions of the International Labour Organization and is an internationally recognised code of labour practice. We report our performance annually to the ETI, and for our last submission in 2017 we were recognised as a 'Leader' in all six Principles of Implementation with an overall score of 90%. We require all Co-op brand suppliers¹

in our food business to join Sedex (supplier ethical data exchange)². 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, and external intelligence from experts, Trade Unions and NGOs.

100% of all Tier 1³ sites had completed a self-assessment questionnaire at the end of 2017 (2016: 100%), and 98% of high-risk Tier 1 sites had been audited at the end of 2017 (2016: 100%).

Number of sites and workers on Sedex and location of audits in 2016/17

	Sites	Workers	Audits	Issues
Africa	214	88,328	88	467
Asia	118	84,490	91	358
Europe	1,282	296,715	549	1,553
North America	57	20,730	23	322
Oceania	19	2,197	2	3
South America	183	85,493	35	272
Total	1,873	577,953	788	2,975

¹ Suppliers 'in scope' include all Tier 1 and beyond Tier 1 sites in high-risk product categories.

² Sedex is a web-based database where suppliers upload labour standards information, including self-assessments and site audit reports.

³ A Tier 1 site is a production site where goods are finished, ready for supply to, or sale by, the end company. A Tier 2 site is a production site that supplies goods or materials to a Tier 1 site for incorporation into the finished product. Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

Status of improvement actions identified in valid audits in 2016/17, by Sound Sourcing Code provision

Provision	Total improvement actions raised		Improvement actions completed and verified		Improvement actions completed by supplier; verification due in 2018		Improvement actions due for completion in 2018		Overdue improvement actions			
	Critical / Major	Minor	Critical / Major	Minor	Critical / Major	Minor	Critical / Major	Minor	Tier 1		Beyond Tier 1 ⁴	
									Critical / Major	Minor	Critical / Major	Minor
Exploitation of labour	25	14	5	4	7	6	13	4	0	0	0	0
Freedom of association	38	23	10	13	17	4	8	5	0	0	3	1
A safe and hygienic working environment	882	706	525	441	140	118	187	140	3	2	27	5
Child labour	7	11	2	6	3	3	1	2	1	0	0	0
Living wages to be paid	223	117	57	15	71	41	79	56	9	3	7	2
Working hours are not excessive	261	91	57	26	85	30	106	30	5	2	8	3
No discrimination	35	9	7	1	9	4	17	4	2	0	0	0
Regular employment	152	90	67	36	33	26	44	16	7	1	1	11
No harsh or inhumane treatment	49	10	18	4	20	4	11	1	0	0	0	1
Other issue types	129	103	53	48	41	26	35	27	0	0	0	2
	1,801	1,174	801	594	426	262	501	285	35		71	
Total	2,975		1,395		688		786		106			

Supplier capacity building in Co-op Food

Our food business has a programme of supplier workshops in key sourcing countries designed to:

- Raise awareness of our values, expectations and strategy
- Provide guidance on local labour law and our Sound Sourcing Code of Conduct requirements
- Share best practice in addressing common labour standard issues

During 2017, 27 supplier events were carried out in the UK, Italy, Spain and Egypt. These events reached 1,005 delegates, including 621 sites and amounting to over 7,000 hours of supplier training/engagement (2016: 23 events, 908 delegates, 531 sites and 6,063 hours) as part of our global supplier capacity building programme to address underlying causes of human rights issues.

Also in 2017

- We launched our new Ethical Trade Champions Awards, recognising five suppliers for their work in ethical trade and launching supplier case studies to document and share good practice
- We worked collaboratively to support the launch of the Food Network for Ethical Trade (FNET) to improve human rights in global food supply chains, by supporting suppliers to build risk-based due diligence programmes in raw material and indirect supply chains
- We set up a new Ethical Trade and Human Rights Practitioners Group for colleagues from across the business, to help put consistent processes to monitor supply chain labour standards in place

⁴ Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

Goods and services we use in our own business and operations

In 2017, we developed and started implementing a new Ethical Sourcing Strategy for goods and services not for resale (GSNFR), which includes a programme for prioritised high-risk suppliers to be registered on Sedex. We started with a pilot in our funeral business, following which we began rolling the programme out to other high-risk categories including construction and facilities management suppliers.

With the support of Sedex we have established a new GSNFR working group with other major retailers, the aim of which is to provide a forum where we can work together to identify and share best practice on GSNFR ethical sourcing and supplier management.

During 2017 we reviewed and updated our Sustainable Procurement and Supplier Policy (SPSP), which sets out our guiding principles and commitments on sustainability, ethical trade and human rights, how these relate to our procurement of goods and services we use in our own business, and what this means for our suppliers and partners. We continued to implement the SPSP through a risk-based approach to screening suppliers based on an assessment of factors such as contract value, sector and country.

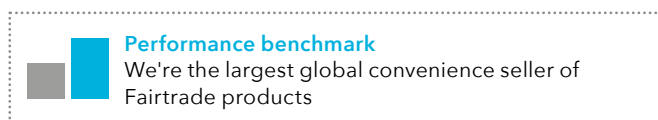
Our support for Fairtrade

Focusing on core categories

Since 2015 our strategy has been to focus on core categories (wine, bananas, cocoa, coffee, tea, sugar and flowers) in line with the Fairtrade Foundation's own focus on where the impact on producers is greatest.

Our UK market share in Fairtrade

Our Fairtrade market share among UK convenience stores was 80%⁵ in 2017 (2016: 78%). The typical Co-op convenience store offers around 100 Fairtrade products, notably higher than our competitors' convenience stores based on store spot-checks. We believe our Fairtrade range in a typical convenience store is approximately three times that of our main competitors.



Fairtrade Premiums

Over and above the Fairtrade price, Fairtrade Premiums are an additional sum of money that provides a communal fund for workers and farmers to improve their economic, social and environmental conditions. In Belize, for example, Fairtrade Premiums are supporting our sugar producers and their communities. The premium enables farmers to diversify their produce, helps vulnerable children with bursaries, develops community projects and provides technical support to farmers to help increase crop yields and reduce environmental impact.

⁵ Kantar, data based on 52 weeks ending 31 December 2017.

Beyond Fairtrade

We continue to go beyond simply providing producers with the Fairtrade Premium. Our investment in our wine producing communities has enabled the construction of a major new community centre in South Africa and preparatory work continues on paving the way for a new healthcare facility in Argentina. Using funds raised from our Growing Stories social media campaign, we launched a health and nutrition project with a coffee co-op in Colombia, and we're developing a community centre for tea farmers in Kenya. We also invested funds in a Women's School of Leadership in partnership with Fairtrade Africa to improve women's opportunities in cocoa-growing communities in Cote d'Ivoire.

Promoting Fairtrade

We continue to promote Fairtrade and to share stories with our customers about Fairtrade producers and the impact Fairtrade is having. We include Fairtrade as part of our wider activity, such as promoting Fairtrade Flowers on Mother's Day and Fairtrade chocolate during Easter. In 2017 we held events to support Fairtrade education at Co-op Academies, and became the sole sponsor of the national Fairtrade Schools Awards. We launched our Cocoa for Change report to coincide with the commitment to source all cocoa under Fairtrade terms. We also returned to Westminster to continue our support for the All Party Parliamentary Group for Fairtrade.

Human Rights and Trade Policy

We continue to implement our Human Rights and Trade Policy, which identifies the exceptional conditions under which we will suspend trade with a nation state or designated region.

One such condition is where there is broad international consensus that the status of a settlement is illegal. There are only two examples of such settlements: the Israeli settlements in the Occupied Territories and the Moroccan settlements in Western Sahara. As a result, we do not source any produce (fresh fruit, vegetables and flowers, whether whole or prepared) or Co-op branded products from the Israeli or Moroccan settlements. However, we remain committed to sourcing produce from Israel and Morocco, and continue to use suppliers that do not source from the Occupied Territories and Moroccan settlements.

Food and farming

Number of UK farms and suppliers

More than 3,000 farmers and growers feed into our own brand fresh supply chain, supplying us with meat, dairy, poultry, fresh produce and prepared products for our Co-op branded ranges.

Respecting animal welfare

Monitoring animal welfare

All farms, whether part of our Farming Groups or not, that supply our meat, dairy or poultry products may be subject to announced and unannounced visits or audits by us or an appointed independent audit body, to check compliance with national standards and our Co-op welfare standards. The total number of meat, dairy and poultry inspection visits in 2017 was: 377 (2016: 338). And the total number of visits to monitor animal welfare at sites such as farms, hatcheries and abattoirs was: 117 (2016: 127).

We also conducted 199 independent audits across our Farming Groups (see 'Developing our Farming Groups' below).

Our sourcing and assurance standards

All our Co-op branded fresh, frozen and prepared meat and poultry products are produced, as a minimum, to [Red Tractor Farm Assurance Scheme standards](#) (a UK accredited body), or equivalent when sourced outside the UK. We've also developed additional requirements that apply to our Co-op branded products. Read more about our [animal welfare policies](#).

2017 welfare assurance standard

	Standard range	Irresistible range
Beef	Red Tractor	Red Tractor
Lamb	Red Tractor	n/a
Dairy	Red Tractor	n/a
Pork	Red Tractor	Red Tractor
Chicken	Red Tractor	RSPCA Assured
Turkey	Red Tractor Quality British Turkey	n/a
Eggs	RSPCA Assured / Free Range	n/a
Salmon	Global GAP	RSPCA Assured

Higher welfare sales for fresh, frozen and prepared products

Our aim is to create high-quality products that have been produced to good animal welfare standards and that our customers can afford, regardless of their budget. We also continue to monitor and report higher welfare sales data.

Higher welfare sales (£m)

2015	2016	2017
104	99	88

The decrease in higher welfare sales in 2017 is due to the change in the assurance standards of our salmon. Salmon in our Irresistible range is RSPCA Assured, while the remainder is [Global GAP](#).

Co-op branded eggs and milk sales

Since 2008, all shell eggs sold (Co-op branded and branded) have been free range as a minimum, and we only use free-range egg as ingredients in Co-op branded products. In 2017, 94% (2016: 96%) of Co-op branded shell-egg sales were RSPCA assured. The remainder of shell-eggs sold were certified organic. Our Dairy Farming Group maintains welfare standards in compliance with our grazing policy.

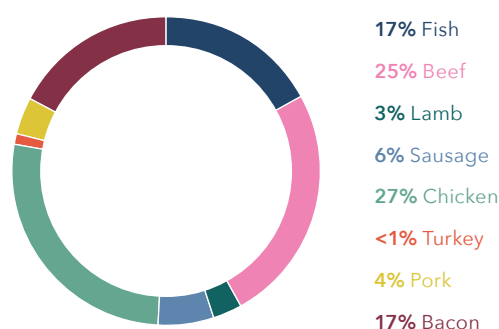
Proportion of sales by welfare standard

	National Dairy Farm Assured Scheme	RSPCA Assured / Free range	Certified organic
Milk	94%	n/a	6%
Eggs	n/a	94%	6%

Co-op brand fresh meat, poultry and fish sales (by value)

The charts below show the proportion of Co-op branded fresh protein sales by protein type, and by welfare standard.

Proportion of fresh protein sales, by protein type



Proportion of fresh protein sales, by welfare standard (%)

	Red Tractor Farm Assurance	RSPCA Assured
Chicken	97	3 (free range)
Turkey	100 (Quality British Turkey standard)	0
Beef	100	0
Bacon	81	19
Pork	100	0
Sausage	37	63
Lamb	100	0
Salmon	77 (Global GAP)	23

Wild vs farmed fish

Farmed fish accounted for 43% (2016: 39%) of the fish used in Co-op branded food products in 2017; the remainder was wild caught.

Animal testing

No Co-op branded toiletry or household products or their ingredients have been tested on animals. All of these Co-op branded products continue to carry Cruelty Free International's (CFI) Leaping Bunny certification and in 2016 we updated the packaging design of our Co-op branded household products to emphasise our stance on animal testing. CFI conducts audits every three years to monitor compliance and audited our products most recently in January 2015.

Developing our Farming Groups

We have just over 400 British farmers and growers in our eight Farming Groups. In developing our groups we aim to encourage best practice and create profitable returns among our farmers, and provide our members and customers with high-quality fresh British meat, poultry and milk. In 2017 we continued to develop our Farming Groups with research and development programmes.

Farming Groups - KPI data on animal welfare

We collate key performance indicator (KPI) data from our Farming Group farms to monitor the impacts of our animal welfare standards. Data on input (eg stocking densities), outcome (eg lameness) and quality (eg level of bruising) is recorded for each species from our Farming Groups on a monthly basis.

We saw a slight increase in overall compliance from 90% in 2016 to 91% in 2017. This is partially due to the newer groups, such as turkey, becoming more established and as expected, there has been an increase in the dairy compliance, as we now have a full 12-month period to base the data on. We have also had a small increase in compliance in the chicken group, which is partially due to us encouraging the responsible use of antibiotics in our supply chain. It should be noted that this is a process of continual improvement, and work is ongoing to increase levels of compliance across all measures. With the addition of our egg group, we hope our actions will lead to significant gains in the long term, increasing our compliance going into 2018.

Animal welfare KPI data from our Farming Groups: Levels of compliance (%)

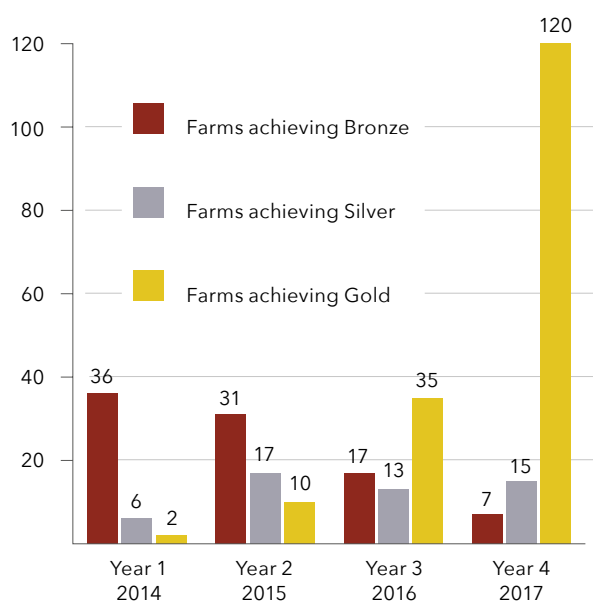
	Input (compliance with Co-op sourcing standard)	Outcome (animal health and wellbeing)	Quality (of the product)	Overall Measures
Chicken	97.3	64.8	77.7	80.0
Turkey	98.4	94.1	95.3	95.9
Pork	99.6	66.7	80.0	82.1
Beef	99.7	99.9	92.4	97.3
Lamb	99.1	96.2	85.6	93.6
Dairy	89.6	98.7	99.9	96.1
Red Tractor Pork	98.9	95.0	86.8	93.6
Eggs	66.7	100.0	100.0	88.9
Overall	93.7	89.4	89.7	90.9

Farming Group performance against our pillar model

We also monitor performance in our Farming Groups through independent audits. Performance is based on five pillars: Health, welfare and quality; Co-op brand; Sustainability; Environmental; and Ethical and training. Farms are audited against the pillars, 199 audits were conducted in 2017 (2016: 198), and rated according to their performance as Bronze, Silver or Gold. Regardless of their rating, farms are required to meet our Health, welfare and quality pillar.

For a farm to be rated Bronze, the first two pillars must be met. The other three pillars (Sustainability, Environmental, 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.

Of the 199 audits in 2017, 60% of farms achieved Gold, 8% achieved Silver and 3% achieved Bronze. There has been an increase in the number of producers progressing into the Gold compared to 2016; but 29% of farms did not receive a rating (2016: 35%), primarily due to not meeting set KPIs. We are working with these producers to make improvements which, if not made, would lead to a producer having to leave our Farming Groups.



The following table shows the percentage of producers that had completed each pillar during the audits.

Producers completing each pillar

Health, welfare and quality	Co-op brand	Sustainability	Environmental	Ethical and training
88%	73%	85%	94%	88%

Enviro-map: A study into our Farming Groups

We completed year one of the Co-op Enviro-Map project, providing our Dairy, Beef, Lamb, Pork, Chicken, Egg and Turkey farming groups the opportunity to complete environmental assessments online. There was a high uptake in the assessments as 94% of the Farming Group members completed the self-entry carbon footprint assessment and biodiversity survey. This provided us with an insight into the environmental impact of our supply chain as well as offering carbon reduction and efficiency improvement suggestions to the producers. Highlights from 2017 included generating 20 million kWh of renewable energy and creating 1,633km of hedgerows across the Farming Groups.

Year one - carbon footprints

	kg CO ₂ e/kg live weight
Beef	11.17
Pork	2.63
Lamb	11.15
Chicken (broiler)	2.29
Turkey	3.95
	kg CO ₂ e/kg milk
Dairy	1.17
	kg CO ₂ e/kg egg
Chicken (layer)	2.93

The project will continue in 2018 with year two assessments taking place across all the Farming Groups in order to provide a comparative data set, which will highlight any reductions that have taken place.

Research and development

In 2017 we continued working with the Food Animal Initiative to review our livestock standards and welfare reporting, and to partner our research and development programme. We have invested in a research and development programme across all species with concept farms in place. Our projects focus on animal welfare, environmental impact, farm production efficiency and sustainability. We're also members of the [Centre of Innovation Excellence in Livestock](#) for research and development. Find out more [here](#).

Antibiotics

Through our Farming Groups, we are actively addressing the use of antimicrobial medicines in our supply chains. We recognise the potential risks to human healthcare of the overuse of antibiotics in livestock supply chains. We fully support the need to protect our antimicrobial medicines and reduce the threat of antibiotic resistance to global human health. We have made a commitment to publish antibiotic data across our Farming Groups in 2018.

During 2017 we've had several projects in place to work with the supply chain on antibiotic usage. Within the chicken Farming Group we've been focusing on a trial project to improve bird health and as a result reduce the

amount of antibiotics that are required as well as lowering the mortality seen within a flock. This is done by ensuring that the gut health of the birds is as good as possible, we achieve this by introducing the correct flora into their drinking water supply. This has been in place over seven crops of birds and we have seen a consistent reduction in both antibiotic usage and mortality. We are now looking at next steps to expand this trial to take a larger number of birds.

Over the last two years, the Co-op Dairy Group have been working with Solway Vets to calculate and benchmark an average animal daily dose (ADD) for antibiotics per herd. Each of the 186 farmers receives a report every six months which compares them to other farms and identifies areas to use antibiotics more responsibly. During this period we have run on-farm training events and farmers have worked with their own vets to achieve an 18% decrease in the total use of antibiotics in the group.

Local sourcing and wider engagement

Our members have been keen to encourage our innovation with local products. From a successful trial in Yorkshire in late 2015, our programme is now being rolled out to every county in the UK with new relationships formed with local butchers, bakers, brewers and ice-cream makers. We have a market-leading local and craft beer offer along with local ambient products in over 1,100 of our stores, introducing more than 250 new local suppliers to the Co-op and our customers.

We sponsored the Small Producer of the Year Award to find, support and highlight small suppliers producing amazing quality products and launched the 2016 winner 'Green Lady Sparkling Tea' by Essex based producer Francis Oyewole of Stanford-le-Holt into 100 of our stores in 2017. We've teamed up again with the Quality Foods Awards to sponsor the Small Producer of the Year for a further two years. In 2018 we plan to develop a range of craft, small batch gins with an initial focus on our London stores.

Unlike some of our competitors, we don't demand exclusivity as we want to see local businesses grow and thrive in our communities, create jobs and benefit the local economy. During 2017 we sold £164m worth of locally sourced products across the UK.

We communicate on a whole range of other food and farming activity throughout the year, from our annual Open Farm Sunday, agricultural shows and British Food Fortnight (find out more [here](#)), through to our local sourcing activity.

We also provide information on different aspects of our performance and approach on the [Co-op Food website](#) including, for example, how we respond to issues such as [campylobacter](#). And we have a following on Twitter ([@CoopAgriMatters](#)) where people can ask questions and let us know what they think.

Environment and resource use

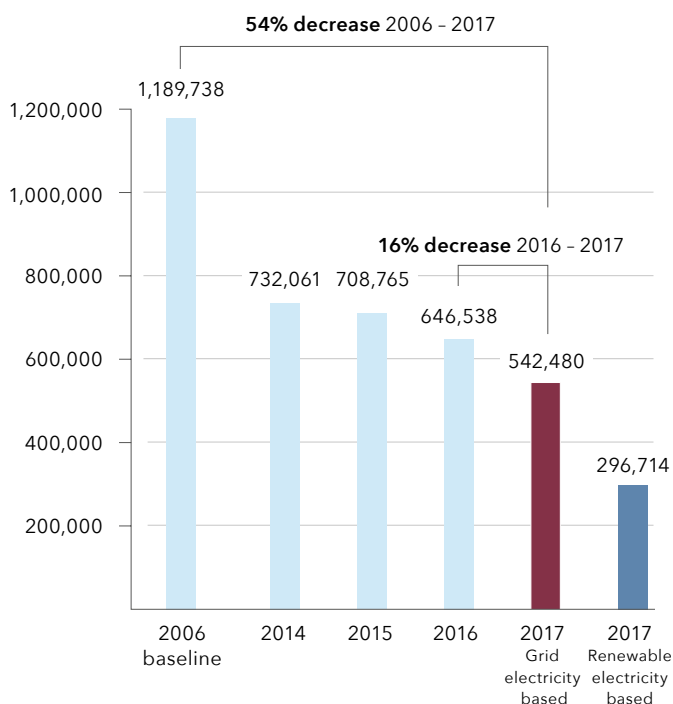
We report on our performance in three areas – climate change, waste and resource and water use. We recognise it's not enough simply to comply with legislation; we must go beyond this to ensure we minimise our impact on the environment. Our impacts extend across our operations, through to our products and services and our supply chains.


Climate change

Our direct greenhouse gas (GHG) emissions have reduced by 54% since 2006 and by 16% compared to 2016. This is due to both using less energy¹, and the UK grid electricity mix being less carbon-intensive in 2017².

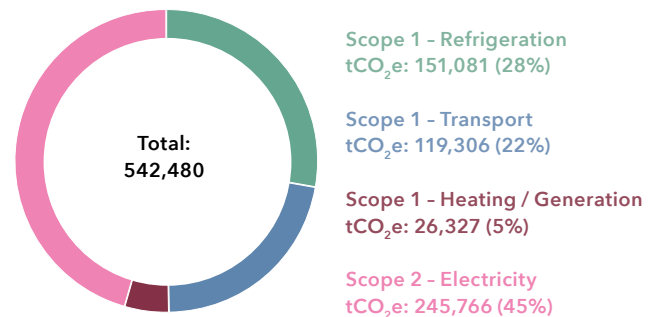
This year we are publishing our GHG inventory in two ways, showing our direct emissions if our electricity were to be counted at UK grid average (known as location-based reporting), and also if we were to account for our purchase and generation of renewable electricity (known as market-based reporting).

Scope 1 and 2 GHG emission (tCO₂e)

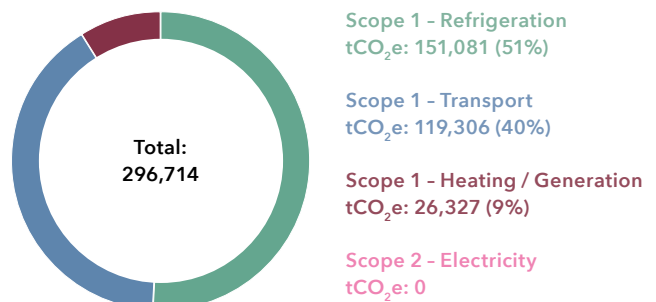


 GHG emissions restated 2006-2016 to align with GHG Protocol Corporate Accounting and Reporting Standard, accounting for non-Co-op owned or operated travel emissions as 'indirect' Scope 3 rather than 'direct' Scope 1 emissions.

Scope 1 and 2 GHG emissions by source - UK grid average electricity



Scope 1 and 2 GHG emissions by source - accounting for renewable electricity



Scope 3 indirect GHG emissions by source (from operations) (tCO₂e)

Generation, transmission and distribution emissions for electricity used	65,825
'Well to tank' emissions for fuel used (transport, heating and generation)	32,591
Indirect emissions from non-owned or operated transport	5,006
Indirect emissions from waste disposal	4,280
Indirect emissions from water supply and treatment	1,366
Total indirect emissions from operations	109,068

GHG emissions savings through positive action (tCO₂e)

Emissions avoided through carbon offset of Co-op Insurance customer emissions	172,251
Emissions avoided through recycling, reuse and recovery of waste rather than landfill	69,918
Emissions avoided through offset of our funeral business operational emissions	10,420

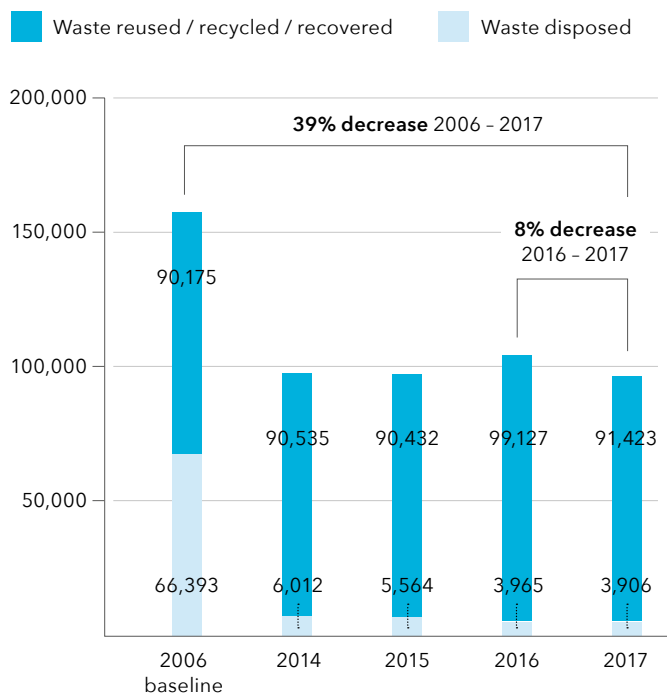
¹ We used 9% less energy (total MWh) in 2017 than in 2016, and 50% less than in 2006.

² In 2017 the DEFRA emission factor for UK grid electricity was 0.35 kgCO₂e per kWh (2016: 0.41), a 15% reduction year on year.

Waste

The amount of waste we produce has decreased by 39% since 2006 and decreased by 8% compared to 2016. We understand this is due to investment of considerable staff time in 2017 focusing on controlling waste from our food stores and reducing the amount of waste sent back to our depots, which has resulted in less food wasted.

Total waste from our operations (tonnes)



Waste reused / recycled / recovered (%)

2006 baseline	2014	2015	2016	2017
58	94	94	96	96

Combating waste

We're helping customers to reduce food waste by: labelling (eg, storage tips on packs, portion size guides on dry rice and pasta packs, and top tips on freezing); packaging (eg we look at shelf-life boosting solutions, ie vacuum packs and skin packs for meat); and communications (our food magazine includes an Odds and Ends recipe page in every issue, offering advice on using leftovers, and we share hints and tips endorsed by WRAP on our social media channels). This year we've also included portion sizes on our juice bottles, and begun rolling out specific messages on our bagged salads too.

Food redistribution

We redistribute surplus food through charity partners.

Food surplus redistributed (tonnes)

	2016	2017
Food surplus redistributed through FareShare	494	426
Food surplus redistributed through The Real Junk Food Project	18	16
Total	512	442

Note that this is a conservative estimate of the total tonnes of food surplus redistributed, as it only covers redistribution where we have an accurate measure of the actual weight donated, largely from our depots. We are rolling out a process for redistributing surplus food directly from our stores to charities and community groups and currently have 50 stores with charity partners registered to receive food surplus.

Packaging

Overall, total packaging handled has decreased by 2% year-on-year, and in 2017 the weight of this packaging which was Co-op branded increased by 2% to 85,890 tonnes (2016: 84,572 tonnes). A total of 71% of our own brand packaging is now easy to recycle (2016: 46%).

Packaging handled by material

	2006 baseline	2014	2015	2016 ¹	2017
Glass	128,027	89,212	90,164	93,990	91,746
Plastic	78,492	42,712	41,715	43,495	42,886
Paper	42,794	25,148	23,982	26,193	26,069
Steel	27,381	9084	8,550	8,261	7,575
Aluminium	8,285	5,487	5,936	6,331	6,209
Total	284,979	171,643	170,347	178,268	174,485

¹ Data for each material has been rounded, but the total (178,268 tonnes) is an exact figure.

Resource use

Fish

Responsible fish sourcing: We aim to be one of the UK's most responsible retailers of fish. We apply a risk assessment process to all our fish products, which ensures we continue to source seafood responsibly. We're members of the [Sustainable Seafood Coalition](#) and we use their voluntary codes of conduct for the responsible sourcing and labelling of fish and seafood products. We take part in the Sustainable Fisheries Partnership's [Ocean Disclosure Project](#) - which means we're transparent about where we source our fish, and all our source fisheries are publicly available. We also take part in industry roundtables and directly support Fisheries Improvement Projects such as Project UK to support wider industry improvements.

For Co-op branded food products in 2017:

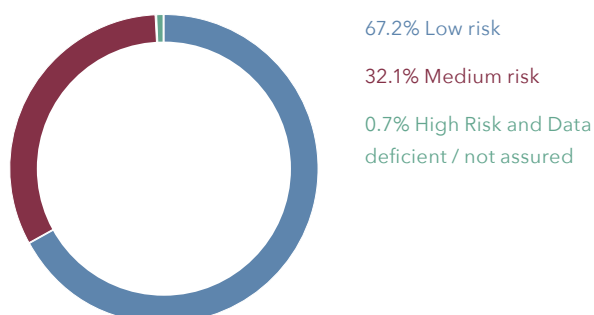
- 57% of fish was wild caught and 43% was farmed (2016: 61% and 39% respectively)
- The number of Marine Stewardship Council (MSC)-certified products increased to 49 (2016: 40)
- 38% of wild-captured seafood is sourced from MSC fisheries (by volume) (2016: 39%)

Our responsible fish sourcing standard applies to wild-caught and farmed fish. The standard applies to risk assessments for all fisheries that supply Co-op brand fish, shellfish and molluscs. This process requires us to examine individual products based on location and catch method, species' resilience to fishing, fishery by-catch estimates and scientific stock assessments, scoring sources as follows:

- Low risk: very well managed fisheries/MSC-certified fisheries
- Medium risk: reasonably managed fisheries
- High risk: poorly managed fisheries
- Data deficient or not assessed

In 2017, 99% of the fish used to supply our wild fish and seafood products was sourced from low-risk or medium-risk fisheries as detailed in the chart below (2016: 96%). This increase reflects the work we've done to implement appropriate management actions such as those detailed in the table below.

Proportion of fish used to supply wild fish and seafood products, by risk profile



¹ Wood raw material equivalent

The status of high-risk sources of fish in 2017

Source	Status
Norway lobster	A small volume of Norway lobster (scampi) in our supply chains is from high risk or data deficient sources. We are working with our suppliers and our industry to support these fisheries into entering improvement projects
Indonesia wild prawn	One product is sourced from a prawn fishery in Indonesia. We have worked with our supplier and the fishery is now in a comprehensive Fishery Improvement Project (FIP)

Our aquaculture sources (for farmed fish)

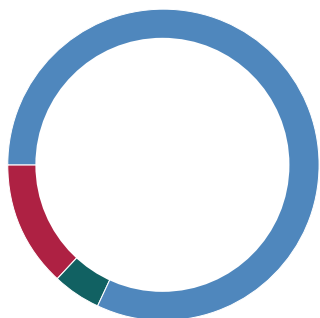
Source	Certification
Atlantic salmon (Scotland)	All Scottish salmon is certified to the Global GAP (Global Good Agricultural Practice) or Aquaculture Stewardship Council (ASC) schemes, including salmon used as an ingredient in our food products. Additionally, all our Irresistible salmon was certified to RSPCA Welfare standards in 2017.
Mussels (Scotland)	Source is Marine Stewardship Council (MSC) certified.
King prawns (Thailand, Vietnam, Indonesia, Nicaragua, Honduras)	All of our King prawns are certified to either the Global Aquaculture Alliance Best Aquaculture Practices (GAA BAP) 4* or Aquaculture Stewardship Council (ASC) standards.
Tiger prawns (Indonesia)	Organic.
Basa (Vietnam)	All sources are GAA BAP 4* certified.
Seabass (Turkey)	Global GAP certified.

Wood and paper

In our food business, we're [Graduates of the WWF UK Forest and Trade Network Benchmark](#) - the first retailer to achieve this. This means we've committed ourselves to tracing all our timber and paper products back to the forest source. In 2017 we received the [WWF UK Timber Scorecard Benchmark 'Three Trees'](#) for our commitments to Forest Stewardship Council and recycled timber, timber products, and reporting.

Our food business purchased 28,361m³ of wood and paper products in 2017 (2016: 27,040m³)¹, all of known origin, with credible evidence that they were harvested legally.

Co-op Food: sourcing of wood and paper, by origin



13% (2016: 10%)

Post and pre-consumer recycled waste

5% (2016: 3%)

Known legal source virgin material such as [PEFC](#) (Certified by Programme for the Endorsement of Forest Certification).

82% (2016: 82%)

FSC certified ([Forest Stewardship Council](#)). This is the most respected standard of sustainably harvested forestry products, and widely recognised by consumers.

Wood and paper purchased for Co-op Food that was FSC certified or recycled (%)

2006 baseline	2014	2015	2016	2017
50	97	95	97	95

Our funeral business: coffins

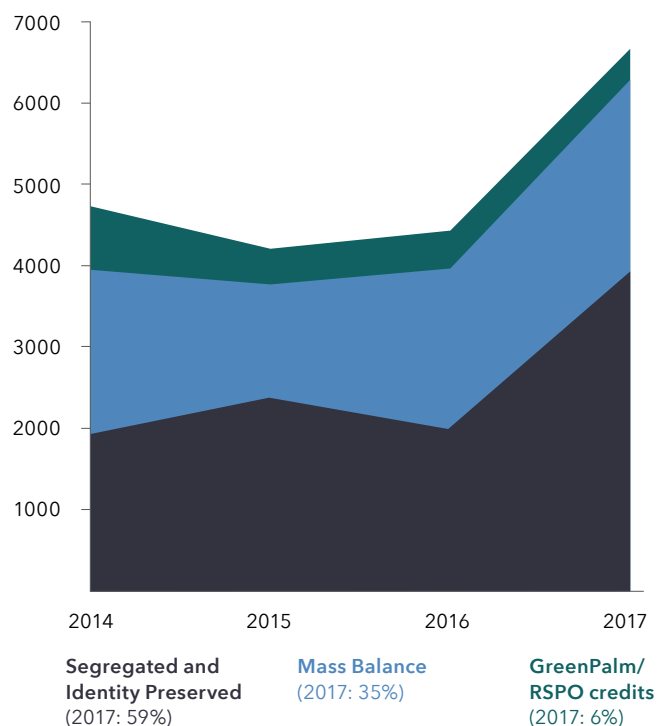
In 2017, 95% (2016: 96%) of the coffins manufactured by our funeral business were made from FSC-certified wood.

Palm oil

We work with the [Roundtable on Sustainable Palm Oil](#) (RSPO) to improve the sustainability of palm oil in our products. In 2017 we used 6,654 tonnes of palm oil in 1,038 Co-op branded food and non-food products (2016: 4,434 tonnes in 937 Co-op branded food products). All the palm oil in these products was certified as sustainable under one of the [RSPO certification schemes](#).

The graph shows how we are managing the change from Credits to Segregated or Mass Balance, to support our aim of making palm oil more segregated and sustainable. In 2016 GreenPalm certification began transitioning into RSPO certification, and we therefore used a combination of both. Before 2016 this graph did not include cleaning and cosmetic products, but these are since included.

RSPO sourcing in Co-op brand food (and, for 2016 and 2017 also including non-food products) (tonnes)



Soy

Monitoring soy use in our Co-op branded products is challenging because it has so many uses across the food chain. We're members of the [Round Table on Responsible Soy](#) (RTRS) and the Retailers' Soy Group and continue our support of RTRS through credit purchases. In 2017 we became signatories of the Cerredo Manifesto – a group of companies committed to protecting this area of Brazil. We've started the process of mapping our soy use and tracking the tonnes used.

Our most significant use of soy by far is in animal feed for livestock for our meat products. The responsible soy market is relatively young and, to date, little responsibly sourced soy has been used in UK animal feed. We have not reported direct soy use in products this year as it represents a fraction of total soy use when compared to the soy used in animal feed. This data represents June 2016–May 2017 as we have revised how we collate this data. In 2017 we purchased 5,000 tonnes of RTRS credits to cover just under 10% of our soy footprint. All of our credits were from smallholder farmers in Brazil. Additionally, 91% of farms in our Farming Groups used alternative protein sources to soy – something we actively encourage with our Alternative Soy Usage requirements (2016: 82%).

Soy used in our food products (tonnes)

	2015	2016	June 2016 to May 17
Indirect soy (used in product development, ie animal feed)	54,356	58,909	70,360

Peat

Peat is an important natural resource, providing carbon storage and natural flood defences. We support the government's target to completely phase peat out of the amateur gardener market by 2020. In 2017 peat represented 50% of our Co-op branded bagged growing media sold (2016: 50%). Due to growing trials completed in 2017 we will be moving to 20% peat for our 2018 range.

Water

Water scarcity is a global concern, with serious environmental, social and economic consequences. We use water within our own operations, and report on this, but we also recognise that our biggest impact is in our wider supply chain.

Estimated water consumption from our operations

	2010 baseline	2014	2015	2016	2017
Total water ('000 m³)	1,560	1,508	1,423	1,433	1,258
Average water used per site (m³)	420	361	325	341	330

21% decrease (average water used per site) 2010-2017

3% decrease (average water used per site) 2016-2017

Chemicals

Pesticides protect crops from pests, weeds and diseases, preserve stored produce and improve farm productivity. However, they can impact biodiversity and have been linked to health problems.

We're committed to the safe and responsible use of pesticides; since the 1980s we've adopted a precautionary approach towards their use. We monitor and manage how and where they are used, restricting and banning pesticides that have the most harmful effects on human, animal and environmental health.

In our food business, our policy and pesticide control system is implemented by independent specialists, who assess every proposed instance of pesticide use by our fresh fruit and vegetable suppliers. Risk assessment is based on extensive research and those pesticides deemed to be high risk are not allowed (based on their potential risk to consumers, operators and the environment - including pollinators such as bees).

We also deploy management plans for lower-risk pesticides - for example, to ensure that the application of a pesticide does not harm beneficial insects. These plans can involve precautions around how and when the pesticides are applied and stored.

In parallel, we have launched a new pesticide residue testing programme: in 2017, we tested a sample of 443 across a range of fresh fruit and vegetables in our supply chain. No residues were detected in 28%; (2016: 28%) we detected eight pesticide residues at levels that exceeded the Maximum Residue Limit set for the product by the [European Food Safety Authority](#) (2016: four). All transgressions were fully investigated and appropriate actions taken.

Chemicals we've banned or are removing from non-food products:

In our food business, we continue to work on our policy on Chemicals for Priority Action. These are chemical types that we have banned or are planning to remove. Some of the chemicals detailed in our policy are banned by law, but in other instances we go beyond compliance. Inclusion of chemicals contrary to this policy, in any parts of a product (including all internal components and packaging), is not permitted.

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

Healthy living

Traffic light labelling

Our traffic light labelling provides nutrition information for Co-op products at a glance. The colour coding allows customers to check if the product is low, medium or high in fat, saturated fat, sugar or salt.

Healthier products

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, products without a red traffic light, any products which comply with the Change4Life guidelines, drinks classed as diet or no added sugar or any 'reduced' or 'light' products which comply with the legal definition of 'reduced' in the nutrition claims regulations.

Change4Life

We've been partners with [Change4Life](#) since it launched in 2009 and we regularly support their January health campaigns through our digital media channels. In 2017, we supported their Be Food Smart app via our till screens and in-store radio.

Proportion of Co-op branded products carrying traffic light labelling that are healthy (i.e. carry no red traffic lights)

2014	2015	2016	2017
41%	42%	44%	44%

Proportion of price-based promotions for healthier products

2014	2015	2016	2017
32%	32%	38%	36%

Balanced ready meals

We launched balanced ready meals at the start of 2017 to help health conscious customers identify ready meals that would help them to achieve a balanced diet. The balanced ready meals meet strict criteria such as containing less than 500 calories and at least one of your 5 A Day.

Meat free

With the rise in those following flexitarian/vegetarian and vegan diets, we have been reviewing our meat-free offering. We have refreshed options in our Food to Go and ready meal fixtures over the past year to keep the ranges interesting for customers who want a meat free option.

Peas Please

We have signed up to the [Peas Please](#) campaign which is committed to getting the nation eating more vegetables. Our pledges include increasing the presence of vegetables in lunchtime meal deals, including more inspiration on using vegetables on our communication channels and encouraging the use of vegetables in new product development.

Free from

We have been focusing on our 'free from' offer to support customers who don't eat dairy or gluten either by choice or medical requirement, and we've increased our number of dairy and egg free lines. Our free from products won seven awards in 2017 and we will be launching a number of new free from products throughout 2018.

SORTEDFood

We've partnered with [SORTEDfood](#) to address a cooking skills gap among millennials. In 2017, we launched 'Now Cook It', an online course to help a generation of people learn basic cooking skills and feel engaged with cooking and food.

Health and safety

Accidents

We report on colleague accidents as it's a key indicator of how effectively we're managing workplace safety. In 2018 we're launching a new safety management system (delayed from 2017 to align with our new safety operating model) to make reporting health and safety issues easier.

Our significant reduction in our reportable accidents can be attributed to a concerted effort across the business to improve safety. This has led to a reduction in serious accidents, caused by for example, slips and trips. We will continue to focus now on the improved reporting of near misses and minor accidents.

Figures represent all incidents reported via our internal reporting system. This includes casualty accidents and crime (although only reportable and non-reportable incidents are included in this Report). Our internal reporting system covers all Co-op colleagues as well as contractors, work-experience and agency staff.

Accidents per 100,000 colleagues

	2014	2015	2016	2017
Reportable	680 ¹	549 ¹	488	360
Non-reportable	7,754 ¹	7,321 ¹	8,413 ¹	8,291

¹ Data has been restated due to reclassification and backdated incidents which have been recorded during 2017

To calculate the accidents per 100,000 colleagues, total colleague headcount was used ([see page 57](#)).

We're aware of the national increase in levels of crime, affecting retailers in the UK including our own business. We're investing in technology and seeking new innovative solutions that will support community cohesion, as well as reviewing our existing policies, procedures and practices.

Creating shared value

Full reports and data supporting the three social value case studies, and undertaken by three expert organisations: Itad, The Connectives and PwC¹ can be found online via hyperlinks within the summaries set out on [pages 10 and 11](#).

¹ The summary (included in this Report) and the underlying report ([Estimating the social value created by the Local Community Fund](#)) have been prepared by PwC only for Co-operative Group Limited and solely for the purpose and on the terms agreed with Co-operative Group Limited in the agreement dated 24 November 2017. PwC accepts no liability (including for negligence) to anyone else in connection with this document. PwC is not responsible for any content published by Co-operative Group Limited alongside this summary, our full report or otherwise, except that which is specifically identified as having been produced by PwC. © 2018 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Diversity and inclusion

Our Respect network

Our lesbian, gay, bisexual and transgender (LGBT+) colleague network, Respect, had 1,183 members at the end of 2017 (2016: 882). Respect activities help to raise awareness of LGBT+ issues and the network supports the professional development of its members across the business. We supported Pride events during 2017, with active participation in Blackpool, Brighton and Manchester.

This year our Respect LGBT+ network partnered with Iris Prize to raise awareness of LGBT issues through short film. This has included us hosting screenings of [Iris Prize](#) festival winning films for colleagues and the wider community, as well as sponsoring the Iris Prize Film Festival in Cardiff.

Our Aspire network

Our Aspire network focuses on gender at our Co-op, providing informal support and empowering colleagues looking to develop their career. There were 924 members in the network at the end of 2017 (2016: 579).

Our support for carers

Our annual colleague survey, Talkback, revealed 39% of colleagues have some form of dependant or caring responsibilities (2016: 36%). Offering flexible working to give colleagues more choice in how, when and where they work helps us to retain talent. We recognise that people have different needs and responsibilities, it's all part of the changing landscape in society and being responsive to that helps us to stay relevant to our colleagues.

Gender pay gap reporting

We published our gender pay gap in February 2018 - you can read the full report explaining our results, and how we're addressing them, in more detail [here](#). The regulations mean we have to produce data by employer. In our Co-op there are two employers:

- Co-operative Group Limited which employs most of our colleagues
- CFS Management Services Limited which is mainly made up of our Insurance colleagues

Women's hourly rate

Co-operative Group Limited		CFS Management Services Limited	
Median	Mean	Median	Mean
12.8% (Lower)	18.9% (Lower)	8.0% (Lower)	24.0% (Lower)

- The median compares the hourly rate of the middle male role to middle female role, and the mean compares the average hourly male rate to the average hourly female rate
- For the first time we now have more women on our Executive than men
- Nearly 80% of our relevant employees are on fixed rates of pay for their job

	Co-operative Group Limited		CFS Management Services Limited	
	Men	Women	Men	Women
Top quartile	69.2%	30.8%	61.5%	38.5%
Upper middle quartile	47.8%	52.2%	46.8%	53.2%
Lower middle quartile	38.9%	61.1%	48.9%	51.1%
Lower quartile	26.8%	73.2%	43.1%	56.9%

- We have sorted our colleagues in order from highest to lowest paid and then split them into four groups of equal numbers of people
- This shows that we have more men in our most senior roles, and having more men in senior positions than women is impacting our gender pay gap

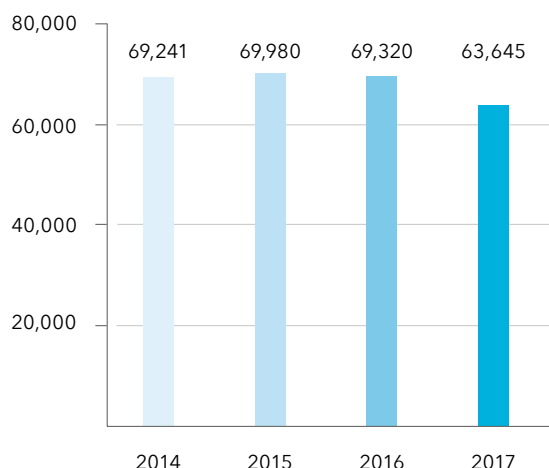
	Co-operative Group Limited		CFS Management Services Limited	
	Median	Mean	Median	Mean
Women's bonus pay is	3.0% lower	28.4% lower	24.9% lower	20.2% lower

	Co-operative Group Limited		CFS Management Services Limited	
	Men	Women	Men	Women
Who received bonus pay?	16.0%	14.9%	31.4%	30.0%

- The regulations say that actual bonus payments are used for comparison. More part-time colleagues are female which distorts the comparison.
- Having more men in senior positions than women is impacting our gender bonus gap
- We expect our bonus gaps to be different in our next report. Our payroll cycle is four weekly and we pay colleagues 13 times a year. Bonus payments under the 2016 annual scheme were made in May 2017, which was the first payroll after our accounts were signed off. A large number of colleagues received their 2016 annual bonus payment after the relevant period for our Gender pay gap report. That payment will be captured in the next pay gap report we publish.

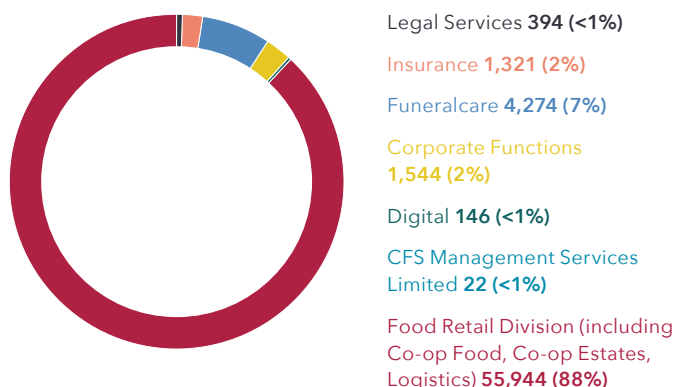
Colleague wellbeing

Total colleague headcount at year end



The reduction in headcount in 2017 can be largely attributed to the sale of stores and associated staff transfers as well as increased efficiency across our Food estate which has reduced overall numbers.

Total colleague headcount by business area (and percentage)



Voluntary turnover

Voluntary leavers are all colleagues resigning or leaving the business through a mutually agreed settlement. It does not include redundancy and retirement. Voluntary turnover is calculated as a percentage and is the number of voluntary leavers in the year divided by the average headcount, per business, over the same period.

Voluntary turnover by business area

Food Retail Division (including Co-op Food, Co-op Estates, Logistics)	24%
Funeralcare	12%
Insurance	15%
Legal Services	30%
Corporate Functions	10%
CFS Management Services Limited	9%
Digital	14%

Engagement with trades unions

We have formal recognition agreements with trades unions (NACO, UNITE and USDAW) across all areas of our business. We actively encourage colleagues to become union members but also respect the right of colleagues not to join a union.

We communicate and consult with each union regularly to maintain positive and constructive relationships, which includes biannual meetings with our Chief Executive and senior management team.

Colleague engagement

We measure colleague engagement using an index. In 2017, our overall engagement score was 75%, down three points since 2016 but remains high and above a UK retail benchmark of 73%.

Based on their business area's results in the survey, our colleagues create action plans in their teams. This helps colleagues to use the information from the survey to reflect on what's working well and what could be done to improve things.

Engagement score

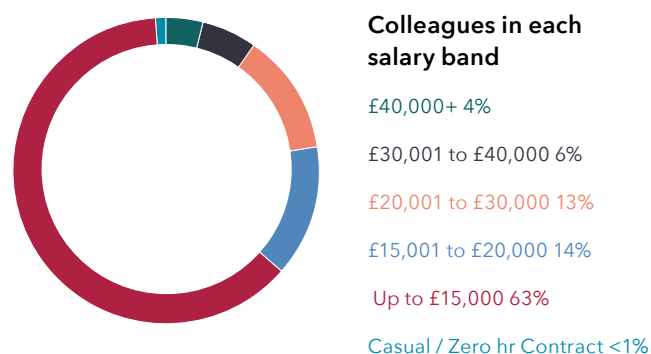
2014	2015	2016	2017
66%	74%	78%	75%

Reward

We've always believed that people should be paid a fair wage. Our Co-op has always supported the principle of a statutory floor for basic pay, and campaigned for the introduction of the national minimum wage.

We are increasing our investment in front-line colleague's pay in 2018 to move further beyond the National Living Wage, and we will continue to apply our minimum rates to all colleagues, unlike many other employers who reduce rates for younger colleagues or apprentices. We offer good benefits to colleagues, and we are introducing new financial, health and wellbeing initiatives in 2018.

We know that some members want to see pay ratios and we are publishing figures using the same methodology as last year as we still don't have the outcome of the government's consultation. The ratio between our highest paid Executive and lowest paid colleague in April 2018 is 1:49 on Base Pay only or 1:96 for Base Pay plus on-target incentives. The Remuneration Report in our 2017 Annual Report provides details on CEO and Executive pay.



We believe that pay and other types of reward should be awarded consistently and transparently. The proportion of colleagues in each salary band has remained stable since 2015.

Pensions

Our pension scheme is also responsible for pension members who have left the business, and in 2017 this comprised 51,000 pensioners (2016: 51,500) and 64,000 deferred pensioners (2016: 64,000). Our automatic enrolment offer exceeds the minimum required, and we also offer colleagues who do not meet automatic enrolment criteria the opportunity to join and receive the same level of benefit.

Percentage of colleagues in a pension scheme

2014	2015	2016	2017
57%	58%	60%	60%

Employee Assistance Programme

We offer colleagues free access to an independent and confidential Employee Assistance Programme provided by Lifeworks. This offers colleagues free 24/7 support across a range of areas, including health and wellbeing, work and personal issues, legal and financial wellbeing. Telephone and face-to-face counselling is also available if required. In 2017, 2,427 calls were received, covering 1,250 individual cases - approximately 2.0% of our colleagues (2016: 2,190 calls, 1,041 cases). Of the 1,250 cases, 193 were referred for follow-up counselling with a trained counsellor (2016: 118).

Apprenticeships

In 2017, 742 colleagues started apprenticeships¹ (2016: 721), taking our total number of apprentices to over 3,600 since 2011². This represented a slight increase, but was below our target of 1,000 apprenticeship opportunities in the year. It's important that apprentices get the right level of support from managers and colleagues when they start, and due to our busy period around Christmas we decided it was appropriate to delay some apprenticeships until the New Year. We have successfully introduced the apprenticeship levy in our businesses and are using it to further expand our programmes to achieve our ambition of 1,000 apprentices a year by 2018.

In 2017 we broadened our Apprenticeship programme with over 200 colleagues starting apprenticeships in our food business, including 33 on a Chartered Management Degree Apprenticeship programme. In addition, a number of apprentices have joined our Support Centre operations in areas such as Public Relations, Pensions, HR and Digital.

We identified suitable opportunities in our insurance business for young people from our Co-op Academy Trust schools, and seven young people started their apprenticeship with us in August 2017.

We continue to lead the way in the retail sector with Co-op colleagues being the first in the country to undertake the Retailer Apprenticeship End Point Assessments (taken at the end of the apprenticeship programme to determine whether the apprentice has met the required standard) under the new apprenticeship reforms.

We're also leading a [Trailblazer Apprenticeship Group](#) to revise our funeral business apprenticeship standards and ensure they remain fit for purpose for the sector.

¹ Includes new recruits and existing colleagues starting apprenticeships.

² This excludes apprenticeships through The Co-operative Bank plc, Co-op Pharmacy, Co-op Farms.

Customers

Co-op Food customer satisfaction

Since Q2 2017, satisfaction in our food business has been measured via a quarterly online survey. Prior to this, satisfaction was measured via a quarterly telephone survey.

To bridge the gap in methodologies, a calibration factor has been applied to historical data, allowing comparison. Historical data presented in the table have been restated accordingly.

Satisfaction score (out of 10)

2014	2015	2016	2017
7.2	7.2	7.4	7.7

Co-op Funeralcare customer satisfaction

At Need

Because of the sensitive nature of the services offered by our funeral business, we use postal surveys for those who have organised a funeral or used our memorial masonry service. We also offer the option of completing the survey online if the client would prefer. Using this feedback, we measure our funeral business Excellence Score. We have a target excellence score of at least 91 for 2018.

Excellence score

2014	2015	2016	2017
94.7	94.6	95.2	93.7

We also track the proportion of customers that were either fairly or very satisfied with our service, and in 2017 this was 98.6% (2016: 98.9%). One of the reasons for our high levels of satisfaction is the personal care we provide. Every funeral we arrange is unique and tailored to each individual that comes into our care.

Pre-need

From 2017, every client who purchases a funeral plan from the Co-op receives a postal questionnaire to check their satisfaction with the service provided and the plan itself, whether purchased in a funeral home, online, over the phone or by post. The response to this forms the basis of the pre-need customer satisfaction score, which for 2017, was 94.8.

Co-op Legal Services customer satisfaction

Every Legal Services customer receives an online or postal questionnaire. The responses to this form the basis of our Legal Services customer satisfaction score.

Satisfaction score

2014	2015	2016	2017
89%	87%	89%	87%

Restated due to slight difference in when reports were generated this year

Co-op Electrical customer satisfaction

Our satisfaction score is based on the rating from customer feedback service [Feefo](#).

Feefo moved to a five-star rating system during 2017. As a result, the previous years' percentage ratings have been converted to the five-star rating system here in order to make them comparable.

Feefo Rating

2014	2015	2016	2017
4.8	4.8	4.8	4.8

Co-op Insurance Would You Recommend Score (WYR)

We use WYR as the measure of customer satisfaction in our insurance business. This measures the likelihood that customers would recommend our products and services to their friends and family. Surveys are sent following interactions with our contact centres and website across our Claims, Sales and Service journeys and over 88,500 customers returned surveys in 2017.

The overall result for the year was 39 (2016: 32), which compares to a UK benchmark with our survey provider of 41. We attribute our increased score compared to last year to various improvements our contact centre, such as the introduction of colleague hubs and standard operating procedures, as well as the financial savings from a revised building claims validation strategy being re-invested into premium reduction.

Customer contacts and complaints

Contacts received by Customer Care

2014	2015	2016	2017
157,461	137,509	175,585	143,169

Product complaint numbers

2014	2015	2016	2017
25,121	24,551	30,220	29,473

The Customer Care team handles complaints and queries from customers of our food business. We make it easy for customers to contact us (for example by putting our contact details on most of our Co-op brand products and on till receipts), because we see this feedback as an opportunity to put things right and to learn from any mistakes we've made.

Between 2016 and 2017 overall complaint volumes were down by 22% (32,425) to 143,169. This coincided with an increased focus on customer satisfaction and continuously improving operations. Complaints are now being used as a key input to continuous improvement. In November 2017 we won Best Voice of Customer Programme at the European Contact Centre and Customer Service Awards for our approach.

Some of the key drivers of this reduction have been:

- In 2016 we received 8,500 complaints as part of a consumer campaign aimed at all retailers to pay a fair price to dairy farmers for milk. We made our stance on milk sourcing clearer, including a detailed section of the Co-op Food website, and in 2017 saw no similar response from consumers
- During 2017 we made changes to the way we handle Paypoint transactions and reduced complaints by around 4,000 per year
- We implemented automated email responses to queries which could be answered via online FAQs, which helped speed up responses and reduce the volume of cases logged

We believe it's important to effectively handle the complaints we receive. In 2017 we measured customer satisfaction and found that 87% of 5,541 survey participants were satisfied with how their complaint had been handled (compared to a 2017 UK Customer Satisfaction Index benchmark for food retailers of 69%) and 84% would recommend us.

In 2018, we will continue to focus on continuous improvement and automation opportunities to improve the service we provide to customers and members.

Insurance reportable complaints

The total number of complaints received in 2017 and reported to the Financial Conduct Authority was 25,317.

New complaint-handling rules introduced by the Financial Conduct Authority in July 2016 mean all complaints (formal and informal) are now considered reportable. As a result, direct comparison is not possible with previous years' results.

Our approach to ethics and sustainability

At the beginning of 2018 we set out our ambition for 'Stronger Co-op, Stronger Communities'. This sets the wider context for our developing approach to ethics and sustainability, which we aim to map out in more detail over the coming year. Some of the themes that are starting to emerge as we do so are set out at the [front of this report](#).

Our governance of ethics and sustainability

Our governance of ethics and sustainability is structured as follows:

- Our Board determines the strategy for the Co-op, consistent with our Purpose and Values and Principles and is responsible for final approval of our Co-op Way Report.
- Our Members' Council holds the Board to account. This includes reviewing and commenting on our sustainability reporting, as part of its 'holding to account' role. Its Approvals Role includes approving how Values and Principles are effectively embedded within the Society based on recommendations submitted by the Executive.
- In 2016, the Council completed work on a new framework to support it in its role of holding the Board to account. This is called the Co-op Compass, a shared way to monitor and measure business performance against four key co-operative lenses – Member Value; Member Voice; Co-operative Leadership and Ethical and Sustainable Leadership. The Council has formed a number of sub-committees to aid it in this work, including the Ethical and Sustainable Leadership Committee (E&SLC).
- The development of policies and programmes relating to ethics and sustainability is delivered by forums, for example our Food Policy Group, which oversees progress on issues relating to food ethics such as healthy lifestyles, animal welfare and Fairtrade.

In addition to our formal governance framework, our Co-op Way Policy Committee is made up of members of our Executive, senior management and individuals from our Members' Council, who consider our approach to ethics and sustainability.

During 2017 Internal Audit reviewed the governance and systems we have in place for developing and implementing our approach to ethics and sustainability. The findings from the review will help shape our developing approach over the coming year.

Our material issues

We're a diverse group of businesses which means that our impacts are extensive and varied, and we know that we can't lead on every aspect of sustainable development. That's why we focus on our most significant social, environmental and economic impacts and the issues that matter most to our stakeholders, in particular our members, and our business.

We take an evidence-based approach to decision-making when it comes to deciding on our material issues. We're influenced by a range of stakeholder, business and society interests including:

- Our Values and Principles
- Our co-operative model and approach
- Member voice
- Other stakeholder views
- Our Purpose and business strategy
- Our risk management framework
- Legislation and the regulatory landscape
- External standards and benchmarks
- Societal norms and emerging issues

We engaged leaders from across the business, along with elected members from our Members' Council, to review our existing policies and the issues that were most material for our business during 2016 (and we believe the results remain relevant and valid). We did this through a series of scoping and prioritising exercises and calibration workshops. The results of this work provided the basis for our Co-op Way Policy Framework through which we articulate our approach, develop and review policy and set future targets. Our Co-op Way Policy Framework sets out the issues that matter most to us, and to our stakeholders, and on which we want to make clear our Co-op difference. The issues are not ranked in any priority order – given the range of perspectives amongst stakeholders involved in the development of the Framework and the diversity of our business no clear prioritisation emerged from the materiality work that we conducted.

Co-op Way Policy Framework: material issues

- | | |
|----------------------------------|--------------------------------|
| • Business ethics and behaviour | • Environment and resource use |
| • Ethical trade and human rights | • Healthy living |
| • Health and safety | • Diversity and inclusion |
| • Colleague wellbeing | • Community |
| | • Food and farming |

Our stakeholders

Engagement with stakeholders is key to creating an accountable and strategic approach to ethics and sustainability. We have identified five main stakeholder groups:

- Members (see Membership and democracy);
- Communities (including wider society, see [Community](#), [Business ethics and behaviour](#) and [Campaigning](#))
- Partners (including suppliers and the co-operative movement, see [Ethical trade and human rights](#), [Food and farming](#), [Environment and resource use](#), [Business ethics and behaviour](#) and [Co-operation among co-operatives](#))
- Customers (see [Customers](#))
- Colleagues (see [Colleague wellbeing](#), [Diversity and inclusion](#) and [Health and safety](#))

Our reporting

For over a decade now, our sustainability reporting has set out how we are addressing sustainability and ethics. The process of accounting, assurance and reporting is important to drive performance and it provides crucial information to our stakeholders.



Openness and honesty

We're committed to reporting transparently on our performance – be it good or bad. As well as tracking progress against targets, we believe it's easier to get a sense of how we're doing if we compare our performance to our peers'. We include relevant performance benchmarks throughout this report, detailing not only where we lead, but also where we strive for improvement. And, where possible, we include four years of performance data to allow year-on-year comparison. We set ourselves **29 targets** for 2017, 24 of which have been achieved or are 'on track'. As we move forward we aim to review our target-setting process, with a view to setting challenging longer-term and more strategic targets.

Assurance

Following a re-tender process, we engaged [DNV GL](#) to carry out assurance of our sustainability performance in this Co-op Way Report. Using their assurance methodology, VeriSustain, DNV GL evaluated how our reporting adhered to the principles of stakeholder inclusiveness, materiality, sustainability context, completeness, reliability and quality. Their [Assurance Statement](#) gives an overview of the areas of performance data in scope.

External frameworks

We report in accordance with the [GRI Standards core requirements](#) in our online table.

The United Nations (UN) has set clear sustainable development objectives for 2030. The UN [Sustainable Development Goals](#) (SDGs) are designed to focus government, civil society and business on addressing the world's biggest challenges – such as ending poverty and hunger, protecting the environment and improving living standards of people everywhere. We have a long history of supporting many such causes through our business activities, charity partnerships and initiatives, and as an interim approach to reporting on our contribution to the SDGs, we include a [summary of this activity](#) within this report. We are aiming to align our future activity more directly to the SDGs, and hope to report progress next year.

In January 2017, we signed an open letter calling on the government to acknowledge the importance of the goals, and pledging to work with them to ensure the SDGs are delivered in the UK and around the world. In 2018, we became a signatory to the [UN Global Compact](#), signed up to the [British Retail Consortium's Better Retail, Better World](#), and reaffirmed our pledges to the [International Co-operative Alliance's Co-ops for 2030](#).

Scope of reporting

Performance relates to the the 53 week year ending 6 January 2018 (unless otherwise stated) and to our operations and stakeholders. It covers those businesses wholly owned by the Co-operative Group Limited as at 6 January 2018.

This Report relates to the performance of the business as a whole unless otherwise stated (in some instances we refer to a particular business unit, and this is stated clearly). Reporting on products sold by Co-op Food focuses on Co-op branded products. Co-op branded accounted for 47.9% of total Co-op Food turnover in 2017 (2016: 46.9%). Like other retailers, we have greater influence over Co-op branded than we do other branded products, and our priority continues to be to improve the sustainability of these products.

We operate only in the UK and our main offices are in Manchester. There has been no significant change to the size, structure or ownership of the business during the year that impacts our reporting – details of the reduction in our shareholding in The Co-operative Bank, and disposal of 298 of our smaller stores to McColls Retail Group plc can be found in our [Annual Report](#).

Performance against 2017 targets

2017 target	2017 progress	2018 target
Members		
Recruit one million new members by the end of 2017	Achieved - More than one million new members have joined since the re-launch of our Membership proposition.	
We expect to be giving back over £100m to members and their communities by the end of 2018	On track - During 2017 we gave £73.9m ¹ back to members and their communities showing progress towards our original target. We are reviewing this target in line with our wider Membership objectives in 2018.	
Co-operation		
Increase the number of academies we sponsor in the north of England	Achieved - We sponsored three new academies this year, taking the total to 11.	Increase the number of academies in the Co-op Academies Trust to at least 16
Campaigning		
Establish new British Red Cross services, funded by our Charity Partnership, to reduce loneliness for up to 12,500 people by the end of 2018	On track and under review - As of the end of 2017, over 800 people had accessed support through the new services. Now the services are established we will review the number of people we expect to support in 2018.	
		Explore opportunities for a new national campaign to launch in 2019
Community		
Give back at least £20m a year to local causes through our Local Community Fund by the end of 2018	Achieved - We achieved this target a year early with £20m given to over 8,000 local community projects.	Give back at least £20m in 2018 to local causes through our Local Community Fund
Launch a Community Wellbeing Index in 2017 to help us listen to, and understand what matters most to our members, and inform what we do locally and nationally	Behind schedule - This is now planned to launch in June 2018.	Launch a Community Wellbeing Index to help us listen to, and understand, what matters most to our members, and inform what we do locally and nationally
Launch a campaign to recruit Member Pioneers by the end of 2017	Achieved - We launched the campaign and have recruited 200 Member Pioneers.	Have a Member Pioneer across all 1,500 Co-op communities by 2020
Ethical trade and human rights		
Introduce a new programme for high-risk suppliers (of goods and services we use in our businesses) to be registered on Sedex, on the basis of our ethical trade and human rights risk assessment	On track - We started our programme with a pilot initiative in our funeral business, and have started to roll out to suppliers in other high-risk categories including construction and facilities management.	By the end of 2018 we will have requested all new high-risk suppliers of goods and services not for resale to complete a Sedex self-assessment questionnaire
Roll out Advanced Ethical Training for key commercial teams in Co-op Food, underpinning our policies and processes with investment in our people	Achieved - In addition to our introductory training on ethical training, we developed a new bespoke half-day advanced training course for key colleagues who regularly visit and interact with suppliers. Two courses were delivered by an external expert.	Reach 1,000 delegates in 20 events as part of our global supplier capacity building programme to address underlying causes of human rights issues
All Co-op branded chocolate confectionery will carry the Fairtrade Mark. And all the cocoa we buy for Co-op branded products will be sourced on Fairtrade terms, delivering an estimated £450,000 in Fairtrade Premiums annually	Achieved - All Co-op branded chocolate confectionery now carries the Fairtrade Mark and all the cocoa we source for Co-op branded products has been sourced under Fairtrade terms since May 2017.	All the tea, coffee and bananas we use in Co-op branded recipe production will benefit Fairtrade producers and their communities
		All roses we source from Africa - whether marked as Fairtrade or not - will be purchased on Fairtrade terms

¹ This includes the 5% Members have earned on selected products and services that has been made available to them to spend with the Co-op as well as payments made in 2017 via the Local Community Fund of 1% on Member own brand spend.

2017 target	2017 progress	2018 target
Food and farming		
Extend our 100% British commitment to include fresh lamb and bacon from May 2017 (in addition to our current British range)	Achieved - From May 2017 100% of all our Co-op brand fresh meat has been British.	Use 100% British meat in Co-op branded frozen products by 2019
		In 2018, all Co-op branded, fresh pork, bacon, sausage, gammon and ham to be sourced from 100% outdoor-bred pigs on RSPCA Assured farms
Maintain Tier 2 in the Business Benchmark on Farm Animal Welfare (BBFAW) in 2017	Achieved - We achieved a Tier 2 rating in BBFAW in 2017, for the fourth year running (1-6 scale, where 1 is the highest). BBFAW classes businesses that reach Tier 2 as having 'farm animal welfare as an integral part of business strategy'.	Maintain Tier 2 status within the Business Benchmark on Farm Animal Welfare (BBFAW)
		Publish Co-op performance in antibiotic usage within our farming groups
Environment and resource use		
Climate change		
Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006	Achieved - In 2017 direct GHG emissions from operations were 54% lower than in 2006.	Set an ambitious new target to reduce our remaining GHG emissions, to be reported next year
Waste		
80% of our packaging (by product line) will be easy to recycle by 2020	On track - In 2017 71% of our own brand packaging (by product line) was easy to recycle, up from 46% in 2016.	80% of our packaging (by product line) will be easy to recycle by 2020
		Publicly report annual food waste tonnage for 2018 calendar year onwards
Roll out a process for redistributing surplus food from our stores to charities and community groups	Close to target - We currently have 50 stores with charity partners registered to receive food surplus. The roll out to more stores is planned for spring 2018, this has been delayed from 2017 to ensure a sustainable solution for stores and charities at a community level.	Roll out a process for redistributing surplus food from our stores to charities and community groups
Resource use		
Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell	On track - We apply a risk assessment process to all our fish products, which ensures we continue to source as responsibly as possible. We are members of the Sustainable Seafood Coalition and work with the Sustainable Fisheries Partnership. We also take part in industry roundtables and directly support Fisheries Improvement Projects such as Project UK to support wider industry improvements. Our high risk sources have reduced to 0.73% (2016: 4%) and we've also increased our number of MSC-certified products from 40 in 2016 to 49 in 2017.	Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell
Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits	On track - 59% of our palm oil is now RSPO Segregated (2016: 45%) and our reliance on credits is down from 10% to 5.7%.	Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits
Develop our Responsible Soy roadmap, aiming to bring us into line with our work on other areas of concern for deforestation such as wood, paper and palm oil	On track - We continue our support of RTRS through credit purchases and in 2017 we became signatories of the Cerrado Manifesto - a group of companies committed to protecting this area of Brazil.	Develop our Responsible Soy roadmap reviewing usage directly in products and in animal feed - this will include exploring the options around certification, project work and reductions in soy use

2017 target	2017 progress	2018 target
Healthy living		
Ensure at least 30% of Co-op brand food products that carry traffic light labelling are healthy (ie carry no red traffic lights)	Achieved - 44% of Co-op branded food products that carry traffic light labelling are healthy (ie carry no red traffic lights) in 2017.	
A minimum of 50% of price-based promotions (for food and non-alcoholic drinks) will be for healthier offerings by 2020	Behind schedule - This year saw a slight decrease (36% in 2017 compared to 38% in 2016).	A minimum of 50% of price based promotions (for food and non-alcoholic drinks) will be for healthier offerings by 2020
Health and safety		
Set a clear strategic direction for safety management across our Co-op (via a management framework)	Achieved - We've introduced a new operating model across our Co-op.	A new accident and incident management system will be used by all our businesses by the end of 2018
		Set a minimum safety standard with our new policies, to be achieved across our Co-op
		Reset our KPIs to drive a stronger safety culture
Diversity and inclusion		
Increase levels of respect at work, measured by colleagues telling us they are treated fairly via our colleague survey Talkback	Not achieved - We have seen a slight decrease to 79% in 2017 but we will continue to focus on improvement in 2018 (2016: 80%).	Continue the focus of increasing 'respect at work' measured by colleagues telling us they are treated fairly via our colleague survey Talkback
Close the gap between our colleague population and the UK population, in terms of Ethnic Minority and disability representation	On track - The gap has remained steady in 2018 due to the relatively short-timescales, and we expect to see and report on progress from our actions in our 2018 report.	Launch two additional colleague networks representing ethnicity and early careers
Increase representation of women in senior leadership from 29% (as at the end of 2016)	Achieved - There has been a slight increase to 31% in 2017.	
		Launch our Inclusion Council formed of internal and external parties
Colleague wellbeing		
Maintain levels of colleague engagement as measured by our engagement index	Close to target - This year's engagement score (75%) has remained in the mid-70s but was slightly lower than 2016 (78%). It still remains above the retail benchmark of 73%.	
Increase colleagues' use of the Employee Assistance Programme	Achieved - This year 2,427 calls were received covering 1,250 cases (approximately 2.0% of our colleagues) - compared to 2,190 calls and 1,041 cases (approximately 1.5% of our colleagues) in 2016.	
Introduce new tools and resources to help colleagues with personal budgeting, savings and debt management	On track - We've trialed a number of tools and services, and will be rolling these out in 2018.	Provide colleagues with new services and tools to support their health and wellbeing and to help them improve their finances
		Provide 1,000 apprentice opportunities each year from 2018
		Introduce new ways to recognise and celebrate the great work our colleagues do every day across our Co-op businesses, including launching Thank You for Being Co-op Awards
Business ethics and behaviour		
Retain Fair Tax Mark reaccreditation (for our 2016 Annual Report by June 2017)	Achieved - We maintained our Fair Tax Mark in 2017.	Retain Fair Tax Mark accreditation in 2018
Increase our sales to members to 50% of total sales (from 20%) by the end of 2018	On track and under review - Sales to members have increased consistently since the re-launch of membership in September 2016. We are reviewing this target in line with our wider membership objectives in 2018.	

Independent Assurance Statement

The Co-operative Group Ltd (“the Co-op”) commissioned DNV GL Business Assurance Services UK Limited (“DNV GL”, “we”, or “us”) to undertake independent assurance of the Co-op Way Report 2017 (the “Report”) for the year ended 31 December 2017.



Our 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 described below. 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.

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.

Sustainability context

The presentation of the organisation’s performance in the wider context of sustainability

We understand that work is ongoing on how the Co-op will build on its long-standing commitment to ethics and sustainability. It intends to frame future strategy and commitments within the ‘Stronger Co-op, Stronger communities’ ambition. Articulation of a new and leading sustainability ambition and strategy, along with supporting long-term targets, and alignment of the Sustainable Development Goals to local impacts, will help the Co-op regain its leadership position in this area. It will also clarify how ethics and sustainability relates to long-term organisational strategy, in the future.

The Co-op highlighted performance benchmarks as context for many indicators and should consider broadening this approach to all issue areas.

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 relevant mechanisms in place to take stock of emerging priorities. We found that the management approach for priority issues was well embedded within the business, and the Report format provided an accessible overview of this as well as supporting detail.

We noted the ongoing efforts to explore approaches to measurement of social impact, to better understand the value that the Co-op creates for its members. Once the way forward is agreed, the Co-op should consider how to create a business decision making tool covering qualitative and quantitative impacts and outcomes. To be credible, the Co-op should include both positive and negative impacts.

As the Co-op acknowledge, they have not monitored the use of their ethical decision-making tool during the year. Future reports should cover the results of the Co-op’s work to develop the model planned for 2018 and how ethical considerations inform key business decisions.

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.

The Co-op’s stated intention to publish information on antibiotic usage within their farming groups and annual food waste tonnage in 2018, are positive developments.

We noted the creation of a new operating model and refreshed policy for safety. We recommend broadening indicators to include forward looking ones, such as safety training and behaviour-based safety aspects. We restate our recommendation to expand the reporting boundary to include performance along the value chain.

For greenhouse gas emissions, the Co-op had adopted good practice in calculating and reporting on Scope 2, by using both market based and location based emissions factors. We also noted the reporting of Scope 3 this year was more transparent.

Reliability and quality

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. Data collection processes were documented in some areas and we repeat our recommendation that this approach be extended to all data and to include indicator definitions.

Scope and approach

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, sustainability context, materiality, completeness, 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. We understand that the reported financial data and information are based on data from the Co-op's Annual Report and Accounts, 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.

Data in scope

- 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)
- Climate Change (Energy Use; Greenhouse Gas (GHG) emissions including emissions by source; Carbon intensity; % electricity from renewables; % electricity from own renewable energy projects)
- Resource use (RSPO sourcing in Co-op brand food)
- Colleagues, Diversity, Health and Safety (total colleague headcount; reportable and non-reportable accidents; % colleagues by age, gender, disability and ethnicity)

This year we started to rotate data in scope and excluded data from waste and food and farming, and included only palm oil data from resource use. We continued to review key claims in the chapters relating to the excluded data, including the outputs of data systems, but didn't test these data systems in depth.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at head office. 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 six 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 finance, community, policy and campaigns and two members of the Risk and Audit Committee;
- Review of supporting evidence for selected claims in the Report, including reported performance against all 2017 targets and the data points in the social impact case studies. Selected claims were chosen based on their perceived importance and the materiality of issues at a consolidated group level;
- Participation in a Co-op led workshop to review the outputs of the three social impact assessments reported in the case studies; and
- 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.

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK
12th April 2018


Mark Line

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



Gareth Manning

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

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 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. 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 Independent Assurance Statement.

Level of Assurance

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.

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.

DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
www.dnvgl.co.uk/BetterAssurance



Co-operative Group Limited

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