

# INSPIRING THROUGH CO-OPERATION

Sustainability Report 2011



The **co-operative** good for everyone



THE QUEEN'S AWARDS  
FOR ENTERPRISE:  
SUSTAINABLE DEVELOPMENT  
2012

# Our co-operative difference

The Co-operative Group stands apart from other major businesses in the UK as an organisation which is owned, not by investor shareholders, but by over 7.2 million individual members and in the region of 80 Independent Co-operative Societies.

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

## Values

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

## Principles

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

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

## Our purpose, vision and aims

### Our purpose is:

To serve our members by carrying on business as a co-operative in accordance with co-operative Values and Principles.

### Our vision is:

To build a better society by excelling in everything we do.

### Our aims are:

- To be a commercially successful business
- To meet the needs of our customers and the communities we serve
- To respond to our members and share our profits
- To be an ethical leader
- To be an exemplary employer
- To inspire others through co-operation.

## Our business model

We are in business to serve our members and their communities, and our business is run for their benefit. We listen to member opinions and integrate these into our business activities and our social and campaign agenda.

Individual members of the Group exercise democratic control by serving on its 48 area committees and seven regional boards, or by voting in elections, by attending twice-yearly members meetings held throughout the country or by participating in other consultation initiatives.

Our profits are shared with each member, in proportion to their level of trade with us over the year. Our member democracy model offers individuals the opportunity to play a direct role in the future direction of the Group. Active members may stand for election to their area committees; area committee members are in turn elected to regional boards and ultimately to the Group Board.

## How we are governed

Our members elect representatives to oversee the business. The Group Board is entirely non-executive and consists of 20 directors, 15 of whom are elected from our regional boards, while the remaining five are elected from Independent Co-operative Societies. Each year one-third of Board members are required to seek re-election.

Three subsidiary boards are responsible for our major business units – The Co-operative Food, The Co-operative Banking Group and Co-operative Specialist Businesses.

The Group Board is responsible for the long-term success of the Group. It elects, and is led by, the Group Chair, a non-executive director of the business, and it appoints the Group Chief Executive, who has direct responsibility for the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

## 1 Angel Square



1 Angel Square, pictured on the front cover, is The Co-operative's new flagship office building in Manchester City Centre. It is on budget and on schedule to open in October 2012.

It sets a new benchmark for environmentally sound commercial construction and will be one of only a few buildings worldwide, to achieve

the construction industry's BREEAM measurement rating of 'outstanding'.

The building is the single largest embodiment of The Co-operative brand, and the first phase of NOMA<sup>1</sup>, a sustainable regeneration programme that will breathe new life into a 24-acre area of the city centre.

# Contents

- 1 About this Report
- 2 Chair's overview
- 3 Chief Executive's overview
- 4 Executive summary
- 6 The Co-operative at a glance
- 7 Managing sustainability
- 104 Expert commentary
- 105 Independent assurance statement
- 113 Scope of Report and target summary

## Social responsibility

UK community investment  
**Page 12**

International development and human rights  
**Page 16**

Animal welfare  
**Page 24**

Diet and health  
**Page 29**

Responsible finance  
**Page 33**

Social inclusion  
**Page 39**

Inspiring young people  
**Page 44**



## Ecological sustainability

Climate change  
**Page 50**

Waste and packaging  
**Page 59**

Water  
**Page 63**

Biodiversity  
**Page 65**

Chemicals  
**Page 71**



## Delivering value

Democratic control  
**Page 76**

Supporting co-operatives  
**Page 82**

Economic impact  
**Page 85**

Employees  
**Page 88**

Customers  
**Page 96**

Public policy  
**Page 100**



## About this Report

Within The Co-operative Group we have produced an annual 'warts and all' Sustainability Report every year since 1997, setting new standards for reporting over the last 15 years. Over that time we have reported on our performance, both good and bad, against more than 1,000 targets and this Report continues to demonstrate our commitment to openness and honesty.

The 2011 Report is split into 18 sections detailing performance on our most material sustainability issues. Within each section, we have established performance indicators against which we set and report on targets (most of which are derived from our Ethical Plan (E.P.) and where appropriate we provide four years' worth of comparable data<sup>1</sup>.

In line with our commitment to transparency, this Report includes over 40 performance benchmarks, allowing the reader to make sense of our performance relative to others. And the Report contains details

of 16 separate instances of public policy intervention on sustainability matters, an activity we believe is vital for businesses leading in sustainability.

The Report is aligned with the Global Reporting Initiative's G3.1 Guidelines, achieving an A+ application level. Indeed, we were the first UK bank and food retailer to produce a report to an A+ level.

All data and commentary are assured by Two Tomorrows in accordance with the AA1000 Assurance Standard (2008).

The title of this Report *Inspiring through co-operation* is intended to convey how co-operation can play a vital role in delivering societal benefits in a sustainable and long-term manner. This theme runs through the Report and 'In focus' case studies provide the reader with many examples of co-operation in action.

<sup>1</sup> A longer data record is available via previous Reports, which can be downloaded at: [www.co-operative.co.uk/sustainabilityreport](http://www.co-operative.co.uk/sustainabilityreport)



“ This Report is all about trust... For me, that's what co-operative ownership and co-operative wealth creation is all about.”  
(Jonathon Porritt's commentary, page 104)

“ In the light of increasingly challenging economic times, the way The Co-operative delivers transparency will again come to the fore.”  
(Assurance statement, page 105)

Two Tomorrows  
— a DNV company

# Chair's overview



“Our commitment remains to be the most ethical retailer and financial services provider on the UK high street.”

Despite a challenging economic backdrop, there is no let up in our pursuit of sustainability. Our co-operative model is structured to put the interests of member-customers at the heart of our business strategy and our members don't just *want* us to be sustainability leaders, they *expect* it.

No business has been left immune from the squeeze on individual finances, rising unemployment, and people's worries over job security; indeed, we saw a downturn in sales and profits in 2011 compared to the exceptional performance we had achieved in 2010.

Despite this, we have continued to invest heavily in the business and remain fundamentally optimistic about the future. Our strategy remains one of pursuing growth, especially in our core Food and Banking businesses, and also Legal Services.

Much of our planning for the future now comes under the umbrella of our Unity programme. This began in earnest at the start of 2011 as we worked to bring together many of our head office functions and management structures to ensure we have a truly joined-up approach.

But Unity is about far more than just restructuring. It's about maximising the potential of The Co-operative brand across our family of businesses. It's about giving our members and customers more reasons to trade with us.

## A sustainable commitment

Our members, rather than shareholders own the business and maintain its governance. This enables us to make decisions for the long term, rather than being knocked off course by the short-term priorities of investors. It ensures that we not only remain true to our ethical commitments and social goals as we work our way through this recession, but has seen us increase our commitment.

In 2011 we invited our customers (and potential customers) to 'Join the Revolution'.

We made it clear that we were proud of our radical heritage. Communities need our support. Poverty needs addressing at home and abroad. Climate change must be tackled. Young people need to be inspired. And co-operation itself must have investment if it is to grow and flourish.

This Report sets out how we have performed in meeting the targets we set for ourselves within our new Ethical Plan. We have now set revised targets – challenging but realistic – for the next three years. Our commitment remains to be the most ethical retailer and financial services provider on the UK high street.

## Leading the way

The Co-operative Movement has a very long tradition of standing up for trade justice. Often we have been 'ahead of the curve' leading, rather than following, public opinion. Where we have seen injustice and believed our actions could support a peaceful resolution, co-operative members down the years have felt compelled to play their part.

This is reflected, more recently, in our long-standing support for the people of Burma, where we are now witnessing the emergence of a sustainable, political solution. And it is reflected in our decision not to trade with illegal settlements: be it in the Western Sahara or the Occupied Palestinian Territories.

## Co-operatives

2012 is the United Nations International Year of Co-operatives and we have launched a raft of important initiatives to ensure the year leaves long-term legacies to secure the future of co-operation.

One of those we can be most proud of is the Global Co-operative Development Fund, in co-operation with the International Co-operative Alliance. We have once again taken a leadership position in promoting Co-operation worldwide, providing loans and start-up money to get initiatives off the ground that will encourage self-help, responsibility and the fostering of strong communities for decades ahead.

## Taking stock

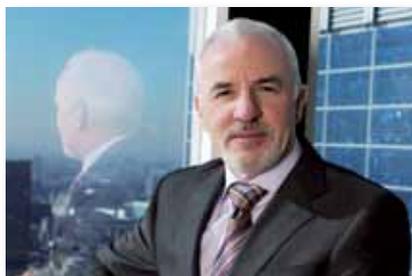
Although we have much to celebrate in 2011, we must recognise that 2012 will be another challenging year for us commercially.

However, sometimes it is good to step back from our immediate concerns and remind ourselves of just how much we have achieved in recent years.

We have a brand that has been radically rejuvenated. We have a membership that has grown substantially. Our sales and profits are double what they were in 2007. Our commitment to social change is greater than ever. That's a record we can be very proud of!

Len Wardle, Chair  
The Co-operative Group

# Chief Executive's overview



“ I firmly believe that our success is built on the long-term sustainable relationships that we build with the communities in which we operate.”

In my first Chief Executive's overview to The Co-operative Sustainability Report, some six years ago, I wrote that come what may social, ethical and environmental matters would be at the heart of our approach to doing business. I think it is fair to say that the current climate has provided the acid test for that commitment.

As such, I am immensely proud to be able to present you with this Report, which shows that not only have we remained true to that commitment but with our Ethical Plan, we have indeed gone further in our ambition to be the UK's most socially responsible business.

## A sustainable performance

Over the last six years, our business has undergone a period of unprecedented change to become one of the world's largest consumer co-operatives: with a turnover of over £13bn, some 100,000 colleagues, seven million members and servicing millions of customers every week. This Report charts how we have managed to achieve that growth with a sustainability performance that I would contest is second to none.

Across our family of businesses, in 2011, we have delivered solid and creditable results. Capital investments and our Unity programme will further enhance our performance and enable us to deliver a truly unified and consistent service proposition.

In the short time since the launch of our Ethical Plan, we've already completed

many of the targets set. We've reduced our operational greenhouse gas emissions by 40% since 2006, and such environmental efficiencies are contributing to savings of over £50m a year.

Our efforts to limit our impacts on biodiversity, be it in palm oil or sustainable sourcing of fish, have been recognised in a variety of leading benchmarks.

At the Banking Group, we're channelling around £1 in every £4 of corporate and business lending into social, co-operative and environmental organisations. By mid-2012, this included £800m of our £1bn commitment to fund green energy and energy efficiency projects.

## Keeping communities thriving

I firmly believe that our success is built on the long-term sustainable relationships that we build with the communities in which we operate.

Our Ethical Plan sets out our commitment to keep communities thriving, and our support has never been greater, with a contribution from the business, colleagues and members, of almost £19m.

With our 5,000 stores and branches we have a physical presence in more communities than most businesses. The fact that we support 10,000 community initiatives every year – or put another way, one every hour of every day – is ample evidence of our commitment.

What's more, through the Banking Group we are more than pulling our weight by supporting small businesses in deprived areas and providing basic bank accounts to the otherwise financially excluded. Our Pharmacy business is spearheading prescription delivery services, for those unable to visit their branch, and our Electricals business is pioneering a lower cost credit union loan scheme.

But for me the most powerful evidence of our commitment was through our Charity of the Year partnership with Mencap and ENABLE in Scotland. In difficult times we set out to raise a record £5m and ended up raising £7m; and, more importantly, in so doing we raised enough to help an additional 5,000 young people over and above the 20,000 that we set out to support.

## Our co-operative advantage

In the current climate, the co-operative model is being seen as increasingly relevant to a more balanced, sustainable economy, and I am proud that our work is at the forefront of this renaissance. 2012 is the United Nations International Year of Co-operatives, and we are helping more people than ever understand the strength of the co-operative difference.

## Looking ahead

We pride ourselves that we have always taken a long-term view: whether challenging on climate change back in the 1990s or pioneering fair trade before the existence of the Fairtrade mark. It is this long-term approach that has allowed us to marry the social imperative with the commercial to our advantage.

Our Ethical Plan continues this approach and embeds it further into our business DNA. And our commitment to open and honest reporting, not least on public policy matters, ensures that we remain accountable to all our stakeholders.

Our most concrete example of this approach is our new flagship building. Built to complement the environment and the local community, it is more than just a building; it is a demonstration of our confidence and deep-rooted commitment to a sustainable future. That commitment will remain undimmed, regardless of how tough trading conditions remain. Like The Co-operative Group itself, that commitment is here for the long term and is non-negotiable.

Peter Marks, Chief Executive  
The Co-operative Group

# Executive summary

Despite the challenging economic and trading conditions of 2011, we strengthened our focus on sustainability with the launch of our Ethical Plan and award-winning Join the Revolution campaign. The Plan sets wide-ranging and ambitious targets on the issues that matter most to our members. In early 2012, we re-launched the Plan following a first annual review, with input from our democratically elected members.

During 2011, we worked towards 104 targets set in previous years and we have achieved, or are on track to achieve, 82 of these. The majority are Ethical Plan targets (EP), which are long-term commitments to sustainability, and of these we have achieved 88%. We have set 96 targets going forward.



## Social responsibility

**£18.9m**

invested in UK communities  
(2010: £14.8m)

**670,000**

people benefiting from our work on  
international development in 2011

**£251m**

sales of products from animals  
reared to higher welfare standards  
(2010: £204m)

**£700m**

bank funding for green energy projects  
as at end 2011



In 2011, we invested £18.9m in **supporting UK communities**. Our Charity of the Year partnership with Mencap and ENABLE Scotland raised £7m to improve the lives of people living with learning disabilities, far exceeding our £5m target.

We aim to bring about a cultural shift in the way young people are viewed and treated in the UK, and our **Inspiring young people** programme will benefit one million young people by 2014. In 2011, we launched

the Green Schools Revolution, a new sustainability education programme, and by the end of 2011, over 3,300 UK schools had registered to take part. We have committed £1m to support Co-operative Schools; a third Co-operative Academy opened in 2011 and the new Schools Co-operative Society was supporting 190 Co-operative Schools by the end of 2011.

We continue to lead the way in our commitment to **international development and human rights**. We're working to ensure that if a primary commodity from the developing world can be labelled Fairtrade, it will be, and we're on track to achieve 90% (by sales value) of these conversions by the end of 2013. We launched a partnership with CARE International UK to allow people in the UK to lend money directly to entrepreneurs in the developing world. Alongside Oxfam, we're also championing the vital role that smallholder farmers and co-operatives can play in feeding the world sustainably with a new campaign, Grow Co-operatives.

In line with our Human Rights and Trade Policy, from 2012 we no longer engage with any supplier of produce known to be sourcing from the illegal Israeli settlements. In addition, following the political reforms seen in Burma, our Policy now reflects the call from the democratic representatives of Burma to support ethical and responsible trade.

We have long recognised that the provision of **responsible finance** is crucial to the pursuit of sustainable development and in 2012, The Co-operative Bank was recognised as the most sustainable bank in Europe for the third year running.

In 2011, we extended our customer-led bank Ethical Policy to include motor and home insurance, offering the world's first ethically screened insurance products. By the end of 2011 we had allocated £700m of our £1bn commitment to provide funding for renewable energy and energy efficiency schemes.

We take responsibility for helping to improve the **diet and health** of communities and believe healthy offerings should be accessible to everyone. All our Healthy Choice products are no more expensive than standard equivalent lines and our Simply Value products have a nutritional content which is at least that of standard equivalent lines. In 2011, we signed up to the Government's Public Health Responsibility Deal recognising the importance of our role in improving the nation's health through the products we provide.

**Animal welfare** is important to our members and we seek to achieve good baseline standards across our own-brand range. In 2011, we extended our Elmwood higher welfare standard to include pork and we're making good progress across the rest of our meat and fish ranges. We were voted the RSPCA's People's Choice Supermarket Award winner for the third year running by the UK public.

We continue to promote financial and **social inclusion**, maintaining a Food store in every postal area. Our provision of finance to small businesses in deprived areas remains above the industry average, and we are the only bank to offer a current account for credit union members.

## Ecological sustainability

**40%**

reduction in greenhouse gas emissions (tonnes CO<sub>2</sub>e) since 2006

**29%**

reduction in primary packaging since 2006

**37%**

reduction in waste disposed since 2006

**99%**

of wood and paper products sold in The Co-operative Food are FSC certified or recycled



Our focus on combating **climate change** has seen our direct greenhouse gas emissions cut by 40% since 2006, meeting our 2017 target six years early. Our new target is for a 50% reduction on 2006 levels by 2020. While our energy consumption continues to fall, 98% of our electricity comes from renewable sources and we are working to generate more renewable energy on the sites we own. In 2011, The Co-operative Funeralcare became the first UK-wide carbon neutral funeral director, joining the Banking Group, which has been carbon neutral since 2007. Furthermore, we continued our Clean Energy Revolution campaign to inspire the growth of co-operative and community-owned renewable energy projects and end the use of unconventional fossil fuels.

Our new flagship building in Manchester, due for completion in 2012, is setting new standards for the UK in sustainable design, construction and operation.

We've reduced our **waste** by 37% compared to 2006 and in 2011, 61% was recycled or reused. We've cut the weight of our own-brand packaging by 29% since 2006. Since 2008, we have reduced **water** consumption across our estate by 18%, and continue to improve our water consumption accounting.

We are committed to protecting and promoting **biodiversity** and our focus on sustainable sourcing of products was recognised, with leading 2011 rankings in the Marine Conservation Society's Supermarket Seafood Survey, and WWF Palm Oil Buyers Scorecard. We were also the first UK retailer to graduate from WWF's Global Forest & Trade Network for our wood and paper-based products. Furthermore, as part of our efforts to reduce the use of **chemicals** in our business, we operate a market-leading Pesticides Policy. In 2011, we were recognised as one of two retailers doing the most to address pesticide use and contamination of food in the UK by the Pesticide Action Network.

## Delivering value

**7.2 million**

members (2010: 5.8 million)

**8 out of 10**

members earned a share of profits (2010: 8 out of 10)

**591**

co-operatives supported by The Co-operative Enterprise Hub in 2011

**25%**

of Group Board members are women



Members own and **democratically control** the business and our membership has grown from 5.8 million at the end of 2010 to 7.2 million in 2011. Members earned £61.9m, based on their trade in 2011, of which £3.2m was donated to the Community Fund.

Our long-standing commitment to **supporting co-operatives** has seen us support almost 600 co-operative enterprises by the end of 2011 via The Co-operative Enterprise Hub, our flagship programme that provides free advice, training and access to finance. We are on track to invest £17m in support of co-operatives by 2014, including £2m to support the United Nations Year of Co-operatives, 2012.

We completed our rebranding programme, which we started in 2007, to build one long-term, unified identity for our different businesses and other co-operative societies. Across our Food, Bank, Pharmacy and Funeralcare businesses we exceeded our 2011 **customer** satisfaction targets.

We are one of the largest private sector employers in the UK and our **employees** are vital for our sustainable business success. In 2011, we launched Project Unity to transform the business, bringing together Trading Group and Banking Group businesses and developing new head office teams and functions. We also refreshed our diversity policy and maintained high levels of employee engagement.

Unusually for a large, commercial organisation, we run campaigns, which involve our members and customers and include a large element of **public policy** intervention. In 2011, our campaigns included Clean Energy Revolution and Plan Bee.

# The Co-operative at a glance

The Co-operative is registered in the UK under the Industrial and Provident Societies Act, it operates only in the UK and its headquarters are in Manchester.

## Food

The fifth largest food retailer in the UK, with over 14.5 million customers served each week, selling food and family consumables through local small and medium stores. Also includes The Co-operative Farms, one of the UK's largest farmers.

Employees: 76,000

Stores: 2,800 – one in every postal area

## Banking Group

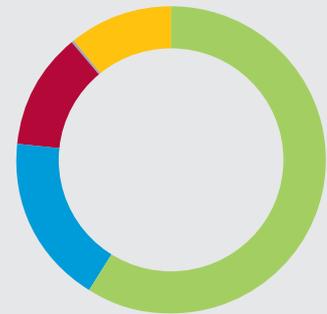
The UK's most diversified mutual. Comprises The Co-operative Bank and its internet bank **smile**, Britannia, The Co-operative Insurance and The Co-operative Investments.

Employees: 10,500

Branches: 342 high street branches and 22 corporate banking centres

## Contribution to Group revenue

Food	59.1%	£7,348m
Banking Group	17.8%	£2,214m
Specialist Businesses	12.2%	£1,518m
Estates	0.3%	£36m
Federal (sales to other co-operatives)	10.6%	£1,314m



## Estates

One of the largest and most diverse land owners in the UK, with interests that span retailing, property investment and land development.

**£13.3bn**

gross sales

**£526m**

underlying profit

## Specialist Businesses

### Funeralcare

The UK's leading funeral director, carrying out over 100,000 funerals each year. Operates 890 funeral homes, as well as four crematoria and two woodland burial grounds; has 4,100 employees.

### Pharmacy

The third largest pharmacy chain in the UK, and the largest in Wales. The UK's second largest outpatient dispensing service provider with 7,000 employees and 780 branches.

### E-Store

Online electrical store, including The Co-operative Electricals.

### Sunwin Services Group

A support services business offering managed security, IT services, cash management, and fire and security solutions.

### Motor

One of the top 50 car dealers in the UK, with over 23 sites across the Midlands and the North of England.

### Legal Services

Aims to become the preferred provider of consumer legal services in the UK.

### Corporate Clothing

Designs, manufactures and distributes business wear and uniforms.

### Life Planning

Offers funeral planning and will-writing services.

## Accolades

During 2011 and early 2012, our achievements were recognised with a raft of high-profile awards and accolades, including:



Note: Employee data is correct as at November 2011.

# Managing sustainability

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> The remuneration of senior staff will be influenced by the degree to which The Co-operative is viewed as a leader in corporate social responsibility in the UK</p>	<p>✓ In 2011, remuneration of senior staff was linked to our performance in the Business in the Community Corporate Responsibility Index</p>	<p><b>E.P.</b> The remuneration of senior staff will be influenced by the degree to which The Co-operative is viewed as a leader in corporate social responsibility in the UK</p>
<p><b>E.P.</b> Continue to set new global standards for openness and honesty</p>	<p>✓ We won the Credibility Through Assurance Award at the global Corporate Register Reporting Awards in 2012</p>	<p><b>E.P.</b> Continue to set new global standards for openness and honesty</p>

## Background

Sustainability sits at the heart of our approach to business – from our vision and aims (inside front cover), and business key performance indicators, to our Ethical Plan, and executive remuneration (page 9).

Members own and democratically control The Co-operative and are firmly embedded in policy formulation. This level of responsiveness is unique among large businesses in the UK.

Our sustainability management and reporting is aligned with the three principles of the AA1000 AccountAbility Principles Standard: materiality, inclusivity and responsiveness.

## Sustainability principles

### Materiality

Recognising that no business can lead on every aspect of sustainable development, we focus on our most material issues – those that matter most to stakeholders and the business. Our materiality decision-making is influenced by a range of

stakeholder, business and society interests as illustrated on page 8. Our Ethical Plan, which is reviewed annually, with input from members via our Regional Values & Principles (V&P) Committees, is central to this process. Our Sustainable Development Policy  guides our overall approach, setting out the need for business to develop in a more sustainable manner.

This Report is structured around 18 material issues grouped under three categories: social responsibility, ecological sustainability and delivering value. We explain the material importance of each issue in the relevant sections.

## Our Ethical Plan



Our Ethical Plan, first launched in February 2011, sets out our commitments to social responsibility and sustainability to help realise our ambition to be recognised as the UK's most socially responsible business. Importantly, it aligns with our commercial operating

plans, ensuring resources are committed on a rolling three-year basis and its launch marked a new level of ambition for sustainability across The Co-operative. The plan is rooted in our heritage and its focus reflects our community origins. Support for co-operatives is another key theme, reflecting our belief that a strong co-operative sector is essential for the sustained progression of equality and quality of life. Priorities and targets are set in eight key areas:

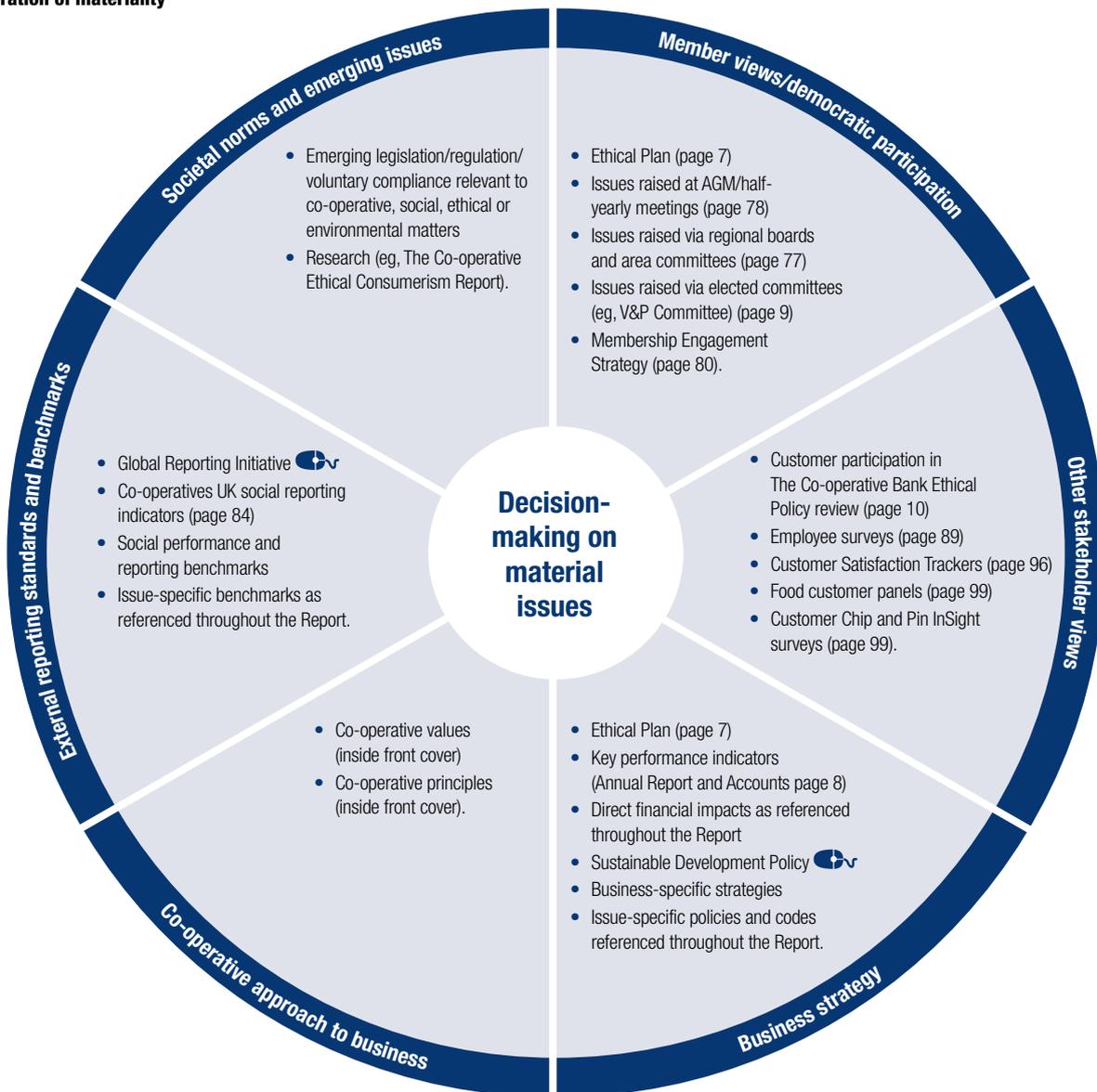
- democratic control and reward
- supporting co-operatives
- keeping communities thriving
- inspiring young people
- tackling global poverty

- protecting the environment
- responsible retailing
- responsible finance.

The Plan is administered by the Social Goals department (page 9) and overseen by the Social Responsibility Executive Committee (page 9).

We review and update the Plan annually considering new targets and, where appropriate, strengthening existing ones. To ensure the development of the Plan is responsive to members, Regional and Group Values & Principles (V&P) Committees are engaged in the process and it is signed off by the Group Board each year. The Plan was relaunched in February 2012.

**Consideration of materiality**



**Inclusivity and responsiveness**

Our continued business is dependent on six identified stakeholder groups. Engagement with these stakeholders is important for achieving an accountable and strategic response to sustainability. In particular, members play an important role in helping us to shape and update our Ethical Plan, through our Regional Values & Principles (V&P) Committees.

Elected area committees<sup>1</sup> and regional boards are drawn from our membership and consider issues as diverse as store performance, developments and closures and the allocation of Community Fund donations. Our democratic structure helps to ensure our strategies, policies and performance respond to members' concerns.

**Stakeholders**

**Members** (key stakeholder group): We have over 7 million members (pages 76–81).

**Customers:** The Co-operative Food has approximately 14.5 million customers each week and the Banking Group has approximately 8 million.

**Employees:** We have over 102,000 employees (pages 88–95).

**Co-operative Movement:** the UK and international Co-operative Movement has more than a billion co-operators worldwide (page 82).

**Suppliers:** We have 1,700 suppliers with whom we have an annual spend over £50,000 (page 17).

**Wider society:** Includes the communities where we operate: online communities; local and national government; NGOs; industry organisations; multi-stakeholder groups; charities; and expert organisations.

Our Ethical Plan exemplifies our responsiveness to members, as detailed on page 7. This Report also demonstrates our responding to stakeholder issues and concerns, by openly and honestly communicating progress and performance on sustainability-related issues.

**PERFORMANCE benchmark**

We scored 93% in the Tomorrow's Value Rating (TVR)<sup>2</sup>, outperforming all 11 companies that achieved a top rank in the 2011 TVR Global Rating, whose scores ranged from 80–83%. The TVR methodology provides an objective measure of a company's sustainability performance.



## PERFORMANCE recognition

### Queen's award

In April 2012, a Queen's Award for Enterprise in the Sustainable Development category was conferred upon The Co-operative and runs for five years. The award recognises progress made in the last five years since we achieved the award in 2007.



## Governance

We are owned and democratically controlled by our members (page 77). Alongside our democratic governance structure, we also operate more traditional governance structures, which include managing and overseeing our approach to sustainability<sup>3</sup>.

### Group Board

The Group Board<sup>4</sup>, comprising elected members, formally considers and signs off our annual Ethical Plan and our annual Sustainability Report. Progress reports on ethics and sustainability matters are provided for the Group Board on a quarterly basis.

### Values & Principles Committee

Our Group V&P Committee<sup>5</sup> oversees our sustainability, community and membership engagement strategies<sup>6</sup>. The Committee is accountable to the Group Board and comprises: four Group Board directors; one Banking Group Board director; an elected representative from each of the seven Regional V&P Committees; one representative of the Diversity Working Group; and one representative of the Independent Society members.

Each region has a V&P Committee ensuring that co-operative principles and social goals are considered effectively at a regional level. Regional V&P Committee members are elected by area committees and the regional board, and have the authority to escalate issues for the consideration of the Group V&P Committee.

## Management

The Social Responsibility Executive Committee oversees our positioning, strategy, performance and the ongoing review of our Ethical Plan. Chaired by the Group Chief Executive, it includes members of the Management Executive and meets three times a year.

A Social Goals department of 37 employees<sup>7</sup> is responsible for the day-to-day management of sustainability performance across the business. The Head of Social Goals reports to the Executive Director of Corporate Affairs, a member of the Group Executive<sup>8</sup>. A dedicated team within The Co-operative Food oversees responsible retailing, supported by a Food Policy Group, chaired by the Chief Executive of Food Retail.

Progress reports on ethics and sustainability matters are provided for the Group Executive and Banking Group Executive on a monthly basis.

### Sustainability performance and executive remuneration

Each member of the Group Executive is eligible to participate in an annual incentive plan<sup>9</sup>, with payment of up to 60% of base salary. The annual incentive is based on a mixture of financial and non-financial measures and weightings which vary between roles, but all include a corporate responsibility measure. Executives also participate in a long-term incentive plan (LTIP), using cumulative targets over a three-year period. The maximum LTIP payment is 100% of base salary for the Chief Executive and between 75% and 100% for other Group Executives. Metrics and weightings applicable to all members of the Executive are detailed in the table below. A performance range is set for each metric, determining the proportion of maximum bonus payable. The corporate responsibility metric is determined by the Group's performance in the Business in the Community (BITC) Corporate Responsibility (CR) Index.

#### Long-term incentive plan metrics and targets for the 2011–13 plan cycle

Metric	Weighting
Cumulative Group profit	70%
Group corporate responsibility	10%
Colleague engagement	10%
Customer satisfaction	10%



## PERFORMANCE benchmark

We were one of 15 companies to achieve the highest Platinum Plus ranking in the BITC CR Index, published in March 2012.



The index challenges businesses to demonstrate the degree to which CR is embedded in business strategy.

#### CR Index scores

Index launch date	Score	Rank
2009	96%	Platinum (CFS: Platinum+)
2010	96%	Platinum+
2011	98%	Platinum+
2012	98%	Platinum+

## Risk management

The Group Board has overall responsibility for risk management across all businesses. The Co-operative includes a diverse range of businesses and is exposed to a complex array of risks. We provide a statement on the main risks and uncertainties we face, including specific risks to financial services<sup>10</sup> in our Annual Report and Accounts.

Each business operates a risk register to identify the likelihood and impact of risks to the business as well as corresponding actions to manage them. Senior management teams regularly review and update risk assessments and report to the Management Executive and the Board through the Audit and Risk Committee<sup>11</sup>. A Risk Management Committee, chaired by the Group Chief Executive, manages and records significant risks for the whole business, including damage to reputation and ethics, through a Group Risk Report. The Committee reports four times a year to the Audit and Risk Committee.

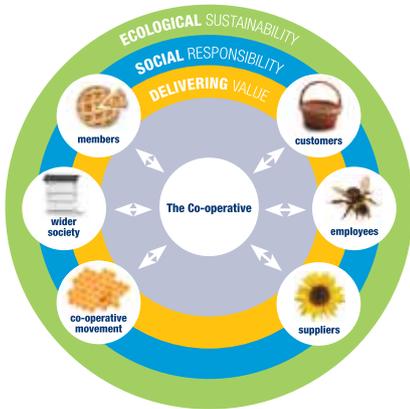


## PERFORMANCE benchmark

In 2011, The Co-operative Banking Group's environmental management systems were re-certified to the ISO 14001 standard. The bank was the first financial services organisation in the world to secure certification for all its business activities<sup>12</sup>.

## Policy

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



The Policy is delivered through the targets in the Ethical Plan (page 7) and underpinned by a suite of supporting policies and strategies<sup>13</sup>:

- The Co-operative Bank operates a customer-mandated Ethical Policy launched in 1992, which governs who it will and will not finance and the investments underpinning our key insurance products. Over 80,000 customers participated in the most recent Bank Ethical Policy consultation.
- The Co-operative Food has a member-mandated Ethical Policy, setting out its commitments to responsible retailing. The Policy was launched in 2008, based on responses from over 100,000 co-operative members<sup>14</sup>.
- The Co-operative Pharmacy, The Co-operative Clothing and, as of 2011, The Co-operative Funeralcare have ethical strategies, developed by management and approved by the Group V&P Committee.

In addition, we have in place a range of other policies and codes of conduct including:

- Sound Sourcing Code of Conduct (page 17);
- Banking Group Sustainable Procurement and Supplier Policy;
- Human Rights and Trade Policy (page 20);

- Health and Safety Policies;
- Trading and Banking Group Codes of Business Conduct; and
- a number of specific policies, developed in relation to issues such as diversity, packaging and pesticides, and these are detailed in relevant sections throughout this Report.

## Accounting and reporting

The process of accounting, auditing and reporting on our material social, ethical and environmental impacts helps us to drive our performance and provides crucial information to our stakeholders.

This Report is aligned with the Global Reporting Initiative's G3.1 Sustainability Reporting Guidelines, achieving application level A+<sup>15</sup>. An index, detailing the G3.1 indicators we have reported against, is available online.

In addition, our internal audit programme reviews our sustainability-related processes, supporting the business and external assurance procedures.

## Assurance

The AA1000 Assurance Standard 2008<sup>16</sup> sets out the core elements of credible public assurance statements, and the independence and competence requirements of the assurance provider. We appointed Two Tomorrows to independently assure key performance data and claims made within this Report and to evaluate our adherence to the AA1000 principles (type 2 assurance). Two Tomorrows was appointed primarily on the basis of the high standing in which the principal auditors are held. The assurance statement can be found on page 105.

### PERFORMANCE benchmark

#### UK general public's ranking of UK food retailers considered to be the leader in social responsibility, 2011

	Rank
The Co-operative	1
Tesco	2
Asda	3
Sainsbury's	4
Waitrose	5

#### UK general public's ranking of UK financial services providers considered to be the leader in social responsibility, 2011

	Rank
The Co-operative	1
Barclays	2
HSBC	3
NatWest	4
Lloyds TSB	5

Sustainability leadership research is conducted on behalf of The Co-operative on a quarterly basis. Figures show average results over four quarters, based on unprompted responses from a nationally representative sample of approximately 8,000 members of the general public (aged 18+).

### PERFORMANCE recognition

At the global Corporate Register Reporting Awards 2010 and 2011, The Co-operative Sustainability Reports 2009 and 2010 were voted first in the Credibility through Assurance category.



### PERFORMANCE recognition

At the Ethical Corporation Awards 2012, our 2010 Sustainability Report was recognised



as number two in the world, in the Best Sustainability Report category. Judges commended the sustained quality of our reporting and the way it is driven by members, stating that "The Co-operative continues to set a high benchmark for CSR reporting".

# Social responsibility

## Our approach

Taking a responsible approach to business has been a guiding principle of The Co-operative since its inception. Co-operative Values and Principles – such as concern for community and equality – date back to the 19th century, and also resonate with contemporary ideas of corporate responsibility. When considering these issues, the business is responsive to the views of its stakeholders, particularly members and customers.

UK community investment

**Page 12**

International development and human rights

**Page 16**

Animal welfare

**Page 24**

Diet and health

**Page 29**

Responsible finance

**Page 33**

Social inclusion

**Page 39**

Inspiring young people

**Page 44**



The United Nations has recognised the powerful, global contribution made by co-operatives to economic and social development by designating 2012 The UN International Year of Co-operatives. To celebrate this we've created The Co-operative Revolution, a dramatic street gallery of photographs which will tour the UK showcasing the scale and impact of co-operation worldwide.

This image is from the street gallery and shows La Riojana, a co-operative and the world's largest producer of Fairtrade wine. The Co-operative Food was the first UK supermarket to source Fairtrade wine from Argentina – from La Riojana. Three quarters of all Fairtrade products worldwide are delivered via co-operatives, which help improve smallholder farmers' negotiating power and access to markets and help build better lives for themselves and their communities.

Image: Courtesy La Riojana

# UK community investment

**£18.9m**

investment in UK communities in 2011 (2010: £14.8m)

**1 in 2**

members donate a share of profits to The Co-operative Membership Community Fund

**10,000**

UK community initiatives supported annually

## Background

The majority of large businesses now recognise community investment as part of their overall approach to social responsibility, and some have embedded it in their overall business strategy. Community investment programmes can be characterised by philanthropic giving with the expectation of little return; be designed to attain commercial advantage; or support an organisation's social licence to operate.

## Materiality and strategy

'Concern for community' was implicit in the founding rules of The Co-operative and today it is one of the Co-operative Principles (inside front cover). 'Keeping Communities Thriving' is also a priority within our Ethical Plan (page 7), and one that complements our position as a retailer with a presence in every UK postal area.

'UK community investment' refers to the donation of money and time in the UK – by The Co-operative and donations by its employees, customers, members and suppliers facilitated by The Co-operative – that help build more prosperous and sustainable communities.

The public recognises The Co-operative as a leader among food retailers and financial service providers in terms of community support. However, we are keen to develop this support further and are reviewing the UK community work currently undertaken by the business to help inform future community strategy decisions. Our target to deploy £5m per annum to tackle UK poverty through our stores and branches has been absorbed within this broader community review work (see target below).

## Supporting UK communities

Indicator: **Value of UK community investment**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Ensure that 10% of the profits available for distribution is made available for community investment by 2013, with £5m deployed per annum to tackle UK poverty around stores and branches</p>	<p><b>=</b> The proportion of profits that is made available for community investment is reported on page 79 and we continue to work towards our 2013 target. Work to deploy £5m per annum to tackle UK poverty has been absorbed within the broader community review work underway</p>	<p><b>E.P.</b> Ensure that 10% of the profits available for distribution is made available for community investment by 2013, with £5m deployed per annum to tackle UK poverty around stores and branches</p>
<p><b>E.P.</b> Stores and branches to act as a focus for 10,000 community initiatives per annum</p>	<p><b>✓</b> Over 10,000 community initiatives were supported in 2011</p>	<p><b>E.P.</b> Stores and branches to act as a focus for 10,000 community initiatives per annum and offer local community groups the opportunity to occupy a selection of surplus properties from our estate at nominal rent</p>
<p>With staff and members, raise £5m for 2011 Charity of the Year, Mencap and ENABLE Scotland</p>	<p><b>✓</b> We exceeded our target and raised over £7m for the Mencap and ENABLE Scotland partnership</p>	

We have introduced a new community investment measure for 2011, intended to reflect more completely how our activities have helped support UK communities<sup>1</sup>. In previous years, reporting on our community investment was largely limited to data included in the London

Benchmarking Group (LBG) analysis. The new UK community figure excludes overseas support (for example international development and human rights initiatives, pages 21–23), and includes co-operative support and the contributions by employees, customers, members and suppliers when

facilitated by The Co-operative ('leverage'). An estimate is made of the worth of employee time and gifts in kind<sup>2</sup>, and management costs are also included. The table on page 13 shows historic data based on LBG, along with a 2010 and 2011 breakdown based on the new methodology.

## Breakdown of UK community investment (£m)



	2008 (LBG based)	2009 (LBG based)	2010 (LBG based)	2011 (LBG based)	2010 (UK community contribution)	2011 (UK community contribution)
Cash <sup>3</sup>	£8.8m	£9.9m	£10.4m	£10m	£9.1m	£8.8m
Employee time	£1.6m	£1.7m	£1.3m	£2.7m	£1.2m	£2.7m
Gifts in kind	£0.2m	£0.5m	£0.2m	£0.3m	£0.2m	£0.3m
Management costs	£1.1m	£0.4m	£0.5m	£0.6m	£0.5m	£0.6m
Leverage	n/a	n/a	n/a	n/a	£3.8m	£6.5m
<b>Total</b>	<b>£11.7m</b>	<b>£12.5m</b>	<b>£12.4m</b>	<b>£13.6m</b>	<b>£14.8m</b>	<b>£18.9m</b>

## Top ten UK community programmes

Programme	Total contribution allocated in 2011
Inspiring Young People (IYP) (pages 44–48) <ul style="list-style-type: none"> <li>• Truth about Youth</li> <li>• Green Schools Revolution</li> <li>• Co-operative Schools</li> <li>• Co-operative StreetGames Young Volunteers</li> <li>• Co-operative British Youth Film Academy and Co-operative Film Festival</li> <li>• Co-operative Academies</li> <li>• The Britannia Foundation</li> <li>• Sponsorship</li> </ul>	£3,617,000
Charity of the Year (CotY) (opposite)	£3,000,000
Co-operative Membership Community Fund (page 14)	£2,743,000
Employee community engagement (page 14)	£2,667,000
Co-operative Enterprise Hub (CEH) <sup>4</sup> (page 83)	£1,379,000
Bank charity credit cards in support of UK communities (below)	£407,000
Green Energy Revolution (page 58)	£323,000
Consumer Credit Counselling Service 'fairshare contributions'	£381,000
Employee fundraising (non-CotY) <sup>5</sup> (page 14)	£269,000
Drinkaware (page 32)	£250,000
<b>Total</b>	<b>£15,036,000 (80% of total)</b>

## Bank charity credit cards

During 2011, The Co-operative Bank issued credit cards for 20 national charities or non-governmental organisations. Charity partners receive a donation from the bank for each new card and a margin on the use of the card thereafter. Of these cards, seven were in support of UK communities, representing a contribution of £406,520<sup>6</sup>.

## The Community Map

Created in 2010, the Community Map is an interactive web tool that pinpoints the locations of thousands of schools, community groups and charities benefiting from our work in the UK. The map was updated and re-launched in early 2012 showcasing some 10,000 individual projects.

[www.co-operative.co.uk/communitymap](http://www.co-operative.co.uk/communitymap)

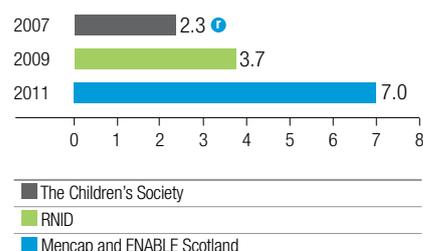
## Charity of the Year

The Charity of the Year enables a selected national charity to benefit from employee fundraising, and volunteering for a dedicated 12-month term. Alongside fundraising, local communities are also engaged in the charitable aims of our nominated charity, to raise awareness and influence change.

In 2011, our partnership with Mencap and its sister charity, ENABLE Scotland, raised a record £7m, far exceeding the initial £5m target and the largest donation received by Mencap.

The Charity of the Year runs on a biennial basis, and for the purpose of accounting for our annual community investment, £3m has been allocated to 2011, and £4m to 2012, to reflect the timeframes over which money was disseminated.

## Funds raised for Charity of the Year (£m)



The money raised will launch the Inspire Me programme<sup>7</sup> which, thanks to the increased funding, will empower over 25,000 young people with a learning disability across the UK (an increase on the original target of 20,000).

Across 20 locations throughout the UK, Inspire Me will create access to opportunities, and work to change perceptions and attitudes through workshops and volunteering opportunities.



# Employee community engagement

Indicator: **Number of employee days contributed to community activity**

New target in 2012

Target 2012

**E.P.** Launch an enhanced employee volunteering policy and aim to double volunteering by 2014

As a community business, we believe in harnessing the support and expertise of our employees, to directly support local communities. To this end, we have increased paid time off for employee volunteers to two days pro rata per year and have adopted a target to double our volunteering by 2014.

### Employees involved in community activity

	2007	2008	2009	2010 <sup>10</sup>	2011 <sup>11</sup>
Number of employees involved in community activity in work time	9,898	8,612	10,240	8,436	13,397
Number of days invested in community activity in work time	15,864	18,607	18,244	12,571	27,760
Value of staff time	£1.5m	£1.6m	£1.7m	£1.3m	£2.7m

### PERFORMANCE benchmark

Employee time invested in community activity is almost seven times higher than that of other large businesses (average 4,070 days) invested in 2011<sup>8</sup>.

During 2011, we estimate that 13,397 employees took part in community activities during work time, contributing the equivalent of 208,205<sup>9</sup> hours or 27,760 days (this equates to a donation of time worth £2.7 million).

The significant uplift in employee time derives primarily from a change in accounting methodology, introduced in 2012<sup>12</sup> coupled with the most successful Charity of the Year campaign since the initiative began.

In 2011 colleague volunteering included the Mencap Inspire Me programme. Through this programme, employees from across the UK<sup>13</sup> became mentors for young people with learning disabilities, providing personal support, guidance, encouragement and inspiration. The Co-operative Banking Group's financial inclusion programmes (page 42),

which help school children improve their numeracy, financial literacy and employability skills, are delivered entirely by employee volunteers. As well as individual volunteering, teams of employees are encouraged to volunteer. In 2011, 91 team challenges took place across the UK (2010: 116)<sup>14</sup>.

One-off support is also offered for fundraising appeals via The Co-operative Booster Fund, which supplements employees' fundraising activities.

## Funds and foundations

Targets 2011	Progress	Targets 2012
Develop a new three-year (2012–2014) grant-making strategy for The Co-operative Foundation's Truth about Youth programme	✓ We developed and introduced a grant-making strategy during 2011	Implement the Truth about Youth strategy across the existing seven Truth about Youth cities and beyond, widening engagement to over 17,000 young people
Provide financial support through The Co-operative Membership Community Fund to a minimum of 1,500 community groups across the UK, allocating at least £1.5m during 2011	✓ We provided financial support for 2,430 community groups, allocating £2.7m during 2011	Provide financial support through The Co-operative Membership Community Fund to a minimum of 2,000 community groups across the UK, allocating at least £2.5m during 2012

### The Co-operative Membership Community Fund<sup>15</sup>

The Community Fund supports community, voluntary and self-help organisations by

awarding small grants of between £100 and £2,000. 2011 saw an increase in both the number of awards made and the amount donated, with £2.7m dispersed to 2,430 community groups.

Decision-making on grant applications is undertaken by our 48 area committees. Awards are made to organisations that carry out positive work in the community, and to projects that meet all, or most,

of the following criteria: addresses a community issue; provides a long-term benefit to the community; supports co-operative Values and Principles; and is innovative in its approach.

## The Co-operative Foundation's Truth about Youth

To date, £14.7m<sup>16</sup> has been donated to The Co-operative Foundation<sup>17</sup> – an independent, charitable trust established in 2000.

The Truth about Youth grant-making scheme was developed by The Co-operative Foundation to challenge and change negative perceptions of young people, by supporting projects that enable young people to work with adults, the media and the wider community. A total of £5m has been committed to the programme.

Grants of £280,000 each have been awarded to charities in each of The Co-operative's seven democratic regions, who will work with the Foundation for at least two years: Envision in Birmingham; Platform 51 (formerly YWCA) in Cardiff; Regional Youth Work Unit in Tyne and Wear; Prince's Trust in Bristol; Young Scot in Glasgow; Oval House in London; and the Royal Exchange Theatre in Manchester. During 2011, Envision, Regional Youth Work Unit and Young Scot all successfully applied for and achieved a further year's funding. A new partner will be sought in Wales during 2012.

Since 2009, over 34,500 young people and 13,500 adults have been involved with Truth about Youth.

During 2011, a youth advisory panel made up of young participant representatives from all the partners was established, the aim of which is to share best practice and facilitate collaborative working.

A new three-year strategy (2012–2014) will ensure Truth about Youth can continue to operate with the current partners in each region<sup>18</sup> and will build on the solid foundations the partners have made in communities across the UK.

## The Britannia Foundation<sup>19</sup> and The Britannia Community Fund

The Britannia Foundation is supported by a £500,000 annual donation from The Co-operative Banking Group. The Foundation

### The Co-operative Membership Community Fund requests and awards

	2007	2008	2009	2010	2011
Number of requests	4,467	2,614	2,198	4,453	4,507
Number of awards	2,270	1,515	938	1,691	2,430
Total dispersed	£1.0m	£1.3m	£1.0m	£1.7m	£2.7m
Average award	£467	£843	£1,075	£1,029	£1,109

#### In focus

##### Bladon Junior Church

Bladon Junior Church is an active group of more than 40 children and young people from West Oxfordshire who were awarded £500 from The Co-operative Membership Community Fund in July 2011 towards equipment to stage musical productions.

*"The young people find the dramatic activities very rewarding – from the discipline of attending rehearsals and learning lines, to the confidence gained by performing in front of an audience."*

Philip Rumsby, Group Leader



Chair of the South Midlands area committee visits Bladon Junior Church.

#### In focus

##### Truth about Youth London

The South East Truth about Youth programme is challenging and changing negative perceptions of young people by working co-operatively with members of local communities to create original performances, exhibitions and works of art. In Brixton, in July 2011 a double-decker bus toured the community exploring the relationship between



choice, maturity and the restrictions imposed on young people because of their age.

offered grants of between £1,000 and £25,000 to schools and registered charities working within education, with a particular focus on supporting numeracy and financial literacy. In 2011, 47 awards were made totalling £425,856. The Britannia Community Fund also supports schools and

educational charities, and awarded smaller grants (up to £1,000) to 110 groups totalling £37,963 in 2011.

The Britannia Foundation and Britannia Community Fund will merge with The Co-operative Foundation in 2012.

# International development and human rights

**670,000**

people benefiting from our work on international development in 2011<sup>1</sup>

**£104m**

sales of Fairtrade products in 2011 (2010: £103m)

## Background

When undertaken equitably, and with respect for human rights, trade and finance have an unparalleled capacity to lift people out of poverty and enhance quality of life across the world.

The United Nations has named 2012 International Year of Co-operatives in recognition of the powerful, global contribution made by co-operatives around the world to economic and social development. Co-operative enterprise supports the livelihoods of almost half of the world's population and directly employs an estimated 100 million workers – more than all the world's multinational companies combined<sup>2</sup>.

## Materiality and strategy

We have been active on international development and human rights for over 165 years. As a business with over 1,700

supplier sites in more than 60 countries and banking activities with a global reach, we have both a responsibility and an opportunity to make a major contribution to international development and human rights.

Labour standards, economic justice and human rights were identified as priorities in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part. 'Tackling Global Poverty' is a key focus of our Ethical Plan (page 7). We deliver a global programme focused on ethical trade, co-operative support, responsible finance and campaigning. Promoting ethical consumerism and voluntary giving are crucial strands of our strategy, but we also campaign with others to achieve broader political and social change.

Our contribution to each of the Millennium Development Goals is reported online .

## Fairtrade

Indicator: **Fairtrade products and sales value**

Targets 2011	Progress	Targets 2012
<p> Continue to show the greatest commitment to Fairtrade in the UK, remaining second to none in terms of availability and over-trade, and aim that if a primary commodity from the developing world can be Fairtrade, it will be Fairtrade by 2013<sup>3</sup></p>	<p> In 2011, we approved a roadmap through to 2013 for products to convert to Fairtrade, beginning with the conversion of bananas</p>	<p> Continue to show the greatest commitment to Fairtrade in the UK, remaining second to none in terms of availability and over-trade, and aim that if a primary commodity from the developing world can be Fairtrade, it will be Fairtrade by 2013</p>
<p> Develop a unique range of projects and initiatives that benefit producers and take us beyond Fairtrade</p>	<p> We funded a new project in 2011 to support the members and workers of Apicoop co-operative in Chile, which supplies us with Fairtrade blueberries</p>	<p> Develop a unique range of projects and initiatives that benefits producers and takes us beyond Fairtrade</p>

 We have championed the FAIRTRADE Mark since its launch in 1994. The Mark ensures a better deal for disadvantaged producers and workers in the developing world. The UK Fairtrade Foundation estimates that more than 7.5 million people, including farmers, workers and their families across 60 developing countries, benefit from the international Fairtrade system<sup>4</sup>. Of these, an estimated 200,000 benefited from The Co-operative's sales of Fairtrade products in 2011. Further

details of Fairtrade products, producers and benefits can be found on The Co-operative Food's website<sup>5</sup>.

## Sales

The Co-operative Food is the leading UK supermarket for Fairtrade availability, with Fairtrade products sold in each of our 2,800 stores.

Our aim is to continue to show the greatest commitment to Fairtrade in the UK by having proportionally higher sales of Fairtrade products for the size of our

business than any of our competitors. In 2011, we were responsible for 17.5%<sup>6</sup> of all UK supermarket Fairtrade sales. Our planned programme of Fairtrade conversions throughout 2012 and 2013 will help us maintain this position. We also support initiatives to reward our members for buying Fairtrade products. For example, in Fairtrade Fortnight 2012, we awarded 50 bonus membership points for spending £5 or more on Fairtrade products in The Co-operative Food.

## Range

Since 1998 we have sought to increase the mainstream availability of Fairtrade products. Our Fairtrade firsts include the conversion of all our own-brand block chocolate in 2002, and all our own-brand hot beverages and sugar in 2008.

Our goal is that if a primary commodity from the developing world can be labelled Fairtrade it will be, achieving 90% (by sales value) of these conversions by the end of 2013. We converted to 100% Fairtrade bananas in Fairtrade Fortnight 2012 and other products such as 100% of blueberries and spices will follow in 2012 and 2013.

During Fairtrade Fortnight 2011, we launched the first Fairtrade blueberries sourced from the Apicoop co-operative in Chile. We are going 'beyond Fairtrade' to support Apicoop with a project to help strengthen the co-operative and support its members and workers. See page 22 for details of our 'beyond Fairtrade' projects and initiatives.

## PERFORMANCE benchmark

### Top five supermarkets for Fairtrade retail share in 2011

The chart on the right benchmarks the top five supermarkets in the UK for Fairtrade retail share. A supermarket with an index over 100 is considered to over-trade and a supermarket with a value of less than 100 is seen to under-trade in that product category.

Supermarket	Index <sup>7</sup>
The Co-operative	302
Waitrose	239
Sainsbury's	215
Marks & Spencer	84
Tesco	57

### Fairtrade products and sales value

	2007	2008	2009	2010	2011
Total number of Fairtrade products	180	230	260	249 <sup>8</sup>	265
Number of own-brand Fairtrade products	110	146	173	177	165
Fairtrade sales value	£34m	£49m	£71m	£103m	£104m
Estimated Fairtrade premium value	n/a	n/a	n/a	£2.1m	£2.2m <sup>9</sup>
Proportion of UK supermarket Fairtrade sales	15%	16%	12%	19.4%	17.5%

## PERFORMANCE benchmark

Following the conversion to 100% Fairtrade bananas in Fairtrade Fortnight 2012, we have committed to sourcing 50% from smallholder farmers, an aspiration which, to our knowledge, is unique among UK supermarkets.



## Sound sourcing

Indicator: **Status of sound sourcing improvement actions**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Introduce a balanced scorecard in 2011 to influence the selection of Food suppliers that share The Co-operative's ethical values</p>	<p>✓ We trialled and launched a Supplier Performance Matrix in 2011</p>	<p><b>E.P.</b> Further develop the systems and training programmes within our Food business to better understand our impact on workers and their communities</p>
<p>Provide labour standards training to all relevant Co-operative Clothing employees in 2011</p>	<p>✓ A one-day training course took place for all relevant Co-operative Clothing employees</p>	<p>Implement in 2012 the actions agreed in the internal audit of The Co-operative Clothing's management of sound sourcing</p>

### The Co-operative Food

We are an active member of the Ethical Trading Initiative<sup>10</sup> and our Sound Sourcing Code of Conduct (SSCOC)<sup>11</sup> identifies the labour standards we expect to be applied across suppliers of our own-brand products and products made exclusively for us. The SSCOC is based on the Ethical Trading Initiative base code and International Labour

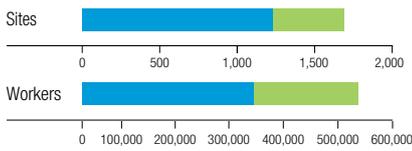
Organization standards, and has been endorsed by all Trading Group businesses.

We expect own-brand suppliers to achieve continual improvement in meeting these standards and we have a robust monitoring programme to ensure that requirements are met. We monitor compliance through our Supplier Ethical Data Exchange (Sedex)<sup>12</sup> – a web-based database where suppliers

post labour standards information, including self-assessments and site assessment reports. As a condition of trade, we require all our own-brand suppliers<sup>13</sup> to join Sedex and by the end of December 2011, 1,681 tier-one<sup>14</sup> and tier-two<sup>15</sup> supplier sites had registered and completed a self-assessment, representing over 534,000 workers and 100% of tier-one sites (2010: 474,000; 99%).

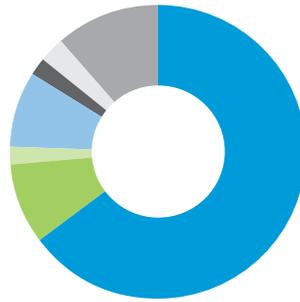
...Sound sourcing continued

Number of supplier sites and workers registered on Sedex<sup>16</sup>



	Sites	Workers
Developed countries	1,229	332,000
Developing countries	467	202,000

Location of site assessments in 2011<sup>19</sup>



Europe	133
Latin America and the Caribbean	18
North Africa	4
Sub-Saharan Africa	17
Western Asia	4
South Asia	6
East and Southeast Asia	23
<b>Total audits</b>	<b>205</b>

Monitoring compliance

Site assessments are carried out among suppliers by approved third-party bodies to monitor compliance with our sound sourcing criteria<sup>17</sup>. In 2011, 205 site assessment audits were carried out (2010: 145) in total, 76% at tier-one sites (2010: 62%) and 24% at tier-two sites (2010: 38%). As in previous years, the majority (81%) of the sites assessed were involved in supplying food and fresh produce (2010: 70%).

We identify suppliers for assessment based on risk assessment. Through Sedex, we determine a risk profile for each supplier based on responses to self-assessment questionnaires regarding worker profiles information, country of origin and sector<sup>18</sup>. All tier-one suppliers identified as high risk have a valid audit (conducted in the past two years) or, having been identified towards the end of 2011, are scheduled for audit in 2012.

Non-conformances and improvement actions

We are committed to transparent reporting of labour standards in our supply chain. We report detailed information on all non-conformances identified and follow up on improvement actions.

In 2011, site assessments identified 1,200 non-conformances and improvement actions were assigned for all of these. There was a higher rate of non-conformances among sites in developing countries than those in developed countries<sup>20</sup>, particularly relating to freedom of association, child labour and living wages<sup>21</sup>. Of the non-conformances identified, 70% were major and 30% were minor<sup>22</sup>. Detail of improvement actions identified by site assessment location

is available online . During 2011, 274 (23%) improvement actions were resolved (2010: 33%) and 280 additional actions from audits prior to 2011 were resolved in 2011 (2010: 204). Of the 1,367 outstanding improvement actions that were not resolved by end 2011, 536 (39%) are due to be completed in 2012. Of the 689 overdue actions, 391 have been completed by the supplier and will be verified at the next annual audit.

Full detail on improvement action progress is available online .

Improving core business practices

In 2011, we trialled a new Supplier Performance Matrix with seven own-brand suppliers to monitor performance in areas such as ethics, environment and product development. Following the trial, we carried out a number of improvements before introducing an updated Matrix in autumn 2011 to the majority of our own-brand suppliers<sup>23</sup>.

We provide ethical trade training to all relevant Co-operative Food employees and have a Supplier Guide to The Co-operative Food Ethical Trade to support suppliers in meeting our requirements. We are developing better systems and training programmes to improve awareness and understanding of the impacts of our Food business on workers and communities. During 2012, we will be working with external experts to develop our responsible buying training programme.

The Co-operative Food – status of sound sourcing improvement actions in 2011

	Number resolved in 2011		Incomplete improvement actions (as at 31/12/11)		Explanation for incomplete actions					
	From audits prior to 2011	From audits in 2011	From audits in 2010	From audits in 2011	Due in 2012		Overdue <sup>24</sup>		Not active/delisted	
					Tier one	Tier two	Tier one	Tier two	Tier one	Tier two
Major improvement actions	178	191	320	649	269	109	273	214	67	35
Minor improvement actions	102	83	121	277	106	52	93	109	30	10
Sub-total	280	274	441	926	375	161	366	323	97	45
<b>Total</b>	<b>554</b>	<b>548</b>	<b>1,367</b>	<b>1,200</b>	<b>536</b>	<b>161</b>	<b>689</b>	<b>323</b>	<b>142</b>	<b>45</b>

## PERFORMANCE benchmark

### Ethical Trading Initiative

The Co-operative Food reports annually to the Ethical Trading Initiative (ETI) on our sound sourcing management programme. The ETI considers feedback from NGO members and independent consultants to benchmark performance and categorise businesses as 'beginner', 'improver', 'achiever' or 'leader'. Following our most recent submission in 2010, we were rated as a 'leader' in the area of Commitment and Transparency and as an 'achiever' in Integrating Ethical Trade, Capacity Building, Identifying Problems and Improvement Actions.

## The Co-operative Clothing

The Co-operative Clothing reports on the management of labour standards across its supply chain, including follow-up of non-conformances with the SSCOC, online .

Since recruiting a Sound Sourcing Co-ordinator in 2010, we have increased our efforts to encourage suppliers to update Sedex with audit results. All improvement actions from audits undertaken in 2010 and 2011 were uploaded onto Sedex and we progressed our behind schedule training programme with further training planned for 2012. In 2011, our Internal

Audit team undertook a scheduled review of The Co-operative Clothing's management of sound sourcing, concluding that effective processes and controls are now in place to manage overseas suppliers and monitor practices.

It also recommended that, as there is potential for the number of suppliers to increase, current sound sourcing processes would benefit from further controls, such as more detailed risk assessments being conducted at an earlier stage for new suppliers. The Co-operative Clothing will implement the recommended actions in 2012.

## Supplier capacity building

Indicator: **Supplier training and engagement**

Target 2011	Progress	Target 2012
 Target 800 sites in six countries in our supplier training programme to create better workplaces by 2013	 Over 270 participants representing over 220 supplier sites attended our supplier training activities in 2011	 Target 800 sites in six countries by end 2013 to create better workplaces

The Co-operative Food invests in training programmes to help our suppliers manage and raise labour standards. Targeted workshops and training cover general labour standards and issues specific to individual locations. In 2011, 17 supplier events were carried out. These reached 271 delegates who represented 227 sites, amounting to 2,500 hours of supplier training/engagement (2,300 in 2011). Our activities in 2011 include:

- **UK** We engaged suppliers to share best practice on migrant and multicultural workforces at regional events. Suppliers continue to work together to manage these issues.
- **Morocco** We worked with UK supermarkets, importers and growers to organise a collaborative conference on improving working conditions in the strawberry sector in Morocco. Following the conference a local, as well as a UK-based, working group has been established to facilitate ongoing collaboration in improving standards.

- **Egypt** We continued to support the Egyptian Ethical Trade Forum, which we helped establish in 2010, to encourage collaboration, supplier ownership and leadership in addressing ethical trade challenges in Egypt. The Forum met three times in 2011, and rolled out a pilot training programme on establishing worker committees.
- **South Africa** We worked with other retailers to develop a workbook, which was launched at an ethical trade conference in 2011, led by South African growers.
- **Madagascar** Alongside other sponsors, we commissioned research in 2010 by Africa Now into child labour in the vanilla industry. In 2011, we worked with partners to organise a joint roundtable meeting to share the findings of the research, which has resulted in industry collaboration to address the problems identified.

In 2012, we will provide training to additional suppliers across 300 sites, working towards our target of including 800 sites in six countries in our supplier training programme by 2013.

### In focus

#### Promoting effective communication in a multilingual workforce

In 2011, we worked with external experts and The Co-operative's suppliers to develop a booklet to provide practical guidance and support for UK HR managers and supervisors on increasing effective communication with a migrant and multi-language workforce. The toolkit will be launched in May 2012.



# Human rights

Indicator: **Human Rights and Trade Policy implementation**

Target 2011	Progress	Target 2012
<p><b>E.P.</b> Continue to champion our Human Rights and Trade Policy and, as a matter of last resort, curtail trade when called upon by the peoples of affected areas</p>	<p>✓ We delisted two product lines sourced from the Western Sahara in 2011, and widened the communication of the Policy</p>	<p><b>E.P.</b> Continue to champion our Human Rights and Trade Policy and, as a matter of last resort, curtail trade when called upon by the peoples of affected areas</p>

A growing number of businesses accept responsibility for the protection of human rights in their supply chain, but there are very few that take the stand we do. We see trade as a force for good, but we also recognise that, in exceptional circumstances, the benefits of trade may be undermined. Our Human Rights and Trade Policy, introduced in 2009, identifies the extreme conditions under which we will suspend trade with a nation state, designated region or in the case of conflict, a particular product. Read more about our Policy online<sup>25</sup>.

## Illegal settlements

One such condition is where there is a broad international consensus that the status of a settlement is illegal. There are only two examples of such settlements: the Israeli settlements in the Palestinian Occupied Territories and the Moroccan settlements in Western Sahara.

On this basis, our policy has previously been not to source any produce or own-brand product from the Israeli or Moroccan settlements. Since its adoption, this position has been underpinned by a rigorous monitoring process.

In 2011, we undertook 12 site assessments in Israel and Morocco to ensure we avoid trade with illegal settlements in line with our Policy.

We delisted two own-brand canned sardine product lines, which were found to be partially sourced from ports located in illegal Moroccan settlements within the Western Sahara.

In April 2012, The Co-operative's Board determined that, going forward, we will additionally no longer engage with any supplier of produce known to be sourcing from the Israeli settlements. This decision impacted four suppliers<sup>26</sup>, and circa £350,000 of trade. In reaching this decision

the Board was mindful of the additional costs involved in the tracing and auditing of all produce supplied by these businesses.

We continue to have supply agreements with some 20 Israeli suppliers that do not source from the settlements, a number of which may benefit from a transfer of trade.

## Burma

Burma has represented a clear breach of our Human Rights and Trade Policy since its introduction, given the call from Burma's National League for Democracy (NLD) for the withdrawal of all trade. However, following a series of significant political reforms, the NLD has changed its position, and is now calling for ethical and sustainable inward investment and trade. As such, Burma no longer meets the conditions of the Policy, and in March 2012 our suspension of trade with the country was withdrawn.

# Responsible finance

Indicator: **Consideration of international development and human rights issues in the provision of finance**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Continue to tackle global poverty via a £25m microfinance support fund</p>	<p>✓ In 2011, the bank reaffirmed its £25m commitment to this sector and reviewed a number of new opportunities for providing additional support</p>	<p><b>E.P.</b> Continue to tackle global poverty via a £25m microfinance support fund</p>
<p><b>E.P.</b> Support the development of peer-to-peer lending between members and individuals in the developing world</p>	<p>✓ In August 2011, we launched a three-year partnership with CARE International to support lendwithcare.org, which allows people in the UK to lend directly to entrepreneurs in the developing world</p>	<p><b>E.P.</b> Through lendwithcare.org, facilitate 30,000 loans to entrepreneurs in the developing world by the end of 2012</p>

## Microfinance support

In 2007, The Co-operative Bank introduced a £25m microfinance fund to support the development of small businesses in some of the world's poorest countries. To date, we have lent to three microfinance schemes and supported microfinance institutions in 27 developing countries. In 2011, we reaffirmed our £25m

commitment to this sector and reviewed a number of new opportunities for providing additional support. We are aiming to conclude a significant new investment during the first half of 2012.

## Charity credit cards

The Co-operative Bank offers a range of credit cards that support development and

human rights charities including Action Aid, CAFOD, Christian Aid, Oxfam, Save the Children, Tearfund, WaterAid and Amnesty International UK. We make a donation to each charity when an account is opened and further donations based on the amount spent using the card. In 2011, we donated £728,911 through charity credit cards (2010: £729,158).

## Bank screening of finance

During 2011, 159 finance opportunities were referred to our Ethical Policy Unit for international development and human

rights issues (2010: 176). We declined 13 requests at an estimated cost of £1,232,900 gross income foregone (2010: 16 declined at a cost of £374,000).

### Banking and finance declines 2011

	Estimated income foregone 2011
<b>International banks</b> (four instances) Inter-bank facilities for international banks owned or part-owned by governments classified as oppressive regimes.	£666,200
<b>Investment companies</b> (two instances) Banking facilities and a property finance deal for investment firms owned by governments classified as oppressive regimes.	£205,000
<b>Defence manufacturers</b> (two instances) £3m lending to a manufacturer of naval gun mounts sold to Middle Eastern and Asian oppressive regimes. £1.7m lending to manufacturer of landing and steering gear and hydraulic systems for combat aircraft and tanks with evidence of sales to oppressive regimes.	£158,400
<b>Public sector</b> Banking facilities for a public sector department linked to sale of used military equipment to oppressive regimes and combat training of troops for the army of an oppressive state.	£150,000
<b>Defence facility</b> £10m lending to a UK defence business part-owned by a subsidiary of one of the world's largest defence manufacturers.	£50,000
<b>Tobacco industry</b> (two instances) Deposit facility for businesses involved in tobacco production. We decline all support for tobacco manufacture in response to concerns over irresponsible marketing in developing countries.	£2,000
<b>Airline</b> Banking for an airline under the ownership of a government considered an oppressive regime.	£1,300

## Lendwithcare.org

In August 2011, we launched a three-year partnership with charity CARE International UK, to support lendwithcare.org – an innovative scheme that allows people in the UK to lend small sums of money directly to entrepreneurs in the developing world. Once repaid, the lender can choose to recycle the loan or withdraw the money. We've set an ambitious target to leverage 30,000 loans by the end of 2012.



© CARE/Emilie Bailey

### Lendwithcare.org (end 2011)

Number of lenders	3,427
Number of loans	13,176
Total value of loans	£437,129
Number of fully funded entrepreneurs	1,248
Proportion of loans made to women <sup>27</sup>	79%

## Overseas community involvement

Indicator: **Support for overseas co-operatives and development projects**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Invest £7m per annum to help tackle global poverty through co-operative support initiatives <sup>28</sup> , and look to further expand the affinity range	<b>✓</b> We launched a new affinity product, The Co-operative Pharmacy antibacterial handwash, in February 2011. Over £6m <sup>29</sup> was invested in co-operative support initiatives in 2011	<b>E.P.</b> Invest £8m per annum to help tackle global poverty through co-operative support initiatives and look to further expand our affinity range, with initiatives such as our Pharmacy UNICEF handwash that funds vital sanitation work
<b>E.P.</b> Campaign anew to make poverty history, beginning with a reinvigoration of the Jubilee Third World debt campaign	<b>✓</b> Over 30,000 members asked us to contact their MPs to call for reform of the Government's Export Credit Guarantee Department (page 23). We also campaigned on the issue of vulture funds and supported the idea that Scotland can act as a centre for international debt arbitration (page 23)	<b>E.P.</b> Build on our long-standing campaigning for trade justice by championing the vital role that smallholder farmers and co-operatives can play in meeting future global food demands through a new Grow Co-operatives campaign

We have two key areas for our community involvement relating directly to international development – supporting producers 'beyond Fairtrade' and supporting the

development of co-operative businesses overseas. Communities also benefit from funding provided through our affinity products and carbon offset projects.

In 2011, we invested over £6m in overseas co-operative support initiatives.

...Overseas community involvement continued

## Beyond Fairtrade

We invest in a range of projects that support Fairtrade producers with benefits beyond what the Fairtrade premium can deliver alone, including enhanced supply chain ownership and access to basic necessities like clean water and sanitation.

To increase the impact of our unique 'beyond Fairtrade' commitment, we will be linking several of our other global poverty initiatives more closely with our supply chain. Through [lendwithcare.org](http://lendwithcare.org) (page 21) and the Global Development Co-operative (page 23), we are aiming to provide unsurpassed access to loan finance for smallholder farmers and co-operatives in our supply chain. We will also invest in green technologies such as fuel-efficient cooking stoves to support carbon savings in our Fairtrade supply chain.

Additional detail on these projects is provided online [iTV](#).

### In focus

#### Project Kibagenge – 'coming together as one'

Small-scale tea farmers traditionally face numerous challenges – the global price of tea is highly unstable and individual growers often have no bargaining power to negotiate decent terms of trade. We are helping 11,000 smallholder tea farmers in Kenya to organise into co-operatives and achieve Fairtrade certification. Kibagenge means 'coming together as one' and farmers will benefit in many ways, including having a stronger voice in trade negotiations and improved access to markets. We are also helping them diversify into other crops, reducing reliance on tea alone. The co-operatives achieved Fairtrade certification in January 2012 and began packing and selling tea for The Co-operative's 99 tea blend in time for Fairtrade Fortnight 2012.



## Support for overseas co-operatives

The United Nations, International Labour Organization and European Union have all recognised that co-operatives offer one of

the only forms of organisation that meets all elements of poverty alleviation. As part of our pledge to tackle global poverty, we are increasing our support for co-operative development overseas.

### 2011 'beyond Fairtrade' community projects

Project	Donation	Impact
Malawi Fairtrade sugar producers (July 2009 to June 2012)	£285,000	Three-year partnership with Concern Universal to support 10,000 people in our Fairtrade sugar producer communities. Outputs include provision of water and sanitation, tree-planting, training and education, and manufacture and sale of fuel-efficient stoves.
Annual voluntary contributions towards South African and Argentinean wine producers and Ghanaian and Dominican Republic cocoa producers	£274,000	Additional contributions in 2011 were invested in community facilities including a new secondary school in Argentina, a crèche in South Africa, a new primary school in the Dominican Republic and bursaries, school equipment and new water supplies in Ghana.
Panama Fairtrade banana co-operative (April 2010 to April 2013)	£260,000	Three-year project with TASTE supporting 4,500 members of the Coobana banana co-operative and their communities. Outputs include: provision of water and sanitation, and training on manufacture of low-cost cooking stoves and co-operative capacity building and leadership.
Malawi Fairtrade tea workers (August 2010 to July 2012)	£255,000	Two-year project with Oxfam supporting 36,000 tea workers and their communities who provide tea for our Fairtrade 99 tea blend. Outputs include: provision of water and sanitation, and support for a network of trained workers to manufacture and sell fuel-efficient cooking stoves.
Kenyan tea smallholder farmer co-operatives (July 2009 to June 2012)	£125,000 <sup>30</sup>	Three-year project supporting 11,000 small-scale Kenyan tea growers to organise into co-operatives and achieve Fairtrade certification.
Chilean blueberry co-operative (September 2011 to August 2012)	£85,000 <sup>31</sup>	One-year project supporting 2,000 members, workers and families of the honey and blueberry producers' co-operative Apicoop, and the wider community of 20,000 people. Outputs include: co-operative development, social investment and green energy projects.

### Community projects to support overseas co-operatives

Project	Donation	Impact
Global Development Co-operative	£310,000	Launch of the Global Development Co-operative (GDC) in partnership with the International Co-operative Alliance – a new development fund to help provide much-needed finance to co-operatives in developing countries (page 23).
Funeral co-operatives in South Africa	£46,000	Two pilot co-operatives to reduce funeral costs for poor families. A workers' co-operative is due to begin trading in early 2012 and a national co-operative and mutual insurance provider for funerals is being established with the South African trades union movement.
Making Connections – The Co-operative Guide for Fairtrade Towns	£44,500	Support for the Co-operative College to launch a new Fairtrade Towns pack and website during Co-operative Fortnight 2011. With three quarters of Fairtrade products sourced from producer co-operatives, our aim is to highlight the close relationship between the co-operative and Fairtrade movements.
Co-operative capacity-building in Malawi	£15,500	A review of co-operative sector education and training needs in Malawi, in partnership with the Co-operative College. Based on review findings, a Co-operative College funding proposal was made to the Scottish Government in early 2012.

## In focus

### The Global Development Co-operative

We are spearheading the new Global Development Co-operative (GDC), unveiled at the New York launch of the United Nations International Year of Co-operatives in 2011. The global initiative aims to raise £20m from organisations that support international development and extend the reach of the co-operative model. These funds will then be used to provide low-cost loans for capital and infrastructure projects around the world.



## Influence and action

### Grow co-operatives

In early 2012, we launched a new campaigning partnership with Oxfam calling for increased international investment to help smallholder farmers and co-operatives to feed the world sustainably. Over the next two years, we will encourage Oxfam supporters and our members to call on the world's leading economies to substantially increase support for smallholder farmers and co-operatives. We will call on the UK Government to champion the importance of increasing global food production in a sustainable and equitable way, and the crucial role that smallholder farmers and co-operatives can play. We will also ask that the UK promotes increased investment in sustainable smallholder agriculture in order to guarantee livelihoods for the poorest farmers, especially women.

## Carbon offset

We are aiming to render our operations carbon-neutral (page 56) with carbon offset solutions provided by a programme of international development projects. In 2011, we supported projects that reduced carbon emissions in developing countries and delivered vital social benefits to local communities:

- **Treadle pumps in India** Around 17,000 people will benefit from 2011 offset activity to provide new water treadle pumps, generating year-round income for farmers, reducing the need for migration for work and improving land management.
- **Energy-efficient stoves in Cambodia** An estimated 45,000 people will benefit from 2011 offset activity to provide energy-efficient stoves, which emit fewer airborne particles and require less fuel, improving indoor air quality.
- **Reforestation in Uganda** Licensing agreements have enabled local communities to extract resources from the Kibale Forest National Park in Uganda at a sustainable rate.
- **Water filters in Kenya** An estimated 68,000 people will benefit from 2011 offset activity to provide biosand water filters, a sustainable alternative to burning wood to purify water by boiling. The filters are more effective at removing contaminants, save households money and reduce indoor air pollution and carbon dioxide. They also reduce pressure on the surrounding forests to provide fuel wood.

## Affinity products

We continue to increase our range of affinity products<sup>32</sup>. Since 2007, we have supported The One Foundation – a charity that works with communities in Africa to address pressing humanitarian needs. One soap and toilet tissue help fund hygiene and sanitation projects in Malawian schools and every sale of

Fairbourne Springs water, the first own-label ethical water in the UK, generates funding towards clean water projects in Africa. Since 2007, our donations have helped to provide access to clean water for over one million people in Africa. During 2011, we raised £883,000 for The One Foundation through Fairbourne Springs and other One products.

Our range of charity credit cards support international development and human rights projects around the world (page 37).

## In focus

### The Co-operative antibacterial handwash

The Co-operative Pharmacy launched a new affinity product with UNICEF in early 2011. The Co-operative Antibacterial Handwash raises money to support a project in Togo – 15 pence is donated from every sale of handwash. We pledged £400,000 to the project in 2010 to deliver basic sanitation to 195,000 people in 390 villages.



© UNICEF/HermesCommunication

## Influence and action

### The Unfinished Business of Third World debt

In 2011, we reinvigorated our **Third World debt campaign**, ten years after we began campaigning on this issue. Over 30,000 members asked us to contact their MPs on their behalf to request they sign an Early Day Motion calling for reform of the Government's Export Credit Guarantee Department, to which 95% of Third World debt is owed<sup>33</sup>. 198 MPs have signed up, placing it in the top ten most supported issues.

We also called for public policy change on the issue of **culture funds**, which buy up the debts of Heavily Indebted Poor Countries at a fraction of their original price

then sue for the full value of the debt, plus interest. In 2010, the UK introduced the Debt Relief (Developing Countries) Act, which effectively bans this practice. We campaigned to help secure the extension of the Act to the UK's Crown Dependencies, including Jersey and Guernsey. Following our engagement, the Government of Jersey announced in early 2012 that it would progress with adopting the Act.

We support the idea that Scotland could act as a **centre for international debt arbitration**<sup>34</sup> – in 2012, we will support Jubilee Scotland in its work to develop a bespoke set of rules for arbitrators in Scotland to deal with cases of unjust sovereign debt.

# Animal welfare

**£251m**

sales of products from animals reared to higher welfare standards in 2011 (2010: £204m)

**100%**

own-brand shell eggs, milk, fresh and frozen poultry, beef and pig meat sourced from UK

## Background

Every year in the UK, around 850 million chickens<sup>1</sup> and 9.8 million pigs<sup>2</sup> are reared for meat and around 34 million hens are kept for egg production<sup>3</sup>. To meet this level of production, most modern farms operate intensive systems.

Consumers are increasingly demanding products that guarantee higher standards of animal welfare and public policy developments are also raising standards. On 1 January 2012, an EU ban on conventional battery cages came into effect.

The testing of cosmetic products or ingredients on animals ended in the UK in 1998 but the sale of animal-tested products in the UK will not be fully phased out until 2013. In 2009, the Seventh Amendment of the EU Cosmetics Directive banned animal testing of cosmetic products and their ingredients, and the sale and import of virtually all cosmetics tested on animals.

## Materiality and strategy

As a major food retailer, we have a significant impact on animal welfare standards through the products we sell. Animal welfare was identified as a priority in our Food Ethical Policy consultation (page 10), in which over 100,000 co-operative members took part, and is a priority in our Ethical Plan (page 7). Animal testing, the fur trade, intensive farming and blood sports were identified as priorities in our latest Bank Ethical Policy consultation (page 10), in which over 80,000 bank customers took part.

Our strategy is to improve baseline production standards for the most intensively farmed animals – pigs and poultry – through the development of our own-brand Elmwood higher welfare range and sales of RSPCA welfare standard Freedom Foods. Around 800 own-brand fresh and frozen, meat and poultry lines<sup>4</sup> are sold in The Co-operative Food stores. For the first time this year, higher welfare standards in prepared product ranges are reported online .

## Animal welfare standards

Indicator: **Standards and assurance of food production**

Targets 2011	Progress	Target 2012
<p> Improve animal welfare standards for dairy cows together with environmental impacts by developing a dedicated supply chain for milk</p>	<p> The Co-operative Dairy Group was created in August 2011 to provide a dedicated supply chain for milk</p>	<p> Improve the animal welfare standards for dairy cows, together with environmental impacts, by developing a dedicated supply chain for milk, which will benefit contracted farmers with green electricity and energy efficiency surveys from 2012</p>
<p>Ensure primary own-brand suppliers install CCTV in abattoirs during 2011</p>	<p> CCTV was installed at own-brand supplier abattoirs in 2011</p>	

In the UK, basic animal welfare<sup>5</sup> is assured via farm assurance standards, sometimes signified by a Red Tractor Mark or Quality Standard Mark<sup>6</sup>. Our own Elmwood standard and the RSPCA Freedom Foods standards stipulate higher welfare requirements such as higher minimum

space requirements, more environmental enrichment and more natural daylight, which allows animals to exhibit more normal behaviours.

Alongside these standards, we have developed additional requirements that

apply to all own-brand products. Livestock can only be transported for a maximum of six hours – thought to be among the lowest transportation time allowed by the major national food retailers – and all livestock reared for our own-brand products must be pre-stunned prior to slaughter<sup>7</sup>.

## CCTV

During 2011, own-brand primary product suppliers introduced CCTV in live animal handling and processing areas of abattoirs to improve our ability to monitor standards. Some suppliers still need to update or install new systems. During 2011, The Co-operative Food participated in the development of a new Food Standards Agency code of practice for the control and operation of CCTV in abattoirs.

## Assurance

Independent third-party auditors check compliance with national standards and with our own Elmwood standard<sup>9</sup>. In 2011, our technical team undertook a further 163 meat and poultry inspections at suppliers' sites to look at product quality, safety and legality and animal welfare matters (2010: 158). We visited another 62 sites such as farms, hatcheries and

abattoirs to look specifically at livestock production and welfare issues (2010: 33).

We extended our online database, that records animal welfare indicators for Elmwood chicken supplier farms, to include Elmwood turkey and pig supplier farms and dairy group farms. Our Food Technical Team worked with suppliers to monitor standard farm assurance indicators.

Our higher welfare standards are explained in more detail online [Co-op](#).



### PERFORMANCE recognition

In 2011, our performance was recognised with a number of prestigious awards:

- RSPCA's Most Improved Supermarket Award
- RSPCA's People's Choice Supermarket Award for the third year running, as voted for by the general public
- Compassion in World Farming's Most Improved Supermarket Award
- Compassion in World Farming's Good Dairy Award for our dedicated dairy supply chain (page 26).



## Product range and sales

Indicator: **Range and sales value of products from animals reared to higher welfare standards**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free-range</p>	<p>✓ Higher baseline animal welfare standards were met across a range of own-brand products and all shell eggs and egg ingredients in own-brand products were at least free-range</p>	<p><b>E.P.</b> Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free-range</p>
<p><b>E.P.</b> Extend our higher baseline standards, Elmwood, from chicken and turkey to pork in 2011</p>	<p>✓ Standards introduced for pork and pork sausage products in April 2011</p>	<p><b>E.P.</b> Measure and report the impact of Elmwood standards on animal welfare</p>
		<p><b>E.P.</b> Continue to pursue higher welfare standards across our meat and fish, converting our own-brand salmon to Freedom Food standard in 2012</p>

In 2011, sales of products from animals reared to higher welfare standards totalled £251m (2010: £204m), with 321 lines available in Food stores (2010: 235)<sup>9</sup>. Sales continue to grow, driven in the case of Elmwood products, by the introduction of Elmwood pork standards. RSPCA Welfare Freedom Food, free-range, organic production and traditional breed production are also supported.

### Elmwood sales

	2008	2009	2010	2011
Number of lines	66	108	140	201
Total sales	£38m	£57m	£111m	£154m

### RSPCA Welfare Freedom Food sales<sup>10</sup>

	2007	2008	2009	2010	2011
Number of lines	90	109	107	73	94
Total sales	£28m	£51m	£54m	£63m	£74m

...Product range and sales continued

## Eggs and milk

Since 2008, all shell eggs sold have been, as a minimum, free-range. 95% of our own-brand eggs are Freedom Food accredited, requiring lower outdoor stocking densities than conventional free-range standards, and the rest are certified organic. We only use free-range eggs as ingredients in our own-brand products.

In 2011, 97% of own-brand fresh milk was assured under the National Dairy Farm Assured Scheme. The remainder was certified as organic by the Soil Association.

## Poultry, meat and fish

### Poultry

All our own-brand fresh and frozen chicken and turkey continues to be produced, as a minimum, to Elmwood standards and exceed conventional farm assurance standards by stipulating lower stocking densities, more environmental enrichment and for birds to be fed a high cereal vegetarian diet.

Our *premium* fresh chicken is RSPCA Welfare Freedom Food free-range accredited. Sourced from the UK, birds have access to range outdoors for at least half their lifetime and they have a lower daily growth rate than conventional standards.

All our own-brand fresh and frozen turkey products are sourced in the UK and 80% (100% of fresh and frozen) of all our turkey products are now produced using birds reared to Elmwood, RSPCA Welfare Freedom Food or free-range standards. For Christmas 2011, we sourced premium-range fresh turkey products from free-range traditional Bronze breed turkeys reared on The Co-operative's Stoughton Estate farm, where the birds have access to open pasture to forage. Free-range turkey standards require stocking densities of approximately half those of conventional standards, a higher minimum slaughter age and environmental enrichment.

As of 2012, 223 farms were adapted to meet Elmwood poultry production standards (2011: 220).

All own-brand fresh duck continues to be reared to RSPCA Welfare Freedom Food standards, which stipulate access to open water sources to allow birds to engage in natural behaviours, such as preening and reconditioning feathers.

### In focus

#### The Co-operative Dairy Group

In August 2011, we set up a long-term dedicated supply chain with over 220 British dairy farmers (the Co-operative Dairy Group). The Group will provide the equivalent of approximately 85% of our own-brand milk, which will be added to the supply pool of our own-brand milk processor and distributor. Contracted farmers are required to monitor and report on key welfare indicators such as lameness and body condition.



#### Own-brand fresh & frozen poultry sales, 2011

	Fresh & frozen chicken	Fresh & frozen turkey	Fresh duck
Own-brand as a proportion of total sales	100%	88%	99%
UK sourced	100%	100%	100%
Proportion of own-brand meat, poultry and fish sales	33%	1%	<1%
Elmwood	95%	99%	–
RSPCA Freedom Food free-range <sup>11</sup>	5%	–	–
RSPCA Freedom Food	–	–	100%
Free-range	–	1%	–

### Beef

All our own-brand fresh and frozen beef is assured to UK conventional farm assurance standards. Animals are either reared outdoors on grass pasture with shelter provided during harsh weather, or on grass pasture during summer and then in open-sided barns on silage during the winter. The ingredients for all fresh *premium* products are sourced from traditional Scottish reared Aberdeen Angus breed cattle.



#### Own-brand fresh & frozen beef sales, 2011

	Fresh & frozen beef
Own-brand as a proportion of total sales	97%
UK sourced	100%
Proportion of own-brand meat, poultry and fish sales	24%
Farm Assurance	100%

## Pig meat

In April 2011, we introduced Elmwood pig meat standards for all fresh pork and pork sausage products, which stipulate higher minimum space and housing requirements than conventional farm assurance standards. Pigs must be reared and finished in naturally ventilated and lit barns or yards with straw bedding and enhanced environmental enrichment.

The ingredients for all *premium* pork, bacon and sausage products are sourced from RSPCA Welfare Freedom Food accredited, outdoor-reared, traditional Hampshire breed pigs. RSPCA Welfare Freedom Foods standards also exceed conventional farm assurance standards by stipulating the animals are born in free farrowing outdoor systems and spend half their life from birth to fattening outdoors.

As of 2012, approximately 100 farms meet Elmwood pig meat production standards.

### Own-brand fresh & frozen pig meat sales, 2011

	Fresh & frozen pork	Fresh bacon	Fresh & frozen sausage
Own-brand as a proportion of total sales	95%	88%	62%
UK sourced	100%	100%	100%
Proportion of own-brand meat, poultry and fish sales	8%	17%	7%
Farm Assurance	2%	94%	19%
Elmwood	94%	–	38%
RSPCA Freedom Food	4%	6%	43%



## Lamb

Our own-brand fresh and frozen lamb is sourced on a seasonal basis to UK conventional farm assurance (40%) and New Zealand farm assurance scheme standards (60%). All fresh lamb is reared outdoors on grass pasture with access to shelter during harsh weather. Ingredients for all fresh *premium*-range products<sup>12</sup> are sourced, on a seasonal basis, from Freedom Food lamb reared in hefted flocks<sup>13</sup>. Castration is not allowed for animals intended for slaughter below the age of sexual maturity.

### Own-brand fresh & frozen lamb sales, 2011

	Fresh & frozen lamb
Own-brand as a proportion of total sales	100%
UK sourced	40%
Proportion of own-brand meat, poultry and fish sales	3%
Farm Assurance	99%
RSPCA Freedom Food	1%



## Fish

All our *premium*-range farmed salmon products are Freedom Food accredited. The Co-operative Food's Responsible Fish Sourcing Policy (page 65) requires that all farmed fish are stunned using an approved method prior to slaughter.

### Own-brand fresh & frozen fish sales, 2011

	Fresh & frozen fish
Own-brand as a proportion of total sales	93%
Proportion of own-brand meat, poultry and fish sales	6%
Farm Assurance	50%
RSPCA Freedom Food (salmon)	3%
Wild caught	47%

# Animal testing of toiletry and household products

Indicator: Sales of accredited toiletry and household products

Target 2011	Progress	Target 2012
<b>E.P.</b> Continue to take the lead on the issue of animal testing of cosmetic and household products	All own-brand toiletry and household products are accredited to the BUAV Humane Cosmetics and Humane Household Products Standards, operating to strict fixed cut-off dates	<b>E.P.</b> Continue to take the lead on the issue of animal testing of cosmetic and household products

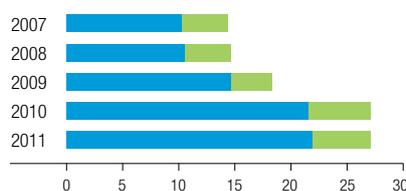


Since 1985 and 1997 respectively, none of our own-brand toiletry or household products and their ingredients have been tested on animals.

All own-brand products continue to carry the British Union for the Abolition of Vivisection's (BUAV) 'rabbit and stars' logo, proving that they, and their ingredients, have been independently assured as not

having been tested on animals. BUAV conducts audits every three years to monitor compliance and conducted an audit of our products in April 2011.

Sales of accredited products (£m)



	Household products	Toiletries
2007	£10.2m	£4.0m
2008	£10.4m	£4.1m
2009	£14.5m	£3.7m
2010	£21.4m	£5.5m
2011	£21.7m	£5.2m

## Responsible finance

Indicator: Consideration of animal welfare in the provision of finance

### Bank screening of finance

During 2011, 63 banking and finance opportunities were referred to the Ethical Policy Unit in connection with animal welfare (2010: 69). We declined nine with an estimated cost of £542,500 gross income foregone (2010: six, at a cost of £168,000).

### Banking and finance declines 2011

	Estimated income foregone 2011
<b>Food producer</b> (three instances) £6m lending for a business involved in the intensive, indoor production of pigs. Banking facilities for businesses involved in the intensive, indoor fattening of pigs.	£402,000
<b>Clothing manufacturer</b> £10m lending to a designer goods manufacturer that used rabbit and fox fur and exotic animal skins in its products.	£70,000
<b>Testing facilities</b> (two instances) £600,000 lending and deposit-taking facilities for businesses providing laboratory animal testing services for cosmetics and household goods manufacturers.	£30,000
<b>Abattoir</b> (two instances) Banking for abattoirs involved in slaughter and supply of lamb. No assurance of animal pre-stunning.	£29,500
<b>Chemicals distributor</b> Deposit-taking facilities for a business involved in the distribution of cosmetic and household product ingredients. The business did not have a policy on animal testing or a fixed cut-off date for the testing of products or ingredients.	£11,000

# Diet and health

**37%**

of own-brand sales featured Green Dot Symbol

**100%**

of Healthier Choice products no more expensive than standard equivalents

**34%**

of promotions are for healthier products (2010: 31%)

## Background

The choice of foods and products available today would have been unimaginable a century ago. While the majority welcome this improvement in choice, many consumers are concerned about food production and health. More than 25% of adults are clinically obese, and this figure will potentially increase to over 50% by 2050<sup>1</sup>. The promotion of a healthy diet together with a greater uptake of exercise is considered essential to reverse this trend<sup>2</sup>.

## Materiality and strategy

As a major community retailer, with customers from a wide cross-section of society, we have a vital role to play in offering healthy, affordable food and improving the health of the communities we serve. Our commitment can be traced back over 150 years, when the Rochdale Pioneers (who formed the basis for the modern Co-operative Movement) sought to sell safe, quality produce at a time when staple items such as milk, flour and bread were often adulterated.

Diet and health is of particular relevance to our Food and Pharmacy businesses. Diet and health was identified as a priority in our Food Ethical Policy consultation (page 10), in which over 100,000 co-operative members took part. Responsible retailing is a priority in our Ethical Plan (page 7).

Our strategy focuses on making healthy offerings available to all, reducing salt, saturated fat and sugar in all our products, using additives as little as possible and, in line with our principle of openness and honesty, providing product labelling that enables customers to make informed choices about the products they buy. We are also committed to marketing our products in a way that helps promote a healthy attitude to food and drink, and we provide health and lifestyle advice via our pharmacy network on issues such as stopping smoking.

In 2011, we signed up to the Government's Public Health Responsibility Deal, committing to support the drive to improve the nation's health.

The Co-operative Food has 3,300 own-brand products, which account for 46.2% of sales by value. These fall into three main ranges: Simply Value, The Co-operative, and Truly Irresistible; along with cross-range sub-brands, such as Healthier Choice, Wholefoods, Free From, Fairtrade and Organic.

Data on the nutritional content of our own-brand products is being transferred to our new database, which will form the basis of our reporting going forward.

In March 2011, we signed up to the Public Health Responsibility Deal committing to:

- recognising that we have a vital role to play in improving people's health;
- encouraging and enabling people to adopt a healthier diet;
- fostering a culture of responsible drinking, which will help people to drink within guidelines;
- encouraging and assisting people to become more physically active; and
- actively supporting our workforce to lead healthier lives.

## In focus

### New product ranges for 2011

During 2011, our offer of gluten, wheat and milk free foods was revamped with a new range of own-label Free From products. These include breakfast cereals, biscuits and morning goods.

A new wholefoods brand was developed made up of natural, wholesome foods and consists of products such as dried fruit, nuts and seeds, beans and pulses, grains and cereals.



As well as these core commitments, we signed up at launch to all the food and alcohol pledges relevant to our business, four of the six health at work pledges and three of the five physical activity pledges. Further detail is provided online [online](#).

# Nutrition

Indicator: **Nutritional content: salt, fat, sugar**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Continue to target salt, saturated fat and sugar reductions in key products while maintaining food safety and product quality	✓ Improvements made across a variety of products	<b>E.P.</b> Continue to target salt, saturated fat and sugar reductions in key products while maintaining food safety and product quality
<b>E.P.</b> Continue to ensure that Healthier Choice products are no more expensive than standard equivalent lines	✓ 100% of Healthier Choice products were no more expensive than standard equivalent lines	<b>E.P.</b> Continue to ensure that Healthier Choice products are no more expensive than standard equivalent lines
<b>E.P.</b> Continue to ensure that Simply Value nutritional content is at least as good as standard equivalent lines	✓ 100% of Simply Value products had a nutritional content at least as good as standard equivalent lines	<b>E.P.</b> Continue to ensure that Simply Value nutritional content is at least as good as standard equivalent lines

We believe that healthier options should be accessible to everyone. Our Healthier Choice products are no more expensive than our standard lines<sup>3</sup> and the nutritional content of our Simply Value products is at least as good as standard equivalent lines<sup>4</sup>.

## Salt reduction

In 2009, we were one of the first retailers to meet all the original salt reduction targets set for 2010 by the FSA<sup>5</sup>. Salt reduction continues to be a key priority in the product improvement process of our own-brand ranges, and we are now working towards the 2012 Public Health Responsibility Deal salt reduction targets<sup>6</sup>. At launch, all new and reformulated products will comply with FSA 2012 salt reduction targets (subject to technical constraints).

Recipes featured on our website and in our magazines, wherever possible, do not include salt as an ingredient or use salted water for boiling vegetables or carbohydrates.

### In focus

#### Reducing salt

We have reformulated some of our high salt products and have made significant reductions in our own-brand baked beans (25% less salt) and our own-brand scotch egg (24% less salt).



## Fat reduction

Artificial trans fats<sup>7</sup> are found in some foods containing hydrogenated vegetable oil. The Responsibility Deal commits businesses to remove artificial trans fats by the end of 2011<sup>8</sup>. We achieved this in 2007 when we removed all hydrogenated vegetable oils, including trans fats, as an ingredient from all our own-brand products.

### In focus

#### Reducing saturated fat

Examples of saturated fat reductions in 2011 include our Truly Irresistible cakes range, reduced by an average of 9%, and our swirl sundae desserts, reduced by an average of 21%.



## Sugar reduction

Many foods that contain added sugar are also high in calories, contributing to high levels of obesity. We are working with our suppliers to reduce added sugar from our own-brand products during formulation or re-branding.

### In focus

#### Reducing sugar

In 2011, we reformulated all five flavours of our own-brand high juice squash drink, reducing the added sugar by an average of 9%.



## Food additives

We use additives as little as possible while recognising benefits in areas such as food safety. We introduced our Additives Policy in 1985 and since then, being continually guided by new research and

recommendations, we have removed a number of additives from own-brand products. In 2011, our policy was updated to reflect new concerns with the following three additives: Caramel Colours (E150b,

E150c), Potassium Chloride and Sodium Aluminium Phosphate. These additives may only be used by suppliers with authorisation from the business and are under further investigation.

## Clear and transparent labelling

Indicator: **Product labelling**

We have introduced a series of labelling innovations to help people understand the nutritional make-up of food products. For example, in 1986, we were the first UK retailer to include the terms 'High', 'Medium' and 'Low' in nutrition tables to describe nutritional content of our products.

### Traffic-light labelling

In 2006, we introduced our first traffic-light labelling and, in 2010, we launched an integrated labelling scheme that combines both traffic-light labelling and Guideline Daily Amount (GDA) information. These new integrated labels help customers see whether the food has high, medium or low amounts of fat, saturated fat, salt and sugars and to understand how it contributes to their recommended daily intake. Integrated traffic-light labelling is now on all relevant<sup>9</sup> own-brand products and continues to be a key part of our approach to helping customers make informed choices about the products they buy.

Integrated labelling also appears against all relevant corporate website and magazine recipes, as well as on price tickets for loose products sold in our Food to Go range and coffee bars.

approx. per pack				
Calories <b>530</b>	Fat <b>21.6g</b> High	Saturates <b>5.6g</b> Low	Sugars <b>6.0g</b> Low	Salt <b>2.2g</b> Med
	Serves 1	31%	28%	7%
of your guideline daily amount				

### Green Dot labelling

Since 2009, we have made it easier to identify healthier choices by adding Green Dot labelling to identify all own-brand products that meet certain healthy nutritional criteria such as high-fibre,

low saturated fat, and rich in omega 3<sup>10</sup>. By the end of 2011, 844 Green Dot products were on sale, representing 26% of our own-brand product range<sup>11</sup>. We promote Green Dot products to encourage healthy eating choices. Green Dot product sales have increased to 37% of total own-brand sales in 2011 (2010: 35%).



### Out-of-home calorie labelling

We provide calorie information for customers in the 29 in-store Espresso café bars we operate<sup>12</sup>. These offer pre-packed and loose food and drinks, and all pre-packed food and shelf-edge labelling carry traffic-light nutrition information. In September 2011, we refreshed all our hot beverage menu boards to include calorie labelling.

### Alcohol labelling

We include clear information on unit content, NHS guidelines and a warning about drinking when pregnant on 100% of our own-brand alcohol products; we meet the Responsibility Deal pledges on alcohol labelling<sup>13</sup>, awareness of alcohol units, calories and other information<sup>14</sup>.

**Know your limits**

125 ml 1.6 UK units	37.5
------------------------	------

UK Chief Medical Officers recommend adults do not regularly exceed  
Men 3-4 units daily  
Women 2-3 units daily

Avoid alcohol if pregnant or trying to conceive

[drinkaware.co.uk](http://drinkaware.co.uk)  
for the facts about alcohol

We go above and beyond legal requirements and UK Government guidance by labelling all own-brand alcoholic beverages with an ingredient list and by making sure all products suitable for vegetarians and vegans are labelled as such.

**All our coffee, tea & hot chocolate is Fairtrade.**

Espresso Based Hot Drinks		Hot Drinks	
Espresso <small>Fastest small strong black coffee.</small>	Single kcal 0    £1.10    Double kcal 0    £1.40	Hot Chocolate <small>Powder chocolate topped with steamed milk.</small>	Regular kcal 205*    £1.70    Large kcal 305*    £2.10
Macchiato <small>Espresso topped with a drizzle of steamed milk.</small>	Single kcal 15*    £1.10    Double kcal 20*    £1.40	Tea <small>Organic tea.</small>	Regular kcal 15*    £1.10
Cappuccino <small>Espresso topped with hot frothy milk.</small>	Regular kcal 160*    £1.70    Large kcal 220*    £2.10	Green Tea <small>Single bag topped with boiling water.</small>	Regular kcal 0    £1.10
Café Latte <small>Espresso topped with steamed milk.</small>	Regular kcal 160*    £1.70    Large kcal 220*    £2.10	<b>Syrups, Milk &amp; Cream</b>	
Café Mocha <small>Espresso, chocolate and steamed milk (they contain traces of nuts).</small>	Regular kcal 225*    £1.70    Large kcal 340*    £2.10	Flavour your drink <small>Almond, caramel, vanilla, hazelnut or vanilla.</small>	£0.30 each
Americano <small>Espresso served with hot water.</small>	Regular kcal 15*    £1.40    Large kcal 20*    £1.50	<b>Hot Drinks</b>	
Filter Coffee <small>Italian &amp; decaffeinated available.</small>	Regular kcal 15*    £1.30    Large kcal 20*    £1.50	Single kcal 0    £1.10	
		Single kcal 15*    £1.10	
		Regular kcal 165*    £1.70	

\* Calories based on semi-skimmed milk used or added by the customer. Women avoid around 2,300 and men 2,500 kcal per day.

# Customer communications

Indicator: **Responsible promotions, marketing and information**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Ensure at least 30% of food promotions are for healthy offerings</p>	<p>✓ 34% of food promotions in 2011 were for healthy offerings</p>	<p><b>E.P.</b> Ensure at least 30% of food promotions are for healthy offerings</p>
		<p><b>E.P.</b> Ensure at least 30% of own-brand food products that carry traffic-light labelling are healthy<sup>15</sup></p>
<p>Use in-store digital media to support key public health targets every week throughout 2011</p>	<p>✓ At least one Governmental public health initiative supported by digital media in every store, every week</p>	

## The Co-operative Food

### Food

We highlight healthy deals in-store on till screens and radio and feature healthy deals on our website. We take a responsible approach to marketing and closely monitor our promotions. In 2011, 34% of promotions were for healthier products, against a target of 30% (2010: 31%)<sup>16</sup>.



Every week during 2011, we supported key Government public health targets

in-store, including advising customers on the importance of reducing salt and saturated fat in their diets. We are also a national partner of the Department of Health's Change4Life movement, which highlights the links between poor diet, inactive lifestyles and preventable illnesses, encouraging people to make changes to their diet and activity levels.

### Marketing to young people

We do not target children in the marketing of our products that are high in fat, sugar or salt. This approach also extends to free samples at in-store demonstrations and promotions. We are the only retailer to ban the use of cartoon characters on the packaging of own-brand products with a high fat, salt or sugar content.

### Alcohol

We are committed to selling alcohol responsibly, and we share the public health concern about the impact of alcohol misuse on individuals and society. We have signed up to all six relevant collective alcohol pledges in the Responsibility Deal<sup>17</sup>. We support Drinkaware<sup>18</sup>, the UK-wide charity aiming to improve the nation's drinking habits through public education. We have

committed funding until 2013 and our support currently totals £250,000 per year. All our own-brand products carry Drinkaware messaging and we raise awareness of its campaigns, such as the Campaign for Smarter Drinking, through channels in-store and online. In 2011, the in-kind value of our support for the Campaign for Smarter Drinking was over £1.68m. As part of our Responsibility Deal pledge on advertising and marketing alcohol<sup>19</sup>, all our external communications relating to alcohol mention Drinkaware and/or its associated campaigns at least once.

We have also committed to supporting community actions to tackle the negative impacts of alcohol misuse, and we take

part in local initiatives throughout the UK including Community Alcohol Partnerships, Pubwatch and Nightsafe schemes<sup>21</sup> that reduce alcohol-related crime and social disorder. We support Community Alcohol Partnerships (CAPs) throughout the UK and are currently involved in 19 CAP schemes in England and one in Scotland (2010: 15 in England, one in Scotland). In 2012, we aim to become involved in at least ten further CAP schemes across the UK.

## The Co-operative Pharmacy

The Co-operative Pharmacy provides a UK-wide network of dispensing services and health and lifestyle advice for communities, including healthy living, stopping smoking and weight management. 478 selected branches (61% of all branches) also offer free NHS services for stopping smoking and other locally commissioned NHS health services.

The NHS free New Medicines Service is offered at all our pharmacies in England<sup>22</sup>, providing advice to patients recently diagnosed with certain qualifying conditions identified by the NHS (eg, Type 2 Diabetes) and/or new medication. So far, over 3,600 individuals have benefited from this service. In Wales our pharmacies offer the Discharge Medicine Review to those who are referred by their hospital.

We also provided the largest private in-pharmacy flu vaccination service in Europe through the 2011/12 flu season, ensuring that flu vaccinations were available to all. Over 400 of our Pharmacy branches provide this paid-for service. In 2011, we issued over 9,200 flu vaccinations. The service was aimed primarily at those not covered under the high-risk categories covered by the NHS. We offered free-of-charge flu vaccinations to all Co-operative Group employees.

### In focus

#### Challenge 25

All retailers face the shared challenge of preventing alcohol sales to under 18s. We have committed to Challenge 25, requiring proof of age from all under-25s buying alcohol, including any customer who looks under 25, since 2009. We provide training for almost 58,000 employees working in our food stores each year to improve their understanding of Challenge 25, and we refresh this training at least twice a year<sup>20</sup>.



# Responsible finance

**£1.2bn**

finance declined since 1992 in line with the bank's Ethical Policy

**£1 in every £4**

of business lending to social, environmental and co-operative businesses

**No. 1**

ethical bank ranked by general public

## Background

2011 has been a difficult year for the financial sector. Constrained capital markets, squeezed margins and a lack of customer confidence have impacted heavily, while the eurozone crisis continues to inhibit growth. Meanwhile the long-term outlook remains unclear.

Consumer trust and confidence in banks remains low, but continued interest in sustainable alternatives continues to grow. Some 22% of the British public claim to be attracted to a green or ethical bank account<sup>1</sup>, and responsible finance grew to reach £21.1bn in 2010 in the UK – over three times its value 10 years ago<sup>2</sup>.

## Materiality and strategy

We have long recognised that the provision of responsible finance is crucial to sustainable development. We have a long-standing history of providing a comprehensive portfolio of products and services to targeted sectors that

promote sustainable development such as renewable energy, energy efficiency and the co-operative, charity and social enterprise sectors.

The bank launched its Ethical Policy<sup>3</sup> in 1992, and completed the most recent review in 2009. The Policy is currently unique in UK retail banking, in so far as it contains explicit clauses that are mandated by bank customers and that restrict the provision of financial services to certain activities and sectors. It covers all non-personal assets and liabilities held on the bank's balance sheet (including former Britannia's), eg, retail and syndicated loans, corporate leasing, retail deposits and savings, and treasury dealings, and the investment of all retained balances.

In 2011 the Ethical Policy was extended to investments underpinning The Co-operative Insurance home and motor insurance policies.

## The Co-operative Banking Group

We are Europe's most sustainable financial services provider, offering banking and insurance services to personal and business customers. We operate through 342 high street branches and 22 corporate banking centres, telephony and online channels. In 2011, the Banking Group had total assets<sup>4</sup> of £50.9bn. Loans and advances to bank customers were £33.8bn and deposits totalled £36.4bn.

The continued resilience of the Banking Group is a positive endorsement for the co-operative model. The 2011 operating result of £216.1m<sup>5</sup> (2010: £209.7m) reflected a strong performance in the Retail banking sector, partly offset by a difficult year for the Corporate banking sector.

## PERFORMANCE benchmark

### UK general public's social, environmental and ethical ranking of financial service providers

	2007	2008	2009	2010	2011 <sup>6</sup>
The Co-operative	1	1	1	1	1
HSBC	2	2	2	2	=2
Barclays	n/a	4	4	4	=2
Lloyds TSB	n/a	3	3	3	=3
Nationwide					=3
Santander					=3

## PERFORMANCE recognition

The Co-operative Banking Group won the 2012 *Financial Times* Sustainable Bank of the Year Regional Winner Award, outperforming financial institutions across Europe in recognition of our commitment to sustainability<sup>7</sup> for the third year running.



# Provision of responsible finance

Indicator: **Ethical screening of banking customers and insurance investments**

Target 2011	Progress	Target 2012
<p><b>E.P.</b> Extend ethical screening to £1bn of investments underpinning key insurance products</p>	<p>✓ In January 2011, we extended the bank's Ethical Policy to cover the fixed income bonds underpinning home and motor insurance premiums. We reviewed all holdings and identified 11 bonds, worth some £75m, that needed to be divested of</p>	

## Assurance

Many financial services organisations produce social and environmental reports but few, if any, subject their core business activity – the provision of finance – to open, independent scrutiny. Our sustainability auditor, Two Tomorrows, has provided a high level of assurance over the implementation of The Co-operative Bank's Ethical Policy (pages 105 and 106). They have directly investigated a 10% sample of potential business customers referred to the Ethical Policy Unit over the year to assure the extent to which we have carried out the Policy, the accuracy of our data and the outcomes we claim.



## Bank screening of finance

The bank provides services to some 91,000 corporate, business and wholesale market customers. Ethical Policy compliance is secured, in the main, by self-completion questionnaires as part of the application process, which are checked by account opening staff. A central bi-annual screening exercise ensures continued compliance.

Corporate banking customers with a turnover greater than £1m are directly investigated for ethical compliance by trained business development managers and reviewed on an annual basis. Business development managers are issued with Ethical Policy guidelines that set out the criteria to be considered in the provision of facilities, and make explicit where involvement is prohibited. High-risk sector guidelines detail corporate activities considered to present an elevated Ethical Policy risk, for example the manufacture of chemicals, where the referral to our dedicated Ethical Policy Unit is mandatory. In most cases, we commission independent analysis from Experts in Responsible Investment Solutions, a leading ethical investment research organisation.

During 2011, our Ethical Policy Unit reviewed 437 (2010: 408) financial opportunities. Of these, 35 (8%) were found to be in conflict with our Ethical Policy and we declined the business opportunity (2010: 10%). In 2011, the annualised gross income foregone by the bank as a result of ethical screening was an estimated £18m<sup>8</sup>.

On the basis of customer confidentiality, the bank is generally unwilling to name businesses found to be in conflict with our Ethical Policy. However, all referrals to the Ethical Policy Unit are subject to independent third-party scrutiny.

### Ethical screening referrals and outcomes

	2007	2008	2009	2010	2011
Declined	32	36	43	40	35
Accepted	316	320	398	368	402
<b>Total</b>	<b>348</b>	<b>356</b>	<b>441</b>	<b>408</b>	<b>437</b>

### All 2011 bank business declines by issue

	Referred	Declined	Value
International development and human rights (page 21)	159	13	£1,232,900
Climate change (page 57)	93	9	£934,500
Animal welfare (page 28)	63	9	£542,500
Social inclusion (page 42)	28	4	£95,000
Biodiversity	54	0	£0
Chemicals	11	0	£0
Waste	5	0	£0
Other	24	0	£0
<b>Total</b>	<b>437</b>	<b>35</b>	<b>£2,804,900</b>

### The Co-operative Insurance

The Co-operative Insurance provides home and motor insurance (also called general insurance) cover to over 1.4 million customers. We generally invest the premiums paid by our customers in fixed income bonds to meet costs and claims. Unlike investing in shares of companies, these investments are more like a financing arrangement. In January 2011, we extended the bank's Ethical Policy to cover the fixed income bonds underpinning home and car premiums, providing what we believe to be the world's first ethically screened general insurance products.

We do not purchase bonds issued by organisations that do not meet the criteria of our Policy. During 2011, the Unit reviewed four fixed income investment opportunities, of which one was declined.

### Employee training

In 2011, we launched a number of new e-learning induction modules for all new employees including one that introduces our responsible finance approach and Ethical Policy. They are also available to colleagues at any time via the employee intranet. We have developed a specific training programme for all staff whose roles are impacted by the Policy.

### PERFORMANCE benchmark

Consumer ethical finance website [yourethicalmoney.org](http://yourethicalmoney.org), developed by Experts in Responsible Investment Solutions, rates financial service providers based on their green and ethical profiles. The Co-operative Bank (including **smile**) is one of the highest-rated financial institutions and The Co-operative Insurance is the highest-rated insurance provider<sup>9</sup>.

### PERFORMANCE benchmark

In 2012, the Ethical Consumer Research Association reviewed 30 providers of current accounts and awarded The Co-operative Bank Best Buy status for its Ethical Policy<sup>10</sup>.

## Social and environmental banking

Indicator: **Value of social and environmental banking**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Extend commercial lending in energy efficiency and renewable energy to £1bn, recruiting extra resource to key business centres	<b>=</b> £678m lending agreed to date	<b>E.P.</b> Within our £1bn commitment to fund energy efficiency and renewables, we will dedicate £100m to small-scale community renewable opportunities and support projects that provide demonstrable reductions in fuel poverty
<b>E.P.</b> Help to kick-start a revolution in community-owned renewable energy generation via a combination of £1m of grants and the development of a new financial product for the public sector	<b>=</b> A community-scale loan product is currently in development	Help to kick-start a revolution in community-owned renewable energy generation via a combination of £1m of grants and the development of a new financial product for the public sector

Throughout 2011, The Co-operative Bank's Social Banking Unit (SBU) provided management and development expertise for charities, social enterprises, social housing, renewable energy, microfinance, credit unions and the public sector. It is principally operated out of three UK offices, with a team of over 70 staff.

Since 2008, at a time when many financial services providers have been scaling back support for the voluntary sector, we have doubled the number of charities banking with The Co-operative.

We have developed our renewable energy expertise over a number of years and are now considered a market leader in the provision of sub-£20m finance for renewable energy. Since 1999, we have lent £1.3bn to the sector and in 2010, the bank committed to fund £1bn renewable energy and energy efficiency projects. In 2011, our total commitment reached £678m, of which £336m has been drawn down by the recipients of funding and in 2011, the bank approved finance for 31 renewable energy and carbon reduction projects (page 57).

Total bank deposits from social, co-operative and environmental businesses in 2011 reached £2.88bn, 42% of our total corporate and business banking liabilities (2010: 54%). Of this, community and charitable deposits grew by £127m and public services deposits by £220m. In 2011, the value of assets such as loans and overdrafts to these businesses reached £2.01bn, or 28% of all bank assets (2010: 27%).

...Social and environmental banking continued

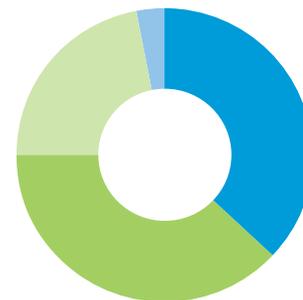
**Average bank liabilities (eg, deposits)**

	2008	2009	2010	2011
Total (£m)	2,749	3,814	4,641	6,828
Positive contribution to society	£1,492m (54%)	£1,990m (52%)	£2,486m (54%)	£2,879m (42%)

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

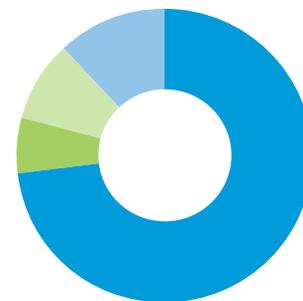
	2008	2009	2010	2011
Total (£m)	3,450	7,785	8,030	7,011
Positive contribution to society	£795m (23%)	£1,977m (25%)	£2,175m (27%)	£2,014m (29%)

**Positive contribution of bank liabilities to society in 2011**  
Total: £2,879m



	%
Public services	37
Community and charitable sectors	38
Co-operatives and mutuals	22
Environmental and social organisations	3

**Positive contribution of bank assets to society in 2011**  
Total: £2,014m



	%
Public services	73
Community and charitable sectors	6
Co-operatives and mutuals	9
Environmental and social organisations	12

**In focus**

**Funding the development of youth hostels**

In 2011, The Co-operative Bank provided £13m funding for the Youth Hostels Association (YHA) to refurbish and modernise 200 youth hostels, bunk houses and camping barns across England and Wales. The YHA provides high-quality, affordable accommodation and aims to inspire young people to broaden their horizons and promote independence.



**Supporting social development in Scotland**

We provided £2m for Social Investment Scotland, a Community Development Finance Institution, which lends to charities and social enterprises that are unable to access mainstream finance. This funding will support job creation, community engagement and economic development all over Scotland.



**Delabole wind farm**

We provided £9.7m for the re-powering of the Delabole wind farm in North Cornwall in February 2011. The site, first operational from 1991, was the UK's first commercial wind farm. The bank loan funded the replacement of the 10 original turbines with four 2.3 MW turbines which more than doubled the output of the wind farm and saves over 13,700 tonnes of CO<sub>2</sub> emissions per year while generating enough electricity to supply around 7,000 customers.



# Products and services

Indicator: **Range of responsible finance products and services**

New targets in 2012	Targets 2012
	<p><b>(E.P.)</b> Reward young safer drivers with premium discounts worth £20m over the next three years and provide safety workshops for more than 20,000 young people in partnership with road safety charity, Brake</p>
	<p><b>(E.P.)</b> Work with home and motor insurance suppliers and claims fulfilment partners to reduce environmental impacts of claims and develop industry best practice by 2014</p>

The Co-operative Insurance has launched a new motor insurance initiative for drivers between 17 and 24 and their parents that links drivers' premiums to safer driving and encourages a responsible attitude to driving. Using innovative Smartbox technology, we collect driving data and send it to an online dashboard for use when reviewing premiums. We use four parameters to assess how a car is driven every 90 days to calculate a safe driving score. Safer Driving Discounts can be earned in addition to No Claims Discounts, and premiums can increase if vehicles are not driven within Safe Driving Parameters.

## Carbon offset insurance

In 2011, offsetting continued as a standard feature of The Co-operative's mortgages and virtually all new car insurance policies (page 56).

## Charity credit cards

The bank offers a range of credit cards, each linked to one of 15 charity partners. A donation is made to the chosen charity when an account is opened and additional donations are made in proportion to the amount spent using the card. In 2011, we raised a total of £1.38m for charity through affinity credit cards.



The think credit card promotes ethical purchasing by offering better rates of interest for purchases from specified ethical partners<sup>11</sup>. We have identified 16 ethical partners that provide sustainable products or services or are considered to be 'ethical leaders'<sup>12</sup> in their sector. When a new card is activated, in partnership with the Royal Society for the Protection of Birds (RSPB)<sup>13</sup>, we purchase and protect a third of an acre of Indonesian rainforest in the customer's name. For every £100 spent on the card, a further 25p is donated to rainforest protection. Since its launch in December 2008, the partnership has raised £187,246, enough to protect 2,294 acres of rainforest.

## Influence and action

The Co-operative Insurance took part in a Downing Street Insurance Summit which brought together Government and insurance industry representatives to look at what more can be done to improve the safety of young drivers. The Government specifically asked that The Co-operative Insurance attend and a focus of the Summit was wider use of telematics or Smartbox technology to promote safer driving through financial incentives, a strong endorsement for our innovative product.



# The Co-operative Group pension scheme

## Target 2011

Implement Responsible Investment Policy and Practice Statement for Group pensions, including publication of summary voting records, engagement activities and compliance with the UK Stewardship Code



## Progress

In 2011, a statement of compliance with the UK Stewardship Code, a list of the 100 largest direct equity holdings and a summary of investment managers' voting and engagement activities in 2010 were published on the scheme's website<sup>14</sup>

## Target 2012

**E.P.** We will encourage our primary pension scheme to operate a Responsible Investment Policy that is among the most comprehensive of private sector schemes in the UK

Pension arrangements are an important part of the rewards package we offer our employees, helping us to attract and retain the best people. Following recent mergers and acquisitions, we now operate a number of defined benefit (final salary and career average) and defined contribution pension schemes. The majority of pension scheme members belong to a defined benefit scheme that is based on career average earnings<sup>15</sup>.

In 2010, the Trustee of the Group pension scheme approved a revised Responsible Investment Policy and Practice Statement to better define management of environment, social and governance

issues. The Policy provides for the Trustee to instruct investment managers to ensure effective management of sustainability issues, to engage with investee companies and to direct shareholder voting rights.

In December 2010, the Trustee decided against investing in a pooled fund of

emerging market government bonds due to risks around the financing of regimes that undermine human rights.

The new policy requires more public disclosure of responsible investment activities, and in 2011, new disclosures were published on the scheme's website<sup>16</sup>.

### PERFORMANCE benchmark

In 2011, The Co-operative Group pension scheme was one of only three to achieve platinum status, the highest ranking possible, in the UK Sustainable Investment and Finance (UKSIF) Responsible Business: Sustainable Pension survey of UK corporate occupational pension schemes.

## Responsible finance subjects covered elsewhere in the Report

Our approach to responsible finance permeates much of the work of The Co-operative Group, and as such is reported on in greater detail in various sections throughout this Report.

As part of our strategy to tackle global poverty, we support small businesses in some of the world's poorest areas through the provision of microfinance (page 20) and through our support for lendwithcare.org, which allows people in the UK to lend small sums of money to entrepreneurs in the developing world (page 21). We also support a number of international development charities, through our range of charity credit cards, which enabled us to donate over £700,000 in 2011 (page 20) and we're taking the lead in the formation of the Global Development Co-operative, which aims to raise £20m to fund low-cost loans and infrastructure projects worldwide (page 23).

We promote financial inclusion, through wider access to our services for banking customers, the provision of bank accounts for prisoners and our support

for credit unions and small businesses in deprived areas of the UK (pages 40–41). Staff volunteers deliver Skills4Schools (page 42), which aims to improve financial literacy in young people, while our bank supports the housing charity Shelter through donations generated by home insurance (page 43). In 2011, we also lobbied for the mutualisation of the Post Office, highlighting the benefits to the wider community (page 43).

The bank only issues PVC-free plastic cards (page 73), and supports animal welfare and conservation projects around the world, through the youth Bonus Account (page 70). Our Royal Society for the Protection of Birds and Woodland Trust charity credit cards raise funds which help to protect biodiversity in the UK (page 70).

Our financial support for co-operatives (page 84) includes advice and assistance to Public Service Mutuals, bespoke banking support, and access to ethical loan finance through The Co-operative Loan Fund.



# Social inclusion

**100%**

of UK postal areas have a Co-operative Food store

**285,000**

basic bank accounts (2010: 235,000)

## Background

Inequalities in earnings in Britain have risen over the last 30 years, and are high compared with other industrialised countries<sup>1</sup>. Factors such as unemployment, low income, poor skills, disability and discrimination can all contribute to social exclusion, preventing individuals from accessing many of society's opportunities and giving rise to inequality. Poor money management can have long-term consequences for income, living standards and savings behaviour<sup>2</sup>. Financial inclusion, which is borne of financial capability and the availability of suitable financial products and services, plays a key role in achieving social inclusion.

## Materiality and strategy

Guided by our long-standing co-operative Values and Principles, we've been working to build a more fair and just society for over 165 years. Today, we remain very

much a community business. Our Ethical Plan (page 7) includes a commitment to continuing to do business in a socially inclusive manner. Social and financial inclusion were identified as priorities in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part.

As a retailer and financial services provider, our strategy is to serve as many communities as possible, irrespective of background or situation. We achieve this through the provision of accessible products and services, whether this is through our physical presence in UK communities or bespoke products and services to meet individual community needs. We are also helping people access opportunities in society to develop skills and employability, financial capability, and social integration.

## Products and services

Indicator: **Access to products and services**

Target 2011	Progress	Target 2012
<p><b>E.P.</b> Continue to have a presence in every UK postal area, and create 300 new stores by 2013 (compared to 2010)</p>	<p>← A store was maintained in every postal area throughout the UK. 32 new stores have been opened as part of our store expansion programme</p>	<p><b>E.P.</b> Continue to have a presence in every UK postal area, and increase the number of new stores by 300 by 2014 (compared to 2010)</p>

We aim for our stores and branches to serve as wide a range of communities as possible. Our member-controlled committees (page 77) are consulted on any intended store closures or new developments, so that potential negative impacts on the local community are fully considered. We also promote bespoke products and services that are inclusive and respond to differing customer needs.

## Food

We're the UK's fifth largest food retailer and operate 2,800 community stores. We have a food store in every postal area in the UK, and each week serve 14.5 million customers. Through our store expansion programme, we're opening new outlets, making acquisitions and relocating stores, and are planning to open 80 new stores in 2012, with a view to completing

the programme by 2014, dependent on suitable properties being available in the right locations.

A free home delivery service is offered from 329 stores nationwide. The service is primarily targeted at stores in areas with low car ownership or for those who have difficulty transporting their shopping home. It gives customers the ability to choose their own shopping in-store, which is then delivered to their door at a time to suit them.

### Proportion<sup>3</sup> of Co-operative outlets in deprived<sup>4</sup> areas

	2008	2009	2010	2011
Food	18%	18%	17%	18%
Pharmacy	26%	26%	28%	30%
Funeralcare	37%	37%	36%	29% <sup>5</sup>
Bank	33% <sup>6</sup>	35%	37%	37%
Post Offices in Food stores offering financial services	20%	16%	18%	18%

### PERFORMANCE benchmark

Of the food stores operated by major food retailers<sup>7</sup> in deprived areas, 33% are The Co-operative Food stores. Our Funeralcare business comprises 21%<sup>8</sup> of all funeral providers in deprived areas.

...Products and services continued

## Pharmacy

We have 780 branches, of which 95% offer a prescription delivery service for those unable to visit their local pharmacy. We offer an online pharmacy store and a private Co-operative Doctor service, a confidential and secure online environment for patients to consult doctors, so that people can access advice and services that best meet their needs.

We offer a free repeat prescription service, Complete Repeats, and in 2011 launched a managed repeat prescription service. This places orders and collects regular prescriptions from a GP on the patient's behalf, ready to be picked up or delivered at a convenient date.

A new substance misuse project provides access to supervised consumption, needle exchange and recovery services. We believe these clients should be treated as any other patient and, unlike many of our competitors, do not require a signed contract before providing this service.

## Funeralcare

We operate over 890 funeral homes, crematoria and woodland burial grounds across the UK and carry out over 100,000 funerals each year. For the LGBT (Lesbian, Gay, Bisexual and Transsexual) community, we work with the Pink Weddings Group to promote our funeral service and also to promote the support that we can provide to LGBT families at the time of bereavement. In 2012, we will place emphasis on supporting the needs of different cultural/faith groups through nationwide training packages and local community engagement.

## Accessible communications

We recognise that customers can be excluded through the lack of appropriate or accessible communications, whether this is through product packaging, direct correspondence, or web-based communications. We consider our main websites compliant with World Wide Web Consortium (WC3) accessibility guidelines (level AA), and as part of Project Unity<sup>9</sup> (page 90), we're looking to align our accessibility requirements by developing a new set of guidelines in 2012.

### In focus

#### Extending our healthcare offering for Muslim patients

In partnership with The Muslim Council of Britain and Novartis, we have devised a new service to provide customers making a pilgrimage to Mecca with the Meningococcal vaccination (a travel visa requirement). The aim – in response to a growing black market – was to make sure the vaccination is accessible at a registered pharmacy, at a pre-agreed and discounted cost. We now offer the service in over 400 branches.

We also have 84 pharmacies (2010: 82) with specially trained pharmacists located in areas with a large Muslim population who provide these communities with a service helping patients fasting during Ramadan to manage their medicines or seek advice to stop smoking.

In 2012, we'll look to expand our services to support the healthcare needs of a wider range of faith groups.

## Financial inclusion

Indicator: **Promotion of financial inclusion**

Targets 2011	Progress	Targets 2012
 Continue to take a lead on financial inclusion	 We continued to promote financial inclusion by increasing the number of basic bank accounts we provide and our support for small businesses in deprived areas is above the industry average	 Continue to take a lead on financial inclusion
Develop a new three-year strategy for work with credit unions	 We commissioned research to better assess our support for the credit union sector; findings will inform the strategy we develop in 2012	Develop a new three-year strategy for work with credit unions
Develop a new customer diversity plan for The Co-operative Banking Group	 A new diversity plan was developed during 2011	

## Personal customers

Our personal banking customers can carry out financial transactions across all our 342 branches – nearly four times as many branches since our merger with Britannia. In addition to branch access, customers benefit from access to services via the internet, telephone, cash machines and 257 Post Offices located in Food stores.

There is no charge for use of any of our 2,382 cash machines, 17 of which are located in low-income communities eligible for a financial inclusion premium<sup>10</sup>. In several remote locations, such as Scottish Islands and Highland villages, we believe we are the only cash machine provider. During the year, we installed 282 new machines in our Food stores, and plan to install a further 300 next year.

In 2011, we extended the pilot of in-store banking – small staffed banking outlets located in our Food stores – from four to eight stores. In 2012, a smaller in-store model – requiring less space and fewer staff – will be trialled to help determine the best approach for future, large-scale roll-out.

In 2011, we also launched new pilot services offering customers access to legal and life planning services in

selected bank branches. These offer an approachable alternative in specialist areas that customers often find daunting. The life planning service also includes advice on affordable financial solutions to increasing funeral prices. Both services are to be rolled out across the entire branch network in 2013.

We published a diversity plan for the Banking Group in 2011 to improve the accessibility of services for members and customers. To support the plan, we launched an improved customer transcription service; established projects to improve the experience of customers using third-party managed accounts (such as carers and customers with a disability); and delivered diversity training to employees.

## Support for credit unions

It is estimated that between four and eight million people in the UK cannot access mainstream financial services<sup>11</sup>. Credit unions are financial co-operatives that offer savings and low-cost loans to members – many of whom are unable to use more traditional services. We remain the largest provider of banking to the credit union sector (approximately 60%).

In 2011, we commissioned research from Liverpool John Moores University to assess the scope and impact of our support for credit unions. The findings will inform a programme to enhance our offering to these groups and we will draft a three-year strategy in 2012 as part of the bank's support for the not-for-profit sector.

We are the only bank to offer a current account for credit union members, in partnership with the Association of British Credit Unions Ltd (ABCUL). In 2011, 24 credit unions offered the account and 33,281 customers benefited from it (2010: 30,597). We hope to roll out the current account to more credit unions in 2012.

The Co-operative Electrical has a unique partnership with credit unions to provide members with access to online goods financed by an affordable credit union loan. The initiative aims to prevent members entering into agreements with irresponsible lenders, and is now available via 137 credit unions, with over 1,400 beneficiaries in 2011.

## Basic bank account provision

Access to basic bank account features, such as the ability to pay bills by direct debit, can help customers organise their finances and avoid extra charges or interest. Holding an account can also improve consumer confidence in money management<sup>12</sup>. The Co-operative Bank offers a basic bank account, Cashminder, aimed at those who may not be eligible for a standard current account. During 2011, there was a 21% increase, to 284,820 (2010: 234,677), in the number of Cashminder accounts provided by the bank.

### PERFORMANCE benchmark

In 2011, The Co-operative Bank increased its market share in the provision of basic bank accounts to 3.3% (2010: 2.8%)<sup>13</sup>.

## Bank accounts for prisoners

The provision of a bank account can facilitate employment and housing for offenders leaving prison – factors that are considered key to the reduction of re-offending. However, it is often difficult for ex-offenders to provide the proof of identity or address required to open a bank account.

Since 2006, we've delivered a pioneering initiative that enables prisoners to open a basic bank account while in prison, ready for use on release. The scheme now operates from 31 UK prisons (22%), and 9,018 accounts have been opened since the scheme began – a 62% increase since 2010.

### PERFORMANCE benchmark

#### Financial support to small businesses in deprived areas as a proportion of all equivalent Co-operative Bank activity

	2008	2009	2010	2011	Industry average <sup>17</sup>
Business current accounts	6.6%	6.6%	6.3%	5.4%	4.5%
Overdrafts	6.5%	5.9%	5.5%	4.7%	4.7%
Loans	6.4%	5.0%	5.7%	5.9%	3.5%

## Social impact assessment

### Reducing re-offending

While it is difficult to wholly attribute causality, research undertaken by John Moores University in 2009 found that, of a group of over 100 prisoners who opened a Co-operative bank account before leaving prison, 34% re-offended, nearly a third less than the national average of 47%<sup>14</sup>.

## Wholesale Loan Fund

In 2011, we continued to support the Greater London Enterprise's Wholesale Loan Fund providing capital to local Community Development Financial Institutions (CDFIs) which lend to less advantaged entrepreneurs. Since 2007, it has provided a total of £6.9m to small or medium-sized businesses, supported by a £3m loan facility from The Co-operative Bank. Now fully drawn, the fund has enabled 294 businesses to start up or grow.

Over 40% of loans from the fund are made to businesses led by women or owners from an ethnic minority background.

We have also provided an additional £1m (total £2m) of wholesale funding to the CDFI Social Investment Scotland (page 36).

## Business customers

### Supporting small businesses in deprived areas

In 2011, our finance to small businesses<sup>15</sup> in deprived<sup>16</sup> areas (as a proportion of equivalent bank activity) remains above the industry average.

# Responsible finance

Indicator: **Consideration of social inclusion in the provision of finance**

During 2011, 28 finance opportunities (2010: 29) were referred to the Ethical Policy Unit in connection with financial inclusion, of which four were declined (2010: six) at an estimated cost of £95,000 in terms of gross income foregone.

## Banking and finance declines 2011

	Estimated income foregone 2011
<b>Home-collected credit provider</b> (two instances) Banking facilities for businesses involved in provision of home-collected credit facilities at exploitative interest rates of between 65% and 1,069% APR.	£55,000
<b>Personal loans</b> Banking facilities for business involved in cheque encashment and payday loans at exploitative interest rates up to 1,355% APR fixed.	£35,000
<b>Buy-back-store</b> Banking facilities for business offering buy-back services for household goods, as well as personal loans and cheque encashment facilities. Concerns that charges attached to these services are exploitative – representative APR on loans up to 1,734%.	£5,000

# Community initiatives

### Target 2011

**E.P.** Continue to champion financial literacy among young people (in 2011: maintain relationships with 90 schools through the Skills4Schools programme and involve a total of 500 trained volunteers)

### Progress



Throughout 2011, our staff volunteers continued to deliver the Skills4Schools programme, and we developed a new module on responsible investment. 63 schools took part in workshops; roll-out was less extensive than planned, as some volunteers left the business due to organisational change. At the end of 2011, we had trained 485 volunteers across the business

### Target 2012

**E.P.** Continue to champion financial literacy among young people (in 2012: extend the Skills4Schools programme to our store/branch staff)

As set out in our Ethical Plan (page 7), a significant focus of our social inclusion work is on championing financial inclusion in schools, further supporting our aim of inspiring young people. Through our community initiatives, we also aim to promote greater social and economic participation.



In total, 63 schools took part in Skills4Schools workshops during 2011, including nine Co-operative Trust schools. In 2011, over 3,685 hours of business time and expertise were invested in the programme, supported by learning resources worth over £18,000.

## Financial education – Skills4Schools

Skills4Schools promotes two education initiatives to inspire young people and improve numeracy and financial literacy: Fit4finance and Number Partners. It enables staff volunteers to visit local schools and deliver workshops, focusing on numeracy in primary schools and financial literacy in secondary schools. In future, we will expand this programme to include more front-line staff and develop a new volunteering strategy in 2012 (see page 14).

There are 485 (2010: 477) trained employee volunteers participating in the programme, which benefits approximately 4,000 young people. Despite our ongoing volunteer training programme, some of the existing volunteers left the business on account of organisational change, so the roll-out of the programme was limited. However, we successfully launched a new element to the programme: the Fair Shares Ethical Investment Challenge, a unique resource for schools to encourage students to think about how their future investment choices will impact society and the environment.

## The Co-operative StreetGames Young Volunteers

Since 2007 we have partnered with the national sports charity StreetGames, to develop volunteering opportunities through sport for young people in the 20% most deprived communities across England and Wales. Along with health and social benefits, the project promotes self-belief, self-responsibility and leadership. Further details are provided on page 48.

## Making Opportunities

To promote equal opportunities and access to employment, we provide work placements in our stores for people with learning disabilities through our Making Opportunities programme with Mencap. We've committed to offer permanent, paid employment to all participants who successfully complete the work trial, even if no vacancy exists at the store – a guarantee offered by no other Mencap partner. In 2011, we extended Making Opportunities from our Food stores to a pilot in the Motor and Clothing businesses.

Since 2008, over 318 people have gained work experience and 148 people consequently gained permanent paid employment. See UK community investment for more information on our support for Mencap through our Charity of the Year partnership (page 13).



## Offenders' art exhibitions

Since 2009, we've supported The Koestler Trust's exhibitions of offenders' art, which aim to inspire positivity in offenders by motivating them to participate and achieve in the arts. In 2011, we invested £82,000 towards delivery of the national exhibition in London and regional exhibitions in Liverpool and Glasgow. Young women from HM Prison and Young Offender Institution Cornton Vale took part in a project to curate the Glasgow exhibition, as part of our commitment to inspiring young people. Over 21,000 people, including offenders' family and friends, attended the exhibitions in 2011.

## Supporting the homeless

We continued to support Lifeshare, a Manchester homelessness charity, by offering professional support, Christmas gifts, and a £4,000 donation. In winter 2011/12, The Co-operative Group donated 150 new overcoats to Lifeshare and distributed a further 400 in association with Business in the Community through the Business Action on Homelessness campaign, which works with businesses in the UK to give homeless people and those at risk of homelessness the opportunity to gain and sustain employment.

The Banking Group offered selected 'ethical consumers' a home insurance product supporting the housing and homelessness charity Shelter during 2011. A £10 donation was given to the charity when a policy was opened, raising over £7,910 during the year.



### PERFORMANCE recognition

The Co-operative received the Workplace Diversity Award and was named Overall Winner at the 2011 Personnel Today Awards for the pioneering Making Opportunities scheme.

## Influence and action



### Future of the Post Office network

The Co-operative Retail Trading Group (CRTG) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices.

In late 2011, a submission was made to the Department for Business, Innovation and Skills consultation on building a mutual Post Office. This welcomed proposals for the mutualisation of the Post Office and the opportunity to help shape the future of the UK's Post Office network. The submission highlighted the potential community benefits from better aligning the Post Office with the needs of its wide range of stakeholders.

## Influence and action

### Fuel poverty

One in four households live in fuel poverty and this figure is rising due to increasing energy bills and energy inefficient housing. In March 2012, we co-commissioned The Energy Bill Revolution report to explore the environmental, social and economic benefits of using carbon taxes to make homes more energy efficient. It recommended that using the revenue from the European Emissions Trading Scheme and the Carbon Floor Price to improve the energy efficiency of UK homes could bring nine out of ten homes out of fuel poverty. We are supporting the Energy Bill Revolution campaign calling on the UK Government to act on the report's recommendation.

In June 2011, we supported the Demand a Better Bill campaign and added our name to a business and NGO letter to the Secretary of State for Energy and Climate Change, calling on the Government to support the Warm Homes Amendment to the Energy Bill, committing the Government to delivering policies that eliminate fuel poverty by 2016 and to cut carbon emissions by at least 42% by 2020. The amendment was not adopted.

# Inspiring young people



**£10.4m**

provided to support young people

**342,500**

young people benefited from the programme in 2011

## Background

In 2011, the UK experienced the highest rate of youth unemployment in 17 years<sup>1</sup>. In some areas of the UK one in four young people<sup>2</sup> were not in work, education or training and 16 to 25 year olds were the age group most likely to live in a disadvantaged area<sup>3</sup>. By 2020, there will be five million less low-skilled jobs in the UK and 40% of all jobs will require a graduate-level qualification<sup>4</sup>. Opportunities for young people to develop their skills, improve confidence and gain qualifications will be more important than ever.

## Materiality and strategy

With a quarter of The Co-operative's employees under the age of 25, we recognise the vital role young people play in our business. We make it a priority to motivate and inspire young people and to give them opportunities to gain skills, knowledge and experience.

'Inspiring young people' is a focus of our Ethical Plan (page 7) as we aim to bring about a cultural shift in the way that young people are viewed and treated in the UK. We invest in a diverse range of projects that offer young people opportunities to change their world.

## Community investment

Indicator: Investment in the Inspiring Young People programme

### Target 2011

**E.P.** Provide £30m for the Inspiring Young People programme by 2013

### Progress

**=** As at December 2011, £10.4m had been provided in support of our Inspiring Young People programme. Going forward, our measurement methodology will focus on impacts rather than inputs to the programme, as reflected in our 2012 target

### Target 2012

**E.P.** Inspiring Young People programme will benefit one million people by 2014

We have increased our investment in supporting young people in recent years. In 2011, 342,500 young people benefited from our activities across the UK.

### Top five cash investments for the Inspiring Young People programme in 2011

The Co-operative Foundation's Truth about Youth	£1,000,000
Green Schools Revolution	£593,000
Co-operative Schools	£387,000
The Co-operative StreetGames Young Volunteers	£359,000
The Co-operative British Youth Film Academy	£160,000
<b>Total</b>	<b>£2,499,000</b>

### Total cash investment for the Inspiring Young People programme



# Membership

Target 2011	Progress	Target 2012
<b>E.P.</b> Create an advisory panel of young members who will inform a newly appointed Board Champion for young people by 2013	<b>E.P.</b> During 2011, an agreement was reached to set up a young member site. Within this site members can register interest for the advisory panel	<b>E.P.</b> Create an advisory panel of young members who will inform a newly appointed Board Champion for young people by 2013

Membership of The Co-operative is available to anyone aged 16 or over who lives in the UK. While young people aged 16 to 18 are excluded from traditional democratic processes, all Co-operative members can exercise their democratic control, with equal rights and benefits. Although still under-represented compared

to other age groups, in 2011 some 313,000 (2010: 270,000) of our members were aged between 16 and 24.

In order to ensure the views of young people are better represented, we're committed to creating a Youth Advisory Panel in 2012, which will inform a new

Board Champion for young people. At a local level, we will focus our efforts on increasing the number of younger candidates standing in membership area elections (page 81) and, subject to a change in legislation planned for 2012, we will open our membership scheme to under 16s.

## Education

Indicator: **Support for Co-operative Schools and education**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Support the establishment of 200 Co-operative Trust Schools by 2013	<b>E.P.</b> Target revised to cover all Co-operative Schools and as at December 2011, 190 Co-operative Schools had been established	<b>E.P.</b> Continue to promote the co-operative model in education and support the establishment of 200 Co-operative Schools by the end of 2012
<b>E.P.</b> Drive forward the Green Schools programme, which reaches over 100,000 children per annum	<b>E.P.</b> Green Schools Revolution launched in 2011, with over 3,300 schools registered by the end of the year <sup>5</sup>	<b>E.P.</b> Increase the number of schools involved in Green Schools Revolution to 6,000 by 2014
<b>E.P.</b> Launch The Co-operative Academy in Leeds in 2011, and establish a total of six Co-operative Academies by the end of 2013	<b>E.P.</b> Following the establishment of Co-operative Academies in Manchester and Stoke, The Co-operative Academy in Leeds opened to students in September 2011	Three Primary Schools to be brought into one Co-operative Academy by the end of 2012

### Co-operative Schools

Our vision is to be the best values-led provider of education in the UK. We have committed £1m to support the expansion of Co-operative Schools, both Co-operative Trust Schools and Co-operative Academies. In 2011, we invested £387,000 to improve the educational outcomes and skills of students, and to give communities a greater say in how their local schools are run.

#### Co-operative Trust Schools

In partnership with The Co-operative College, we have developed a model for Co-operative Trust Schools in England. The number of schools operating within this co-operative model has been growing steadily and the new, member-owned Schools Co-operative Society (SCS) is raising the profile and capability of

the Co-operative Schools sector. As at December 2011, the SCS supported 190 Co-operative Schools. We provided significant financial and in-kind support to help develop the SCS in 2011, to build its membership base and to introduce new services for members.

In Scotland, we support the Co-operative Educational Trust Scotland (CETS) which provides co-operative enterprise education and professional development programmes, and improves access to the Co-operative Movement across Scotland. Our involvement in 2011 included financial support of £100,000, secretariat support and board representation. In Northern Ireland, we are working with a network of three schools to integrate co-operative values.

### Co-operative Academies

We sponsor three Academies – two of which were opened in September 2010 in Manchester and Stoke-on-Trent, and one in Leeds in September 2011. We work in partnership with local councils and educational institutions to provide an education programme based on co-operative values. Senior leaders from our businesses work closely with the Academies to provide support and scrutiny and to champion good governance<sup>6</sup>.

We provide students from our Academies with opportunities to experience the world of work. In April 2011, 28 students aged 15 and 16 from The Co-operative Academy of Manchester took part in work experience in placements across our head office complex to see the workings of a co-operative business at first hand.

## ...Education continued

In 2011, we invited groups of pupils from all year groups at The Academy of Manchester, to an event and lunch hosted by The Co-operative Group Secretary and Chair of Governors at the Academy. Pupils were awarded certificates for individual achievements ranging from exceptional performance in exams to improving behaviours that reflect Academy values.

### Financial education

The Co-operative Banking Group Skills4Schools programme supports young people to improve numeracy, financial understanding and employability (page 42).

### Green Schools Revolution

In September 2011, we launched a new sustainability education programme – Green Schools Revolution. The programme drew together a range of our existing community projects, including From Farm to Fork, Energy Works and Walking Buses, as well as offering a range of new teaching materials and opportunities for school visits and participation. By the end of 2011, over 3,300 schools had registered to take part in the programme, bringing its reach to over 1.2 million<sup>7</sup> pupils across the UK.

#### In focus

##### Green Schools Revolution LIVE!

To bring sustainability issues to life for young people, in November 2011 we supported a free week-long series of Green Schools Revolution LIVE! events. Over 6,900 pupils visited Science and Discovery centres across the UK providing activities including interactive workshops, experiments, exhibitions, demonstrations and practical learning linked to Green Schools Revolution curriculum materials about energy, water and healthy living.

83% of teachers reported that the events had increased their pupils' knowledge of sustainability and 74% said the events provided opportunities not available in school or elsewhere. 97% of pupils said that they learned more about being green from the events.

*"This was a treat of a day that made a clear impact on the children's learning. They came away with heightened awareness of issues that we can now build upon. An excellent opportunity that we could definitely not have afforded ourselves."*

Headteacher, North Cadbury Primary



#### In focus

##### Energy Works: a powerful learning experience

A visit to our wind farm at Coldham in Cambridgeshire offers young people a hands-on learning experience about renewable energy and improves their understanding of how their actions impact on climate change. In 2011, 2,580 primary school pupils visited the site for interactive sessions, covering subjects such as science, geography and design and technology. Visits are also available to secondary school pupils, community groups and Co-operative Group staff and wider links between schools, communities and food stores have been forged. For example, Fordham Primary School in Ely has partnered with their local Co-operative Food store to investigate in-store carbon saving.



### Energy Works

We provide visits, workshops and resource packs to teach young people about the environment and renewable energy. In 2011, 86 classes visited our on-site environmental education centre at The Co-operative wind farm in Cambridgeshire and around 8,200 students have benefited since 2007.

### From Farm to Fork

We have been running From Farm to Fork since 2005, inviting children from primary schools to visit The Co-operative's working farms. In 2011, over 18,300 pupils visited our farms to experience how food crops are grown and harvested. The programme now operates across seven sites in the UK and provides education for children on issues as diverse as healthy eating, using seasonal produce, general farm management and biodiversity. In 2012, we plan to introduce a new Green Schools Revolution centre at Coldham wind farm, Cambridgeshire, combining a new From Farm to Fork visitor centre alongside our existing Energy Works centre, creating a flagship site where children can learn about sustainability outside the classroom.

## Walking Buses

The proportion of British children aged five to ten who walk to school has fallen from 62% to 48% in the last 20 years<sup>8</sup>. Our Walking Buses initiative encourages children to walk to school together –

reducing traffic around schools and saving carbon emissions from car use. We provide high-visibility vests and wrist bands, posters, and a banner to promote the bus to children and parents. Since launching the programme in 2007, 462

Walking Buses have been set up, 135 of which were in 2011. More than 4,158 children and their parents have benefited, saving an estimated 887,000 car journeys a year – equivalent to 147 tonnes carbon dioxide (CO<sub>2</sub>).

## Opportunities

Indicator: **Provision of opportunities for young people**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Establish a Co-operative Academy that will create 2,000 apprenticeships by 2013	<b>←</b> During 2011, 401 apprenticeship opportunities were identified across the key business areas	<b>E.P.</b> Progress our Co-operative Academy and create 2,000 apprenticeships by 2013
<b>E.P.</b> Broaden the work of The Co-operative Enterprise Hub (page 83) and offer advice and training to support young people who wish to start up co-operative businesses by 2013	<b>=</b> Programme proposals considered during 2011	<b>E.P.</b> Broaden the work of the Co-operative Enterprise Hub and offer advice and training to support young people who wish to start up co-operative businesses, by launching resources to increase school pupils' understanding and experience of co-operative enterprise
<b>E.P.</b> Continue to campaign for Votes at 16 and demonstrate how young people are ready, able and willing to be more fully engaged	<b>✓</b> We will maintain our policy position in support of lowering the voting age, but will no longer actively resource campaigning and mass mobilisation	

## Employment

We directly employ over 26,000 people aged 16 to 25 across our family of businesses<sup>9</sup>. We also offer opportunities for young people to gain business skills and experience through work experience placements, internships and apprenticeships.

## Apprenticeships

We launched our Apprenticeship Academy in 2011 to address growing unemployment and lack of training opportunities for young people, which will benefit at least 2,000 young people between 2011 and 2013. Apprentices have the opportunity to study for a nationally recognised qualification while working in one of our businesses and earning a competitive salary. They gain transferable and professional skills and have the opportunity to progress onto the Group's Management Development Programme. During 2011, we identified 401 apprenticeship opportunities across the business. We work in partnership with a third-party training provider to ensure our apprenticeship and training opportunities are of the highest quality and reflect our

Values and Principles (inside front cover). The Apprenticeship Academy is set to recruit 800 new apprentices during 2012, double the number recruited in 2011.

## The Co-operative British Youth Film Academy

In 2009, we announced a three-year partnership with the British Youth Film Academy and we invested £500,000 to set up The Co-operative British Youth Film Academy (BYFA). As the UK's only

co-operatively run film academy, it is owned and run by its member colleges and universities. With a membership of 18 further and higher education institutions based in four clusters – the West Midlands, North West, East Midlands and Yorkshire – it aims to become the UK's most accessible film-making training academy. Wales will be included in 2012 and, eventually, we aim to cover the whole country. In 2011, we invested £160,000 in the project bringing our total commitment to £1.2m.



## ...Opportunities continued

The Academy runs activity-packed summer camps where students of all backgrounds and experience aged from 14 to 25 years work with professional filmmakers to produce a full-length feature film. In 2011, the BYFA ran four summer camps as well as workshops in colleges all year-round, attended by a total of 10,800 young people (2010: 10,168).

### The Co-operative Film Festival

The Co-operative Film Festival has been supporting young people's film making for over 45 years, encouraging co-operation, creativity and self-expression. The festival gives young people the chance to show their short films at the National Media Museum in Bradford. Some 100 short films covering topics including challenging issues such as violent crime and bullying are shown over two days. In 2011, around 1,000 young people attended the festival.

### The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers (CSYV) programme uses sport to improve the life chances of young people aged 16 to 25. Since we began our partnership with StreetGames, the national sports charity, 3,500 young people have joined the programme and it is now running in around 100 locations



in disadvantaged communities across England and Wales.

Volunteers have donated 83,700 hours of time to their local communities since 2007. In 2011, our Young Volunteers supported or ran sessions that provided 69,400 places for other young people to participate in sport. We provide volunteers with training, support and resources to improve their leadership skills. Many have used this experience to pursue vocational qualifications and further training. By the end of 2011, Young Volunteers had achieved 3,000 qualifications and accreditations.

We have committed to invest a further £1.2m in the programme from 2012–2014 and to widen the project to include communities in Scotland and Northern Ireland.

### The Co-operative Foundation's Truth about Youth

Our Truth about Youth programme funds charitable projects that challenge and change negative perceptions of young people. The scheme runs across seven UK cities, one in each democratic region. We are providing a share of £3m funding between 2009 and 2013 for one charity in each city to deliver a Truth about Youth programme. Read more on page 15.

#### Influence and action

##### Campaigning for votes at 16

The Votes for 16 campaign<sup>10</sup> calls for a legislative change to lower the voting age to 16 in all UK public elections. Our strategy has been to empower young people to be active citizens whilst reinforcing the Votes at 16 coalition communications and profile.

Over 1,000 young citizens directly engaged with the campaign, for example, participating in British Youth Council Conventions<sup>11</sup> or young persons' debates at Party Conferences. Our continued support of the coalition resulted in a doubling of organisational supporters (from 35 to 72); a relaunched website with 2,500 supporters and an increase in Facebook fans to 6,500.

This work has resulted in 215 MPs supporting Votes at 16 and, in 2011, led to Motions in support of Votes at 16 in Westminster, Stormont and Holyrood. The Scottish Government is currently consulting on Votes at 16 as part of the Scottish Referendum. We will maintain our support and policy position on lowering the voting age but have no further plans to actively resource campaigning mass mobilisation.

#### In focus

##### The Co-operative StreetGames Young Volunteer of the Year

Abby Fixter was finishing her A-levels and growing up on one of the most challenging estates in Lincolnshire when she joined CSYV. Abby was keen to avoid negative stereotypes and her willingness to improve has seen her gain an impressive 12 qualifications through the scheme. As a Young Volunteer, Abby found that she could change her own life and help others to change theirs too, by supporting other young people to gain qualifications in sports development. Abby's success and impact on the community was recognised when she won the 2011 CSYV East Midlands, Yorkshire and Humberside Young Volunteer of the Year Award.

"Since I started volunteering I'm much more confident. Before I became a Co-operative StreetGames Young Volunteer, there was no way I'd lead anything on my own, but now I take the initiative and lead sessions straight away."

Abby Fixter



# Ecological sustainability

Climate change	Page 50
Waste and packaging	Page 59
Water	Page 63
Biodiversity	Page 65
Chemicals	Page 71

## Our approach

There are physical limits to the resources of the earth, both in terms of generating materials and absorbing waste. Any business activity that exceeds these limits is, by definition, unsustainable in the long run. The Co-operative takes an evidence-based approach to policy making, and is committed to making absolute reductions in emissions, but never at the expense of the world's poorest.



The United Nations has recognised the powerful, global contribution made by co-operatives to economic and social development by designating 2012 The UN International Year of Co-operatives. To celebrate this we've created The Co-operative Revolution, a dramatic street gallery of photographs which will tour the UK showcasing the scale and impact of co-operation worldwide.

This image shows Middelgrunden wind farm in Denmark, a co-operatively owned enterprise which, when it was built in 2000, was the world's largest offshore farm, with 20 turbines. Through co-operatives such as this, Denmark is a world leader in renewable energy. Its national grid has hundreds of small-scale 'distributed' generators making use of wind resources, requiring new approaches to grid co-ordination and providing a window into the future for countries such as the UK.

Image: Creative Commons – Flickr/andjohan

# Climate change

**40%**

reduction in direct GHG emissions since 2006 (tonnes CO<sub>2</sub>e)

**36%**

decrease in energy consumption since 2006 (MWh)

## Background

Climate change is widely regarded as humanity's greatest challenge<sup>1</sup>. If left unchecked, global atmospheric temperature is forecast to rise between 1°C and 6.4°C by the end of this century<sup>2</sup>, severely disrupting the economic and ecological systems on which we rely.

2011 was the UK's second warmest year on record<sup>3</sup>, and it followed the warmest decade on record<sup>4</sup>. Internationally, progress was made when members of the UN summit in South Africa committed to adopt a universal legal agreement on climate change by 2015<sup>5</sup>.

## Materiality and strategy

Our operations emit greenhouse gases (GHGs), the most significant contributor being the Food business. Additionally, as a business with a global supply

chain, we are responsible for significant indirect emissions. Our overall strategy for addressing climate change includes energy efficiency, renewable energy, carbon offsetting, the provision of sustainable finance and lobbying to influence public policy.

Climate change is a major focus of our Ethical Plan (page 7). It was also identified as a priority in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part. Members endorsed our commitment to continue to be the UK's leading retailer on combating climate change, and in line with Banking customer wishes, the bank will not finance the extraction of fossil fuels or distribution of fuels with a higher global warming impact.

## Direct greenhouse gas (GHG) emissions<sup>6</sup>

Indicator: **Direct GHG emissions (tonnes CO<sub>2</sub>e)**

Target 2011	Progress	Target 2012
<b>E.P.</b> Reduce gross GHG emissions from operations by 35% by 2017, compared with 2006	<b>✓</b> During 2011, we reduced gross GHG emissions from operations by 10% compared with 2010 and by 40% compared with 2006	<b>E.P.</b> Reduce gross GHG emissions from operations by 50% by 2020, compared with 2006

We measure direct greenhouse gas emissions in carbon dioxide equivalent (CO<sub>2</sub>e), and update our carbon footprint calculations annually to reflect latest Government guidance<sup>7</sup>.

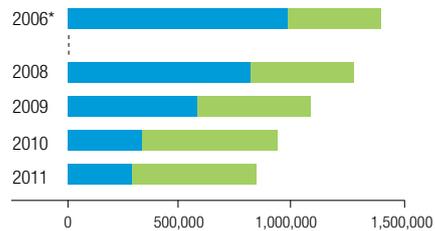
To calculate our direct carbon footprint we include emissions from operations including energy consumption, transport and refrigerant leakages from Food stores and distribution centres. We report our GHG emissions as *gross* emissions, including electricity from renewables, and as *net* emissions, which treats electricity from renewables as zero carbon and also allows for operational offsets.

Gross greenhouse gas emissions have reduced by 10% in 2011 and by 40% since 2006 – surpassing our 2017 target of 35%. Net emissions have reduced by 14% in 2011 and by 71% since 2006. Our gross energy-related emissions have reduced by 37% since 2006, refrigerant

leakage emissions from Food stores and distribution centres by 53% and our transport-related emissions by 34%.

Like other major retailers and financial services providers, we do not yet have a complete accounting system to monitor our indirect emissions. It is recognised that these are likely to be significantly larger than direct emissions and work is underway to develop accounting systems (page 55).

**Direct GHG emissions<sup>8</sup> (tonnes CO<sub>2</sub>e)<sup>9</sup>**



	Total net GHG emissions (tonnes CO <sub>2</sub> e)	Total gross GHG emissions (tonnes CO <sub>2</sub> e)
2006*	987,605	1,410,661
2008	820,873	1,284,877
2009	583,153	1,092,400
2010	330,621	942,478
2011	285,918	846,260
Decrease 2006–2011:	<b>71%</b>	<b>40%</b>
Decrease 2010–2011:	<b>14%</b>	<b>10%</b>

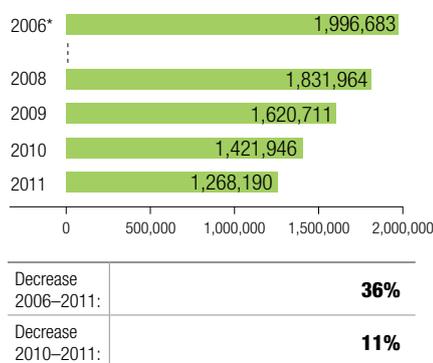
\* Baseline year

# Energy

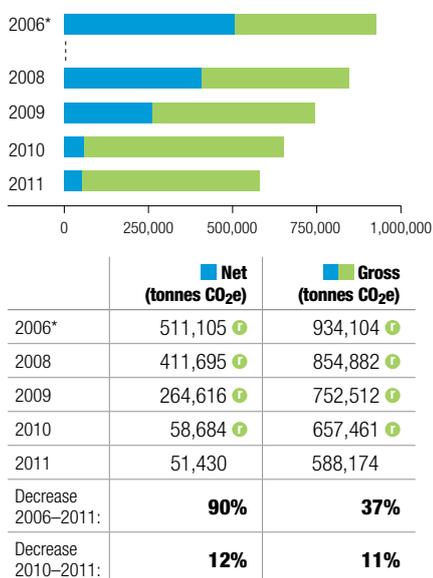
Indicator: **Energy consumption and GHG emissions (tonnes CO<sub>2</sub>e)**

Targets 2011	Progress	Targets 2012
<p><b>E.P.</b> Generate the equivalent of 25% of our electricity needs from renewable sources by 2017</p>	<p><b>=</b> Output from our renewable energy installations in 2011 represented approximately 3% of our electricity requirements. Currently our second wind farm is under construction and a further two are awaiting construction. They will deliver 15% of our requirements, putting us on track to achieve our target</p>	<p><b>E.P.</b> Generate the equivalent of 25% of electricity needs from renewable sources by 2017</p>
<p><b>E.P.</b> Construct a new flagship building by 2012 that will set new standards in sustainable design, construction and operation in the UK</p>	<p><b>=</b> Our flagship building is currently under construction and work continues to ensure it achieves the BREEAM outstanding 'in-use' rating</p>	<p><b>E.P.</b> Construct a new flagship building by 2012 that will set new standards in sustainable design, construction and operation in the UK</p>

## Energy consumption (MWh)



## Total GHG emissions (tonnes CO<sub>2</sub>e) from energy consumption<sup>10</sup>



\* Baseline year

The energy used in our buildings is our biggest source of direct greenhouse gas emissions (almost 70%). As a result, reducing energy consumption is a top priority for reducing our carbon footprint.

Our strategy focuses mainly on Food stores, distribution and head office operations as these account for almost

90% of our total energy use. Our energy programme is directed by a Programme Board, chaired by the Managing Director of The Co-operative Estates. It focuses on three key areas:

- encouraging staff behavioural change and better housekeeping;
- greater efficiency through our standard ongoing refit programme; and
- a more targeted retrofit programme prioritising our most energy-intensive stores.

In 2011, we invested £13m in the energy programme and prioritised retrofitting inefficient stores. We carried out 2,761 actions to improve energy efficiency including the following:

- replaced fluorescent lighting with energy-efficient Light Emitting Diodes (LEDs) in 811 stores;
- deep cleansed refrigeration systems in 395 stores to reduce leaks and improve efficiency;
- installed 597 doors on fridges across 18 stores, potentially saving 20% of the energy used by each store. We plan to extend this action to 2,000 stores by 2020; and
- carried out 430 refits (2010: 606) and maintained our focus on energy efficiency, creating energy standards guidance that all contractors must follow when undertaking refits.

During 2011, six dedicated Food regional energy managers oversaw the continued training of some 3,000 Energy Champions across our workforce. Every Food store had an Energy Champion, supported by area and district Energy Champions.

We extended the remit of the Energy Champions in 2011 to include other environmental issues such as waste reduction, recycling and awareness of our Green Schools activities (page 46).

Energy consumption reduced by 11% compared with 2010 and by 36% compared with 2006. We achieved this through a 10% reduction in electricity usage and a 13% reduction in gas usage<sup>11</sup>. Gross energy-related GHG emissions have fallen by 37% compared with 2006 and continued use of renewable electricity across our businesses saw our net energy-related GHG emissions decrease by 90% over the same period.

### PERFORMANCE benchmark

In 2011, we were ranked 44<sup>th</sup> in the Environment Agency's first Energy Performance League Table. The Environment Agency ranked 2,000 organisations under the Carbon Reduction Commitment according to how they manage their energy use.

### PERFORMANCE recognition

In 2011, we were ranked third in *The Sunday Times* 60 Best Green Companies list, ahead of all other retail and financial services providers. We were also the highest ranking large business in the medium environmental impact category.



**In focus****Waste keeps shoppers warm in Shetland**

We joined Lerwick's district heating system, which means our local Food store is supplied with heat generated by burning waste from Shetland and the neighbouring Orkney island group. The waste to energy plant that generates the heat offers higher efficiencies and better pollution control than local boilers. By supplying heat to residential and commercial customers, the system benefits the entire community and reduces store energy use by 42%.

**Renewable sources**

During 2011, virtually all the electricity we used (some 1,023GWh) came from good-quality renewable sources, mainly wind and hydro technologies. Accounting for 98% of the electricity we use, we are one of the largest purchasers of green electricity in the world, an approach that is directed by our renewable energy procurement strategy. We have also negotiated green energy contracts (299GWh) on behalf of 16 independent co-operative societies.

In 2003, The Co-operative Insurance was the first institutional property investor to transfer all contracts for its investment property portfolio to green electricity (large-scale hydro and climate change levy-exempt sources). We believe that we are still the only one to have done this and, in 2011, it included some 8.8GWh electricity (2010: 9.3GWh).

**On-site renewable energy**

The Co-operative is developing its capacity to create renewable energy. In 2011, output from our on-site renewable energy installations was around 31,100MWh

(2010: 24,000MWh), meeting 3% of energy requirements. Our target is to generate the equivalent of 25% of our electricity needs from our own renewable sources by 2017.

Since 2005, we've operated an eight-turbine wind farm on Co-operative land at Coldham, Cambridgeshire and started construction in late 2011 on a seven-turbine extension to be completed in June 2012. We've also secured planning permission for a 14-turbine wind farm on Co-operative land in Yorkshire – capable of supplying enough electricity to power more than 16,000 homes a year, and for a wind farm on third-party-owned land in Bedfordshire. Together, these projects will generate an estimated 184,000MWh a year, equivalent to over 15% of the Co-operative's electricity requirements.

In 2011, we assessed the feasibility of further renewable energy projects, including a biofuel combined heat and power plant (CHP) at our new flagship building, a biomass CHP project using waste wood in Manchester and photovoltaic installations in southwest England. We were unable to pursue the photovoltaic projects due to reductions in the feed-in tariff rate for solar power in late 2011, but are progressing the other projects.

We have supported micro-generation technologies for a number of years, on our own buildings, through our Green Energy for Schools programme, which included 189 installations, and through support provided by The Co-operative Enterprise Hub (page 83). Our commitment includes the £5.5m Solar Tower project in Manchester with over 7,000 photovoltaic panels, making it the UK's largest solar power installation.

In 2011, The Co-operative Bank pledged to extend commercial lending for energy efficiency and renewables from £400m to £1bn (page 35). By the end of 2011, we had committed almost £700m.

**In focus****1 Angel Square**

Our new flagship building in Manchester is setting high standards for the UK in sustainable design, construction and operation. The design has achieved the BRE Environmental Assessment Method 'Outstanding' rating<sup>12</sup> and we're also aiming to achieve BREEAM outstanding for 'in use'.

Currently under construction, the building has been designed to maximise resource efficiency and to take into account the projected impacts of climate change on cooling systems and energy consumption. Sustainable design features include:

- on-site combined heat and power (CHP) fuelled by plant-oil grown by The Co-operative Farms;
- glass façades and orientation to maximise natural lighting;
- a double-skin façade that controls heat loss and gain;
- automated, efficient lighting and ventilation systems;
- natural refrigerants in place of hydrofluorocarbons (HFCs);
- the harvesting and reuse of grey water; and
- space for over 100 bicycles plus showering facilities.

**PERFORMANCE recognition**

We were awarded Business in the Community's International Climate Change Award in July 2011, in recognition of our wide-ranging efforts to address climate change. We also received the award in 2008, making us the only business to have won it twice.



# Cooling systems

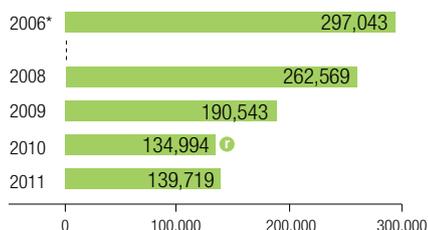
Indicator: Refrigerant gas leaks

Refrigeration and air conditioning systems are a significant source of GHG emissions and account for 17% of our direct carbon footprint. Most refrigerant leaks come from Food stores and the gases used in refrigeration equipment, predominantly hydrofluorocarbons (HFCs), have a very high global warming potential.

From January 2010, the use of hydrochlorofluorocarbons (HCFCs) was banned in Europe, but recycled HCFCs can still be used until December 2014. Less than 7% of the cooling equipment across our Food stores and distribution centres now relies on HCFCs and we have introduced a reclaim and recycle system to replace remaining equipment. All new installations will be HFC-free<sup>13</sup> from 2015, and across all our stores by 2030.

In 2011, reported emissions from refrigerant gas leaks in our Food stores and distribution centres increased by 4% due to improved accounting systems, but have decreased 53% since 2006 (data for tonnes leaked is available online ). We retrofitted 419 stores with more energy-efficient HFC units in 2011, with a further 500 stores due for refit in 2012. Free heat refrigeration systems, which use the heat from the system to provide space heating, were installed at 85 stores, and standalone refrigeration units (chillers and freezers) using hydrocarbons were fitted at an additional 420 stores. Furthermore, the installation of doors on refrigeration units was extended to a further 18 stores in 2011 and we plan to include another 2,000 stores by 2020.

**The Co-operative Food: refrigerant gas leaks (tonnes CO<sub>2</sub>e)<sup>14</sup>**



\* Baseline year

Decrease 2006–2011:	<b>53%</b>
Increase 2010–2011:	<b>4%</b>

## In focus

### Piccadilly Gardens sets the example for energy efficiency

The Co-operative Piccadilly Gardens store in Manchester is our most energy-efficient store. Re-opened in December 2011 following refurbishment, the store includes features to reduce its energy use and its overall carbon footprint such as:

- LED lights in the main store and in the fridge cabinets;
- doors on fridges that save up to 40% of their electricity consumption and eliminate the need for night blinds;
- fridges that run on hydrocarbons and glycol, which have minimal impact on the ozone layer, have minimal global warming potential and reduce refrigerant gas charge by 70%; and
- a free heat recovery refrigeration system that uses the waste heat from the refrigeration system to provide space heating.



## In focus

### Micro-hydro electricity schemes

In New Mills, Derbyshire, we purchase electricity via a private wire from a co-operatively owned micro-hydro project, which uses the natural flow of water from the Rivers Sett and Goyt to generate electricity for our local Food store. We also source electricity from a second micro-hydro scheme in Yorkshire, through a long-term power purchase agreement.



## PERFORMANCE benchmark

In November 2010, The Co-operative Food took part in the Environmental Investigation Agency's (EIA) third survey of supermarket refrigeration technology. We were ranked fifth out of the ten supermarkets assessed for their use of refrigerants and future plans for the phase-out of HFCs.

## PERFORMANCE recognition

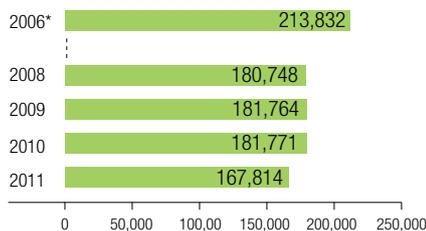
In 2011, we were named Green Retailer of the Year at the Grocer Gold Awards, recognising our efforts to reduce our environmental impact and to change consumer behaviour.



# Transport

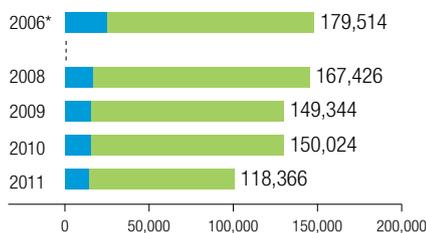
Indicator: **Total mileage and GHG emissions**

## Total mileage ('000 miles)<sup>15</sup>



Decrease 2006–2011:	<b>22%</b>
Decrease 2010–2011:	<b>8%</b>

## Transport GHG emissions (tonnes CO<sub>2</sub>e)<sup>16</sup>



	Total business travel (tonnes CO <sub>2</sub> e)	Total distribution travel (tonnes CO <sub>2</sub> e)
2006*	25,687	153,827
2008	17,224	150,202
2009	15,436	133,908
2010	15,752	134,272
2011	14,332	104,034
Decrease 2006–2011:	<b>44%</b>	<b>32%</b>
Decrease 2010–2011:	<b>9%</b>	<b>23%</b>

## Total business and distribution

Decrease 2006–2011:	<b>34%</b>
Decrease 2010–2011:	<b>21%</b>

\* Baseline year

Road transport accounts for 14% of our direct carbon footprint. Our road distribution fleet serves The Co-operative Food, The Co-operative Funeralcare, The Co-operative Clothing and home deliveries across our businesses. Business travel includes rail and air travel and business mileage in company, hired and private cars.

During 2011, we reduced transport-related CO<sub>2</sub>e emissions by 21% (34% since 2006) and reported mileage by 8% (22% since 2006). This was largely due to a 12 million mile reduction in road distribution mileage for The Co-operative Food and The Co-operative Funeralcare, equivalent to 29,287 tonnes CO<sub>2</sub>e. Intelligent travel scheduling and mileage management, fuel-efficient driving training and more efficient vehicles have all contributed to reduced emissions. The figures have also been reduced, in part, by changes to Defra's reporting guidance<sup>17</sup>. However, home delivery mileage increased by 1.66 million miles in 2011, and emissions increased by 493 tonnes CO<sub>2</sub>e, while business travel mileage decreased by 3.57 million miles and 1,420 tonnes CO<sub>2</sub>e.

The Co-operative Food is a signatory to the British Retail Consortium's A Better Retailing Climate initiative, and has committed to a 15% reduction in CO<sub>2</sub>e emissions from its distribution activities by 2013, based on 2005 levels. For the

third year in a row we have exceeded this commitment, decreasing distribution mileage and associated CO<sub>2</sub>e emissions by 32.8 million miles (29%) and by 60,480 tonnes CO<sub>2</sub>e (40%) compared with 2005.

## Biofuels

Biofuel use is not actively pursued in our distribution activities due to the environmental impacts of some biofuel crops and the challenge of identifying biofuel feed stocks that are more sustainable.

In 2009, The Co-operative Bank extended its Ethical Policy to decline business related to the distribution of biofuels that fail to achieve a 60% carbon dioxide saving, effectively ruling out investment in biofuels derived from feed stocks that cause tropical deforestation.

The Co-operative Farms has committed 2,499 hectares for oilseed rape production, none of which is contracted for transport fuel production.

## In focus

### Green Travel initiatives

Our Green Travel website<sup>18</sup> encourages employees and visitors to use sustainable travel options, including a car sharing scheme. Some 2011 initiatives to promote green travel include:

- Carbon Heroes car share scheme, with dedicated city centre parking spaces;
- a new cycle to work scheme developed for launch in 2012;
- 406 interest-free public transport season ticket loans worth £361,000 (2010: 388 worth £450,000) for our employees;
- supporting national initiatives such as Walk to Work Week and Walk for Life; and
- leading the development of a Green Travel Employers Forum in Manchester.

Our annual travel survey measures progress at our Manchester head office and will measure the effects of moving to a new office. Results in 2011 showed a 13% reduction in car use and an increase in cycling and walking (+10%) and public transport (+9%) compared to 2010. This contributed to a 60kg CO<sub>2</sub>e (or 5%) reduction in annual emissions per employee.



**In focus**

**Food miles and considered carbon**

The term 'food miles' has been widely used in discussions about food sustainability, and is often assumed to be synonymous with total environmental impact. However, a wide range of research shows the importance of considering the whole product lifecycle of a food. For example, some foods grown in heated greenhouses in the UK often have a worse environmental impact than foods grown abroad and flown in<sup>19</sup>. There

are also ethical considerations: more than a million people in Africa rely on fruit and vegetable exports to British shops and many of these products have a relatively low carbon footprint.

We are committed to reducing the carbon footprint of our products, but never at the expense of the world's poorest. This will be achieved by:

- arguing against any unjustified focus on food miles or on a particular mode

of travel, including labelling initiatives and reduction targets;

- supporting local sourcing, not due to food miles or carbon reduction, but to meet customer demand for local UK products; and
- accounting for and reducing carbon within our supply chain while also developing our understanding of human development accounting.

## Indirect emissions

Our 'indirect' GHG emissions<sup>20</sup> come from sources including:

- the production, use and disposal of our products and services;
- the projects we finance;
- waste disposal;
- employee travel to work; and
- business travel in vehicles not owned by The Co-operative<sup>21</sup>.

Guidance for measuring and reporting indirect emissions is still at an early stage, but we are continuing with work started in 2010 to measure our indirect emissions in a number of areas including the carbon footprint of food products and other areas of our supply chain.

The net estimated indirect emissions that we currently measure, total 0.8 million tonnes CO<sub>2</sub>e. Full details of calculations are available online . Total indirect emissions are likely to be far larger than this and we will continue to develop our accounting systems.

**In focus**

**Product carbon footprinting**

The Co-operative and The University of Manchester have developed new software that makes quick and accurate calculations of the climate change impacts of specific products. To date, we have used the tool to analyse five food product areas, helping us to identify ways to reduce their carbon footprint:

Product type	Specific product	Carbon footprint (kgCO <sub>2</sub> e)	Carbon 'hotspot'	Actions taken
Strawberries (400g punnet)	Ava (Scotland)	0.85	Growth medium – peat	Trial of alternative growth media – 'coir' (coconut husk) reduced footprint by 16%
	Sabrosa (Spain)	0.60	Transport – by road	Rail transport link investigated
Chicken (1kg, fresh)	Elmwood	4.6	Feed – soya, and bedding – at broiler house	Ongoing programme looking at alternatives to soya in animal feed
	Free-range	5.1		
	Organic	6.4		
Salmon (240g, fresh)	Farmed (Scotland)	2.0	Feed – production	Supplier since changed, therefore no action taken
Haddock (500g, frozen)	Trawled (Scotland)	2.8	Processing	
	Line caught (Norway)	3.1	Catching	
Beef (454g, fresh)	Minced lean beef	10.2	Feed – grass silage, soya and wheat	Ongoing programme looking at alternatives to soya in animal feed



# Carbon offsetting

Indicator: **Carbon offset: products and operations**

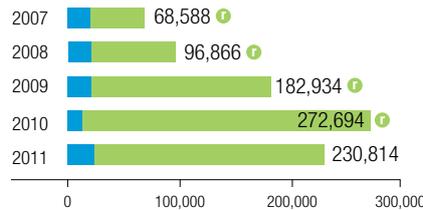
Target 2011	Progress	Target 2012
<b>(E.P.)</b> Make operations carbon neutral by 2012, with carbon offset solutions provided by a programme of international co-operative projects	<b>(←)</b> During 2011, work progressed to achieve carbon neutrality through international co-operative projects. Long lead-in times are required for such projects, and we have extended the target to 2014	<b>(E.P.)</b> Make operations carbon neutral by 2014, with carbon offset solutions provided by a programme of international co-operative projects

While parts of our business are already carbon neutral, last year, we committed the whole family of businesses to become carbon neutral by 2012. During 2011, work was undertaken to assess the feasibility of offsetting our remaining emissions through working with co-operatively operated projects in the developing world, ideally in our Fairtrade supply chain. It became clear that for the necessary quantity of offsetting credits to be generated, we would need to develop new projects and so we have extended our target to 2014 to allow a realistic lead-in time.

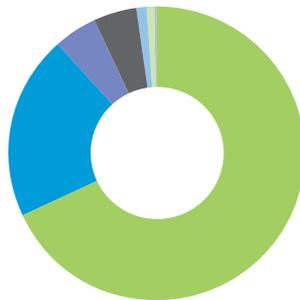
During 2011, we purchased a total of 230,814 tonnes of CO<sub>2</sub> offset (2010: 272,694) including:

- one tonne of CO<sub>2</sub> for every Co-operative Bank branded mortgage held;<sup>22</sup>
- The Co-operative Insurance offset 20% of a typical car's CO<sub>2</sub> emissions for all ecoinsurance motor policies;
- The Co-operative Banking Group maintained its policy of going 'beyond carbon neutral' by offsetting all its remaining operational and business travel emissions, together with an extra 10% to cover legacy issues;
- The Co-operative Clothing maintained carbon neutral status by offsetting all its remaining operational and business travel emissions;
- The Co-operative Funeralcare achieved carbon neutral status for the first time in 2011, becoming the first UK-wide carbon neutral funeral director;
- emissions from all business flights were offset for the fifth year running; and
- The Co-operative Motor Group offset half a tonne of CO<sub>2</sub> for every Emissions Control Service undertaken in 2011<sup>23</sup>.

### Carbon offsets (tonnes)<sup>24</sup>



### Carbon offset – total: 230,814 tonnes CO<sub>2</sub>



The Co-operative Insurance – car ecoinsurance	68.37%
The Co-operative Bank mortgages (up to 31.10.11)	20.07%
The Co-operative Funeralcare – operations	4.90%
The Co-operative Banking Group – operations	4.54%
The Co-operative Motor Group – Emissions Control Service	1.32%
The Co-operative – business air travel	0.62%
The Co-operative Clothing – operations	0.17%
The Co-operative Travel – customers	0.01%
<b>Total</b>	<b>100.00%</b>

### Projects supported

The Co-operative's carbon offsetting portfolio combines energy efficiency, renewable energy, forest maintenance and reforestation projects in developing countries around the world. In 2011, we purchased offsets through ClimateCare through the following projects:

- **Treadle pumps in India** – use of 3,333 manual treadle pumps, used to irrigate fields outside the monsoon season, will save 5,000 tonnes CO<sub>2</sub> over three years which displace diesel-powered pumps.

	Operations (tonnes)	Customer products and services (tonnes)
2007	20,377	48,211
2008	20,816	76,050
2009	21,350	161,584
2010	13,080	259,614
2011	23,597	207,217

- **Energy-efficient cooking stoves in Cambodia** – use of 10,800 stoves will save 16,200 tonnes of CO<sub>2</sub> over one year by reducing the amount of wood needed for cooking.
- **Reforestation in the Kibale Forest National Park, Uganda** – over 370 hectares of new rainforest planted since 2000 (page 23) – equivalent to 519 football pitches. In 2011, we offset 5,000 tonnes of CO<sub>2</sub> through this project.
- **Renewable energy in India** – 28MW wind farm in the state of Tamil Nadu, supplying clean energy to India's coal power-dominated national grid. The offsets we purchased in 2011 will save 106,700 tonnes of CO<sub>2</sub> emissions over three years.
- **Reducing emissions from deforestation and degradation (REDD) in Kenya** – education and employment to reduce deforestation pressures from logging, agriculture and unsustainable charcoal-making, offsetting 51,700 tonnes CO<sub>2</sub> in 2011 (page 57).

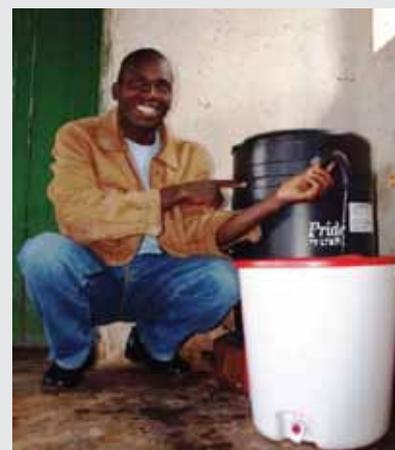


**In focus****Energy-efficient water purification in Kenya**

This project, distributing biosand water filters to households in the Eldoret area of Kenya, realises carbon savings by replacing the traditional method of water purification – burning wood to boil water.

Not only does this save money associated with fuel wood purchase, and decrease demand for unsustainably harvested fuel wood, the filters are much more effective than boiling to remove bacteria and contaminants from the water, and also help reduce indoor air pollution resulting from wood burning – a significant cause of health problems in Sub-Saharan Africa. New to our portfolio in 2011, the use of over 9,600 water filters will save emissions of 46,100 tonnes CO<sub>2</sub> over four years.

The construction, distribution and maintenance of water filters employs people from the local community, and a charitable aspect of the project, operated by AquaClara International, provides water filters to local schools.



## Responsible finance

Indicator: **Consideration of climate change in provision of finance**

During 2011, The Co-operative Bank referred 93 (2010: 45) finance opportunities related to climate change issues to the Ethical Policy Unit.

In 2011 nine business opportunities were declined (2010: nine) at a cost of £934,500 in terms of estimated income foregone in 2011.

### Banking and finance declines, 2011

	Estimated income foregone 2011
<b>Engineering and support services</b> (five instances) Banking and deposit facilities for businesses supplying equipment and specialist services considered strategic to the extraction of fossil fuels (eg, provision of well test services).	£5,000
<b>Fossil fuel extraction and production</b> (four instances) Business banking and deposit facilities for businesses engaged in exploration, extraction and production of oil and gas, including two with a specific focus on higher-impact shale gas exploration.	£929,500

### Bank finance for renewable energy

The bank has a dedicated renewable energy team (page 35) and in 2011, pledged to extend its lending for renewable energy and energy efficiency to £1bn.

Since 1999, £1.3bn has been lent to the sector and in 2011, the bank approved finance for 31 renewable and carbon reduction projects with a total value of £268.9m including:

- £254.8m for 28 wind power schemes generating a total of 176MW and achieving 4.3 million tonnes lifetime CO<sub>2</sub> displacement (or 196,152 tonnes/year);
- £12.4m for three hydro power projects generating a total of 5.7MW and achieving 0.2 million tonnes lifetime CO<sub>2</sub> displacement (or 7,744 tonnes/year).

## Community involvement

Indicator: **Support for climate change initiatives**

Target 2011	Progress	Target 2012
<b>(E.P.)</b> Broaden the campaign against unconventional fossil fuels to encompass solutions such as community energy	 During 2011, we actively campaigned for co-operative and community-owned renewables and against the extraction of shale gas in the UK	<b>(E.P.)</b> Continue our clean energy revolution campaign which aims to end using unconventional fossil fuels and inspire energy growth

### Green Schools Revolution

In September 2011, we launched a new sustainability education programme – Green Schools Revolution. The programme draws together our existing sustainability projects for schools, such as wind farm

visits and support for Walking Buses<sup>25</sup>, with a number of new activities. By the end of 2011, 3,300 schools had registered, bringing the reach of the programme to over 1.2 million pupils across the UK (page 46).

### Community Energy Challenge

On 1 February 2012, we launched the Community Energy Challenge, a competition that will result in six communities across the UK receiving support to develop their own renewable energy projects.

**Influence and action**

## Clean Energy Revolution

We campaign against the development of new and dirtier sources of fossil fuels, such as shale gas and tar sands. We are increasing our support for communities to co-operatively control and benefit from their own renewable energy projects. As part of our campaign, we are calling on government to invest more in clean energy.

### Community Energy

Working with Forum for the Future and Carbon Leapfrog, we have formed a civil society coalition to champion community energy in the UK<sup>26</sup>. On 1 February 2012, we published a joint 'vision for community energy'. Launched at a Community Energy Summit with the then Secretary of State for Energy and Climate Change, Chris Huhne, our vision calls for a dramatic increase in community energy projects. We also published the report *Co-operative renewable energy in the UK – A guide to this growing sector* in partnership with Co-operatives UK.

### UK Green Investment Bank

We support the establishment of a UK Green Investment Bank (GIB), the world's first investment bank solely dedicated to greening the economy. In 2011, The Co-operative Banking Group commissioned a report, *The Potential for the GIB to support Community Renewables*, identifying current market failures constraining community-scale renewables and proposing GIB solutions.

### Feed-in Tariffs

In 2009 and 2010, we supported the Renewable Energy Association (REA) and Friends of the Earth to secure the introduction of Feed-in Tariffs (FiTs). In 2011, we co-signed a letter to the Prime Minister in support of the UK solar industry and FiTs and submitted a consultation response to the Department for Energy and Climate Change calling for better management of FiT level reviews and more support for community projects.

### National Planning Policy Framework

In 2011, we submitted a consultation response to the Department for Communities and Local Government on the National Planning Policy Framework, calling for a 'presumption in favour' of community renewable energy projects and for locally agreed targets for community energy to be set as part of local authority Local and Neighbourhood plans.

### Mandatory greenhouse gas reporting

Under the Climate Change Act 2008, the UK Government has a legal obligation to ensure companies report on GHG emissions by 2012, something we've spent a decade lobbying for. In January 2011, we mobilised 190 businesses and civil society organisations to sign an open letter to Government Ministers, asking that reporting be introduced for large companies. Throughout 2011, we mobilised members and customers to contact their MP in support of an Early Day Motion. In June 2012, the Government announced all companies listed on the London Stock Exchange will be required to report their GHG emissions from April 2013.

### Shale gas moratorium

In January 2011, we published a report by The Tyndall Centre for Climate Change Research into the environmental impacts of shale gas extraction<sup>27</sup>. The report highlights concerns with shale gas including its potential to displace investments in renewable energy, contaminate groundwater and significantly reduce the chances of avoiding dangerous climate change. It was updated in November 2011.



We called on the UK Government to suspend shale gas extraction until the risks are better understood. We called on our members to ask MPs to sign EDM 2292<sup>28</sup>. 49 MPs signed the EDM. We held a debate in Westminster and supported a reception at the Welsh National Assembly calling for a moratorium on shale gas extraction in Wales. We have written to the European Parliament Environment Committee

encouraging it to examine the issue and, in January 2011, we supported the UK release of the film *Gasland*<sup>29</sup>, showing the impacts of shale gas in the US where the industry is more fully developed.

### Tar sands and the EU Fuel Quality Directive

The EU Fuel Quality Directive sets a 6% reduction target for GHG emissions from EU transport fuels by 2020. We are campaigning to 'keep tar sands out of Europe' and, in March 2011, delivered an EU citizens' petition to the European Parliament with 23,000 signatories. We also held an MEP briefing and displayed our Tarnished Earth street gallery outside the European Parliament. In response, the European Commission announced it would include consideration of the higher emissions from tar sands in the Directive.

Working with WWF, Greenpeace, Avaaz and other NGOs we have undertaken extensive engagement to build support for the Directive in the UK, including mobilising over 100,000 public signatories and holding several meetings with the Transport Minister, Norman Baker<sup>30</sup>. In February 2012, member states voted and the UK abstained. As no majority was reached 'for' or 'against', a new vote will take place in early 2013.



# Waste and packaging

**37%**

reduction in total waste disposed since 2006

**61%**

waste reused/recycled (2010: 60%)

**29%**

reduction in primary packaging since 2006

## Background

UK industry and commerce produces an estimated 48 million tonnes of waste every year. The retail sector is the largest contributor, generating 9 million tonnes of waste. It also contributes 4.9 million tonnes of packaging<sup>1</sup> to the 23 million tonnes of waste thrown away by UK households each year<sup>2</sup>.

Consumers throw away 7.2 million tonnes of food waste from their homes every year, equivalent to a fifth of all the food purchased<sup>3</sup>. However, public awareness of waste and packaging is growing. Between 2000 and 2010, the volume of household waste sent to landfill fell year on year and we saw a three-fold increase in household recycling.

## Materiality and strategy

The majority of our waste comes from The Co-operative Food stores. Our head office complex is the main generator of office waste.

Sustainable waste management was identified as a priority in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part. Waste and packaging is also a major focus of our Ethical Plan (page 7).

Our strategy is to follow the well-established waste hierarchy of reduce, reuse and recycle. Our Packaging Policy for own-brand food products makes reducing packaging a priority and governs acceptable packaging materials based on food safety and environmental impact<sup>4</sup>.

## Total waste and packaging

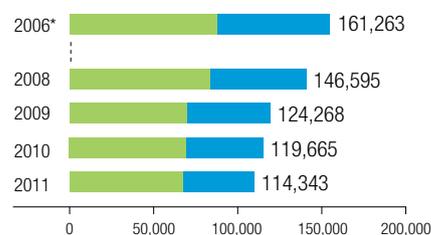
### Total waste

In 2011, we reported 114,343 tonnes total waste arisings and 44,368 tonnes general waste disposed<sup>5</sup> – 4% and 6% reductions respectively when compared to 2010, and 29% and 37% reductions compared to 2006.

### Total primary packaging (own-brand and branded)

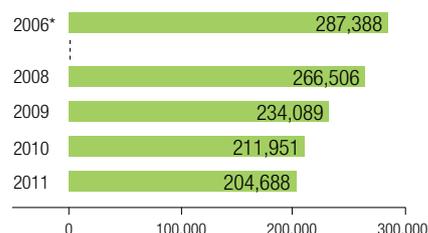
Primary packaging refers to packaging that the consumer takes home; it does not include packaging used in transport or merchandising. Total primary packaging<sup>6</sup> for own-brand and branded products has reduced by 3% since 2010, and 29% since 2006.

### Total waste arising (tonnes)



Year	Waste reused/recycled (tonnes)	General waste disposed (tonnes) <sup>7</sup>
2006 <sup>8*</sup>	91,281	69,982
2008 <sup>9</sup>	86,662	59,933
2009 <sup>10</sup>	72,324	51,944
2010 <sup>11</sup>	72,232	47,433
2011	69,975	44,368

### Total primary packaging<sup>12</sup> (own-brand and branded) (tonnes)



\* Baseline year

### In focus

#### Reducing milk bottle top tint

Coloured plastic milk bottle tops help consumers distinguish different types of milk. The majority of these bottles are recycled, but the amount of recycled high-density polyethylene (HDPE) plastic that can be used to make new clear bottles is limited because bottle tops colour the recycled material. We were the first retailer to introduce reduced-tint milk bottle tops across our standard milk range in 2011. Over a year, this will reduce the tint in 312 tonnes of bottle tops, potentially allowing an increase in the recycled content of new bottles from 10% to 30% and reducing the amount of virgin plastic needed.



# Reducing waste: packaging and food waste

Indicator: **Packaging reductions**

Targets 2011	Progress	Targets 2012
<b>E.P.</b> Reduce the number of carrier bags used by The Co-operative Food by 75% by 2013, compared with 2006	⬅️ We have made good progress to reduce the number of carrier bags used by 65% since 2006	<b>E.P.</b> Reduce the number of carrier bags used by The Co-operative Food by 75% by 2013
<b>E.P.</b> In addition to the 15% weight reduction achieved on our own-brand packaging, reduce the carbon impact of The Co-operative Food's own-brand packaging by 10% by 2012, compared with 2009	✅ We achieved an 11% reduction in the carbon impact of our packaging	<b>E.P.</b> As our Food business grows, maintain a 10% reduction in the carbon impact of The Co-operative Food's own-brand packaging by 2012 compared to 2009
<b>E.P.</b> Expand work with Fareshare on food waste	✅ We extended our work with Fareshare to four distribution centres	<b>E.P.</b> Expand work with Fareshare on food waste

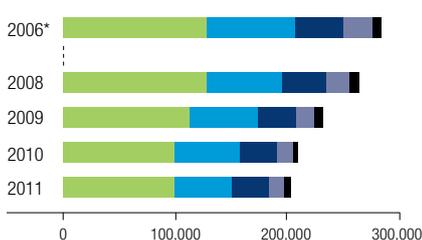
## Own-brand packaging

We work with suppliers of our own-brand products to minimise packaging by reducing packaging weight wherever possible and maximising the recyclability and recycled content of packaging<sup>13</sup>.

As a signatory to the industry-wide Courtauld Commitment 2<sup>14</sup> initiative, we have set a new target to reduce the carbon impact of packaging by 10% by 2012, based on 2009 levels<sup>15</sup>. Courtauld 2 extends the focus of the original Courtauld agreement on packaging reduction to include carbon impact, UK household food

waste and supply chain waste. In 2011, a 19% reduction in the weight of own-brand packaging was achieved compared to 2009<sup>16</sup>. The carbon impact of packaging declined by 11% in 2010; carbon impact data for 2011 will not be available until late 2012.

### Primary packaging by material (tonnes)



	Glass	Plastic	Paper	Steel	Aluminium
2006*	129,368	79,082	44,026	25,626	8,994
2008	128,756	67,840	40,126	21,110	8,335
2009	113,985	60,774	34,874	16,391	7,449
2010	100,075	58,676	34,034	13,582	5,327
2011	100,437	51,275	33,661	13,426	5,660

\* Baseline year

### Reductions in own-brand packaging in 2011 include:

Initiative	Projected annual savings (tonnes)	Material
Change from glass to plastic bottles for Truly Irresistible drinks	180	Glass
Reduction in weight of own-brand plastic squash bottles	83	Plastic
Removal of plastic packaging tray from whole chickens	82	Plastic
Reduction in weight of ham product labels	43	Paper

### PERFORMANCE benchmark

Our Co-operative compostable carrier is the first product in its field to be accredited by the Association for Organics Recycling (AFOR) and in 2011, we won an AFOR award recognising this achievement. Sold in our Food stores in partnership with local councils, the bag can be used to carry shopping home and then reused as a food waste caddy liner.



## Food waste

To help customers reduce food waste, we print storage instructions for fruit and vegetables on fresh produce bags. For example, on banana packaging we encourage customers to store the fruit at room temperature rather than in the refrigerator.

We are committed to increasing our work with charities such as Fareshare, which distributes surplus food from retailers to people and communities suffering from food poverty across the UK. During 2011, we redistributed an estimated 29 tonnes of food via Fareshare from four depots.

## Carrier bags

We have reduced the number of single-use carrier bags given out to customers by 65% compared to 2006 (2010: 63%) and aim to achieve a 75% reduction by 2013. Over one billion carrier bags have been saved as a result of increasing customer awareness through:

- reuse messages on carrier bags;
- launching a new reusable Fairtrade cotton carrier bag; and
- removing single-use bags from prominent display at checkouts.

# Reusing and recycling waste

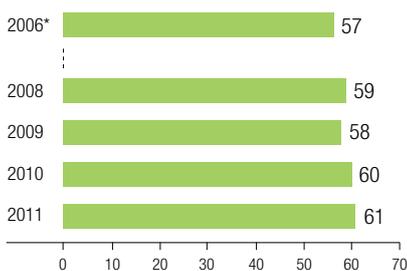
Indicator: **Proportion of waste reused/recycled**

Targets 2011	Progress	Target 2012
<b>E.P.</b> Ensure that the vast majority of operational waste is diverted away from landfill by 2013	<b>E.P.</b> In 2011, 61% of waste was reused/recycled	<b>E.P.</b> Ensure that the vast majority of operational waste is diverted away from landfill by 2013
Reduce total waste arisings across The Co-operative Banking Group main offices and maintain a 70% reuse/recycling rate	<b>✓</b> We reduced waste arisings from The Co-operative Banking Group main offices by 334 tonnes <sup>17</sup> and achieved a reuse/recycling rate of 70% <sup>18</sup>	

Beyond our initiatives to reduce waste, reuse is the next step in the waste hierarchy, reducing the environmental and economic cost of waste disposal and new raw materials.

In 2011, the equivalent of 61% of total waste was reused or recycled (2011: 60%) – and we’ve seen a 4% increase in our reuse/recycle rate since 2006.

**Proportion of waste reused/recycled (%)**



\* Baseline year

## Cardboard and polythene

Cardboard and polythene make up around 81% of the waste we reuse/recycle. In 2011, we saw a small reduction compared with 2010 levels with some 56,637 tonnes reused/recycled (2010: 62,084)<sup>19</sup>. By using reusable plastic crates for transporting and displaying fresh produce and meat products, we saved an estimated 12,491 tonnes of cardboard in 2011 (2010: 10,788 tonnes).

Until June 2011, all head office paper and cardboard was recycled through a recycling centre based at our Manchester head office. Due to the proximity of the site to our new flagship building (page 52), the recycling centre was closed in 2011. Cardboard recycling was contracted to an external provider. In 2011, we recycled 1,290 tonnes of paper and cardboard from our head office complex (2010: 984 tonnes).

## Packaging regulations

Under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007<sup>20</sup>, we must determine how much packaging material we pass on to customers and produce evidence of a set amount of recycling and recovery<sup>21</sup>. The Co-operative maintains compliance with these regulations on behalf of much of the UK retail Co-operative Movement.

In 2011, we were required to recover a total 96,450 tonnes of waste packaging across all six material categories covered by the Regulations: paper (15,018 tonnes), glass (50,389 tonnes), aluminium (1,441 tonnes), steel (5,991 tonnes), plastic (10,989 tonnes) and wood (2 tonnes), plus a balanced recycling and recovery obligation of 12,620 tonnes<sup>22</sup>. Recycling obligations were met by purchasing Packaging Recovery Notes, which prove that the packaging material has been recycled on our behalf.

## Biodegradable waste

As in previous years, in 2011 we recovered/recycled some 95% (2,184 tonnes) of the animal by-product food waste produced by The Co-operative Food. This can be used for pet food and fishing bait<sup>23</sup>.

## Recycling batteries

As a distributor of batteries, The Co-operative Food has responsibilities under the Waste Batteries and Accumulators Regulations 2009. We provide a battery bin at every store to recycle customers’ waste portable batteries of any brand and size. In 2011, we collected 28 tonnes of batteries for recycling (2010: 11 tonnes). As a small producer of batteries, The Co-operative Food is not required to join a Battery Compliance Scheme.

## Recycling electricals

Under the Waste Electrical and Electronic Equipment (WEEE) Regulations<sup>24</sup>, producers and retailers in the UK are responsible for paying for the environmentally sound disposal of WEEE. The Co-operative is both a producer and a distributor of electrical and electronic equipment, and we are a member of the Valpak producer compliance scheme<sup>25</sup> and the Distributor Takeback Scheme.

The WEEE generated by The Co-operative’s business activities is taken back for recovery, reuse or recycling by its suppliers. In 2011, we recycled 2,959 tonnes of WEEE (2010: 3,102 tonnes), including 2,912 tonnes (44,801 items) of electrical equipment taken back at its end of life from The Co-operative Electrical customers through the Distributor Takeback Scheme<sup>26</sup> (2010: 3,102 tonnes; 47,725 items).

Our head office complex also passed seven tonnes of IT equipment (2010: 32 tonnes) to our asset management contractor for reuse. We sent less IT equipment for reuse as fewer PCs and monitors were replaced than in previous years.

## The Co-operative Banking Group

In 2011, The Co-operative Banking Group head office reused/recycled 974 tonnes of its waste (2010: 940 tonnes), achieving its 70% reuse/recycle target<sup>27</sup>. The Co-operative Banking Group’s overall reuse/recycle rate, including waste sent to landfill from branches, was 55% (2010: 58%)<sup>28</sup>.

In 2011, The Banking Group donated or sold for reuse three tonnes of IT equipment, including monitors, PCs, laptops and printers (2010: 23 tonnes). Items were donated to charities such as Digital Links International and the NSPCC.

... Reusing and recycling waste continued

## The Co-operative Pharmacy: inhaler recycling

In February 2011, The Co-operative Pharmacy launched the first inhaler recycling scheme in Europe across 40 of its branches in South Wales and South East England. In the first six months, 10% of all

the inhalers that would normally have been disposed of were returned to stores for recycling. The scheme has been extended to 200 Co-operative Pharmacy stores and, in 2011, nearly 19,000 inhalers were collected and recycled.

### In focus

#### Increasing recycled content and recyclability

Own-brand toilet tissue and kitchen towels are made from waste paper from our head office complex. We also use recycled materials in product packaging, including most green glass wine bottles, washing powder boxes and some tissue boxes. All new shopping baskets at The Co-operative Food are made from 100% recycled plastic and cat litter is made from 100% excess from the sawmill industry.

Most own-brand products now carry a packaging recycling logo to help consumers identify which items can be recycled. While its use is voluntary, it is hoped that a single, industry-wide logo will minimise consumer confusion over recycling streams, one of the main barriers to increasing public recycling rates.



## Other recycled waste

Additional recycling in 2011 included the following; a fuller list is provided online [Co-op](#):

- The Co-operative Pharmacy: 1,303 tonnes of dry mixed recycling;
- The Co-operative Funeralcare: 796 tonnes of dry mixed recycling including paper, card and plastic and 55,039 litres of solvent;
- The Co-operative Banking Group: 568 tonnes including paper, cardboard, cups, cans, bottles, furniture, toner and fluorescent tubes; and
- The Co-operative Motor Group: 208 tonnes of tyres, oil and paints and 111 tonnes of dry mixed recycling.

## Customer recycling facilities

In 2011, the Salvation Army carried out a survey of the recycling facilities available to customers at The Co-operative sites. They found recycling facilities for a range of materials at most Co-operative Food stores. Further details are provided online [Co-op](#).

## Waste disposal

Indicator: **Proportion of waste disposed**

We dispose of the waste we cannot avoid, and that cannot be reused or recycled, to landfill. In 2011, we disposed of 44,368 tonnes of waste to landfill, around 39% of our total waste. Our target is to divert as much waste as possible away from landfill by 2013.

In addition to waste disposed of directly to landfill, we produced 474 tonnes of clinical and hazardous waste which was either autoclaved (sterilised), rendered, or incinerated<sup>29</sup>.

### Degradable packaging

The Co-operative Food has aimed to make packaging more degradable since 2002 when we introduced Britain's first degradable plastic carrier bag. However, recent research<sup>30</sup> has shown that the use of the additives that make it possible for packaging to degrade has no environmental benefit. We have therefore stopped using these additives in carrier bags and have removed them from around a third of our fresh produce packaging. These now carry the 'recycle with carrier bags' label to promote reuse and recycling instead.

Waste to landfill	Tonnes
The Co-operative Food	38,272 <sup>31</sup>
The Co-operative Pharmacy	1,724 <sup>32</sup>
The Co-operative Funeralcare	1,158 <sup>33</sup>
The Co-operative Farms	1,142
The Co-operative Banking Group	1,084
Manchester head office complex	195
The Co-operative Motor Group	137
The Co-operative Estates	103
Other businesses <sup>34</sup>	194

### Waste disposed as a proportion of total waste

	2006*	2008	2009	2010	2011
Waste disposed	43%	41%	42%	40%	39%

\* Baseline year

# Water



**18%**  
reduction in water consumption across our estate since 2008

**366,000**  
people in the developing world benefited from our water-related initiatives

## Background

Water is critical for human development and environmental sustainability, but for nearly 80% of the world's population<sup>1</sup>, water security is under threat. In 2002<sup>2</sup>, the UN recognised the right to water and sanitation as a basic human right, but today almost one billion people worldwide still do not have access to safe drinking water<sup>3</sup>.

Water stress – where demand exceeds supply – is a significant problem in the UK with 12 out of 22 water regions in England identified as water stressed<sup>4</sup>, and the impacts of climate change are set to increase the challenge.

Furthermore, 62% of the UK's water footprint for its food and fibre production comes from overseas consumption.

## Materiality and strategy

The Co-operative is a large, but non-intensive user of water across its estate of over 5,000 properties and the

18,158 hectares of land we manage through The Co-operative Farms. We also consume water indirectly through the production of the food products we sell. Our indirect water consumption across The Co-operative Food's supply chain is likely to be significantly higher than our direct consumption.

Our strategy focuses on the reduction of our direct water consumption as this is the area over which we have greatest control and we are focusing on building a full picture of our water use to help us to manage and reduce direct consumption. Our Ethical Plan (page 7) sets a target to reduce water consumption across our operations. We are also working to reduce water stress as a result of our indirect consumption across our supply chain and encourage our suppliers to practise good water stewardship. Water and sanitation are crucial components of our community investment through our Tackling Global Poverty programme (pages 21–23).

## Water consumption

Indicator: **Water consumption across our estate**

Indicator: **Water reduction strategies across our supply chain**

Targets 2011	Progress	Targets 2012
<b>(E.P.)</b> Reduce water consumption across The Co-operative's operations by 10% by 2013 based on 2008	✓ Our consumption increased slightly by 1.6% in 2011, but is 18% lower than in 2008	<b>(E.P.)</b> Reduce water consumption across our operations by 30% by 2014 based on 2008 levels
Improve water consumption accounting and reporting across The Co-operative	✓ We now report water consumption across 80% of the estate, compared to 63% in 2010	Further improve water consumption accounting and reporting
Produce an Agronomic Code of Practice and disseminate to all suppliers	✓ In 2011 our own Agronomic Code of Practice was disseminated to all suppliers	

We store water bill data for 80% of the Co-operative estate (2010: 63%) and use this as the basis for reporting and setting targets.

We have reduced water consumption across our operations<sup>5</sup> by 18% since 2008 and aim for a 30% reduction by 2014.

In 2011, our total estimated water consumption across the estate increased by 1.6%, and our estimated average consumption per site increased by 4.2%<sup>6</sup>. It is likely that these increases were, in part, due to improvements in metering.

### The Co-operative Farms

In 2011, The Co-operative Farms managed a total of 18,158 hectares (2010: 17,541 hectares) of land under a variety of different agreements. Of this, we owned or tenanted 10,827 hectares. Rainfall levels significantly affect the amount of water we use for irrigation on our farms, and therefore we need significantly more water from rivers and water bodies during drier years<sup>7</sup>. In addition, the crops we grow change each year, further adding to annual fluctuations in water consumption.

The complex ownership, management and partnership agreements across The Co-operative Farms make monitoring exact water consumption a challenge. Our water consumption figures are based on spray records and irrigation figures provided by the farmers who manage The Co-operative Farms<sup>8</sup>.

## ...Water consumption continued

**Estimated water consumption: The Co-operative Estates**

	2008	2009	2010	2011
Average water consumption per site (m <sup>3</sup> ) <sup>9</sup>	443	390	401 <span style="color: green;">↑</span> <sup>10</sup>	418
Total water consumption (million m <sup>3</sup> )	2.6	2.2	2.1 <span style="color: green;">↓</span>	2.1

**Estimated water consumption: The Co-operative Farms**

	2007	2008	2009	2010	2011
Water consumption (m <sup>3</sup> per cropped hectare)	24	18	37	43	27
Total water consumption (million m <sup>3</sup> )	0.4	0.3	0.6	0.7	0.5

**Supply chain**

In 2010, in place of our existing water policy framework, The Co-operative Food adopted the Institute of Grocery Distribution's (IGD) guide to 'Understanding, Assessing

and Managing Water in Grocery Supply Chains'<sup>11</sup>. This move saw us join forces with industry leaders to present a more consistent, united message to suppliers about water conservation.

The IGD guide refers to work by The World Wildlife Fund and sets out a three-stage approach to water management that recognises the issue of water stress. We have promoted the guide to our major suppliers and added it to our online supplier management portal. In 2011, our own Agronomic Code of Practice was used to supplement the guide including a specific set of measures on water in agriculture, irrigation and the use of water in processing.

As a member of the IGD's water stewardship council, The Co-operative Food is supporting research into water demand in a UK catchment, with the aim of better understanding and moving to significantly improved water resource management.

## Community involvement

Indicator: **Support for overseas water-related community initiatives**

Community development projects that provide water, sanitation and renewable energy solutions are an important focus for our work to tackle global poverty (pages 21–23). In 2011, a total of 366,000 people benefited from our water-related community initiatives.

We currently support a number of projects that are focused on improving access to clean water, sanitation and hygiene education, including two in Malawi and one in Panama (page 22), with 50,000 people benefiting from these three projects in 2011, in addition to the projects linked to affinity projects and carbon offset detailed opposite.



Water pump in Bauleni village, Malawi, a community investment beneficiary.

**Carbon offset: support to provide treadle pumps**

	2007	2008	2009	2010	2011
Treadle pumps supported	6,660	10,996	16,871	3,333	3,333
Cumulative pumping capacity of pumps supported (m <sup>3</sup> )	34.3m	90.8m	177.6m	194.7m	211.9m

**Carbon offset**

Two of our carbon offset projects (page 56) provide access to clean water. In India, around 17,000 people will benefit from a treadle pump carbon offset project (2010: 52,400)<sup>12</sup>, a sustainable alternative to diesel-powered pumps, which provides an average 5,100m<sup>3</sup> of irrigation water outside the monsoon season per pump, per year. In Kenya, we provide water filters which are effective at removing contaminants and reducing air pollution and carbon dioxide. Our 2011 activity will benefit around 68,000 people.

PlayPumps™ which deliver clean water in Southern Africa (page 23). In 2011, we sold 28,344m<sup>3</sup> (2010: 25,125m<sup>3</sup>) of Fairbourne Springs water, resulting in a total donation equivalent to 121 (2010: 160) PlayPumps™. Due to logistical difficulties in 2011, only 20 PlayPumps™ were installed and, instead, we contributed to other water-related projects in Kenya, Niger, South Sudan and Uganda, benefiting over 36,000 people.

**The Co-operative antibacterial handwash**

The Co-operative Pharmacy launched an antibacterial handwash in early 2011 in partnership with UNICEF. From every sale 15p is donated to a project in Togo, which will provide basic sanitation for 195,000 people (page 23).

**Affinity products****Fairbourne Springs**

Each sale of The Co-operative's own-brand bottled water, Fairbourne Springs, includes a donation to The One Foundation to install

**Fairbourne Springs: support to provide PlayPumps™**

	2007	2008	2009	2010	2011	Total
Number of PlayPumps™ installed <sup>13</sup>	31	34	154 <span style="color: green;">↑</span>	94 <span style="color: green;">↓</span>	20	<b>333</b>
Cumulative water pumped (m <sup>3</sup> ) <sup>14</sup>	36,000	124,000	282,000 <span style="color: green;">↑</span>	581,000 <span style="color: green;">↑</span>	688,000	<b>1,710,000</b>

# Biodiversity

## 51%

of wild fish and seafood MSC-certified (2010: 47%)

## 99%

of wood and paper products sold in The Co-operative Food are FSC certified or recycled

## Background

Biodiversity is being lost more rapidly than at any other time in human history. 85% of the world's seafood stocks are fully or overexploited<sup>1</sup>, deforestation threatens the habitat of 80% of the world's terrestrial species<sup>2</sup> and up to 20 million hectares of farmland is lost annually due to environmental degradation<sup>3</sup>. Despite this, we'll need to produce 70% more food to feed a global population projected to be 9.1 billion by 2050<sup>4</sup>.

## Materiality and strategy

Across our family of businesses, we have a significant impact on biodiversity. Our Food business offers products containing ingredients from around the world; we are one of the largest farmers in the UK; and The Co-operative Banking Group takes biodiversity issues into account in the provision of finance and banking.

Biodiversity is a key priority within our Ethical Plan (page 7) and the protection and promotion of biodiversity was identified as a priority in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part.

Our strategy includes the adoption of certification schemes wherever possible across our Food business, including Forest Stewardship Council (FSC), Marine Stewardship Council (MSC) and Roundtable on Sustainable Palm Oil (RSPO). We have a Responsible Fish Sourcing Policy and the majority of land worked by The Co-operative Farms is managed under the standards set by Defra's Environmental Stewardship scheme. Campaigning makes up an important element of our approach, and our Plan Bee campaign is helping to protect 'at risk' pollinators. We also seek to enhance biodiversity on our farms across the UK.

## Marine stewardship

Indicator: **MSC-certified fish species sold**

Targets 2011	Progress	Target 2012
<b>E.P.</b> Maintain position as one of the UK's most responsible retailers of fish	✓ We were awarded joint first place in the 2011 MCS Supermarket Survey	<b>E.P.</b> Maintain position as one of the UK's most responsible retailers of fish
Ensure all own-brand canned tuna is 100% pole and line caught by 2011	✓ From December 2011, all own-brand tuna sold was pole and line caught	



Globally, 85% of all fisheries are fully or overexploited, and nearly 90% of stocks of large predatory fish have already disappeared. Our Responsible Fish Sourcing Policy<sup>5</sup>, launched in 2008, is underpinned by a checklist, which examines individual species based on the fishery location and method of catch; species' resilience to fishing; fishery by-catch estimates; inclusion on the IUCN Red List of endangered species; and stock assessments by NGOs, such as The Marine Conservation Society (MCS).

Our aim is to maintain our position as one of the UK's most responsible retailers of fish. All our own-brand fish products show the 'responsibly sourced' label and, in 2011, we increased the number of MSC-certified fish products sold from 28 to 37, representing 51% of our wild fish and seafood range. We do not sell any products identified by the MCS as 'Fish to Avoid', and we have committed to the following:

- **Tuna** From December 2011, 100% of our own-brand tuna products have been pole and line caught, a selective way of catching tuna which avoids the by-catch issues associated with other fishing methods.

- **Salmon and trout** Conventional and organic farmed fish now represent the majority of fresh salmon and trout sold, and the industry is governed by strict codes of practice. The Co-operative Food was an early promoter of humane stunning prior to killing farmed fish, a standard that is now widely accepted across the industry. In 2012, we will convert all our fresh and smoked own-brand salmon to the Freedom Food standard (page 25).

## ...Marine stewardship continued

- **Prawns** All own-brand warm-water prawns are sourced from well-established Global Aquaculture Alliance (GAA) certified farms in Indonesia and Thailand. We do not use farms in areas where mangrove forests have been depleted.
- **Cod** Our own-brand cod is sourced from well-managed Icelandic and Norwegian stocks that are either MSC-certified or currently undergoing MSC assessment.
- **Haddock** Our own-brand haddock is sourced from well-managed stocks which are either MSC-certified or undergoing MSC assessment.



### PERFORMANCE benchmark

The Co-operative Food came joint first in the biennial Marine Conservation Society's (MCS) 2011 Supermarket Survey, maintaining the leadership position achieved in 2009. We scored 84% and earned a gold award for sustainable seafood, with praise for our product labelling and our Responsible Fish Sourcing Policy and a commendation for the best Sustainability Initiative for supporting UK fisheries.



### PERFORMANCE benchmark

In early 2011, we were ranked fourth of nine retailers in the Greenpeace Tuna League Table.

We were praised for only stocking more resilient tuna species and for our public advocacy work with the MCS. Since the survey, we have moved to sourcing only pole and line caught tuna in our own-brand products.

### In focus

#### Support for UK fisheries

Since 2008, we have committed £200,000 to help UK fisheries cover the costs of MSC assessment and certification, helping fisheries through the process.



Progress includes:

- full MSC certification in early 2012 for two fisheries in Shetland and the Scottish mainland;
- pre-assessment completed in 2010 for the Sussex inshore fishery (made up of 26 separate fisheries);
- full accreditation for the North Menai Strait mussel fishery in 2010;
- nine fisheries undergoing full MSC assessment; and
- one fishery undergoing MSC pre-assessment.

"The Co-operative has made big investments into seafood sustainability in recent years. Support for UK fisheries through The Co-operative's Sustainable Fisheries Fund, and the support they have shown for marine protected areas really stand out amongst the major retailers as dedicated initiatives to support a rich, healthy and abundant UK marine environment."

David Parker, Fisheries Officer, Marine Conservation Society

### In focus

#### Northwest Eel Passage

The population of the European eel, once abundant in UK rivers, has plummeted in the last 30 years for a number of reasons including overfishing and pollution. Barriers to migration along rivers, such as weirs and flood defences, also pose a serious problem for the species. In 2011, The Co-operative Foundation (page 15) provided £50,000 to tackle the ten most significant barriers to eel migration in Northwest England. With our partner, The Rivers Trust, we're installing passes so that eels can climb over barriers, opening up access to some of the highest-quality eel habitat in the country, such as Lake Windermere.



"The building of barriers across watercourses is heavily implicated in the European eel's decline and threatens one of our last remaining commercial freshwater fisheries. We're proud to be working with The Co-operative as part of a long-term strategy to achieve a sustainable eel fishery."

Alistair Maltby, The Rivers Trust

### Influence and action

In 2011, we joined the Fish Fight campaign to reduce the number of fish discarded in EU waters. Up to two thirds of fish caught in some European waters are thrown back in to the sea, usually dead. Discarding occurs as a result of European legislation governing what fishermen can catch – the fish are either outside the fishermen's quota or the fishermen believe there are more valuable fish available. The Fish Fight campaign is lobbying Members of the European Parliament to reform these rules to discourage the unnecessary capture and waste of fish.

# Forest stewardship

Indicator: **FSC-certified products sold**

Targets 2011	Progress	Targets 2012
<b>(E.P.)</b> Aim to be the UK's leading retailer on forest protection for our wood and paper-based products	✓ In 2011, our Food business was the first retailer to graduate from the WWF Forest & Trade Network	<b>(E.P.)</b> Aim to be the UK's leading retailer on forest protection for our wood and paper-based products
Attain WWF-UK Forest & Trade Network Graduate Status	✓ Graduate Status attained	
Achieve FSC certification for The Co-operative Food's greaseproof paper by 2011	✗ Despite our work with suppliers, we were unable to complete this in 2011	Achieve FSC certification for The Co-operative Food's greaseproof paper by 2012



Forests help to stabilise the world's climate, storing around 30% of carbon dioxide emissions<sup>6</sup>. They provide habitats for an estimated

80% of the planet's terrestrial species<sup>7</sup> and support the livelihoods of 1.4 billion people<sup>8</sup>. We are committed to sourcing our wood and paper products from sustainable sources.

## The Co-operative Food

We aim for Forest Stewardship Council® (FSC) certification, the most respected standard of sustainably harvested forest products, for all our wood products produced from virgin materials.

During 2011, we purchased 33,928m<sup>3</sup> of wood and paper products (2010: 37,800m<sup>3</sup>). All were of known origin with credible evidence that they were harvested legally. 94% (2010: 94%) of wood and paper sold was FSC-certified, demonstrating a complete chain of custody from forests that demonstrate social, economic and environmental benefits<sup>9</sup>. A further 2% (2010: 2%) was sourced from recycled post-consumer waste, 3% (2010: 3%) from recycled pre-consumer waste, and 1% (2010: 1%) from known, legal-source virgin material, such as that certified by the Programme for Endorsement of Forest Certification Scheme (PEFC).

### FSC-certified products sold (own-brand wood or paper products sold in The Co-operative Food)<sup>10</sup>

	2006*	2008	2009	2010	2011
% products	36%	96%	93%	94%	94%

\* Baseline year

### PERFORMANCE benchmark

#### WWF Forest & Trade Network Graduate Status:

In 2011, The Co-operative Food was the first retailer to be awarded Graduate Status of the WWF-UK Forest & Trade Network (FTN). Graduation requires transparent reporting of paper and timber products sourcing and a strong commitment to improving the sustainability of these sources. The award recognised the consistently high proportion of own-brand products available in-store that are FSC-certified.

For The Co-operative Food to obtain Graduate Status, our other customer-facing businesses (Funeralcare, Pharmacy, Bank and E-stores) were also required to demonstrate a consistently high proportion of sustainable paper and timber purchases.



The FSC products we sell include barbecue charcoal, wooden kitchenware, bagged growing media and household paper. We are currently converting the cork used in our own-brand wines to FSC-certified cork and, at present, 25% are FSC-certified. Our own-brand greaseproof paper is PEFC-certified, and we are working with suppliers to move this to an FSC-certified source.

## The Co-operative Banking Group and Funeralcare

FSC-certified timber or high recycled content MDF was specified for the refurbishment of two bank branches and seven regional sales offices in 2011.

Of the 89,000 coffins and caskets manufactured in 2011, 83% (2010: 45%) were FSC-certified. The remaining 17% (2010: 55%) of coffins were manufactured from legally sourced, non-certified solid wood. In early 2011, we converted our veneer coffin ranges, representing 49% of all coffins, to FSC and as a result, for the majority of the year, 94% of coffins sold were FSC-certified.

**In focus**

**Carbon offset and forest protection**

Forestry projects accounted for 25% of our carbon offset programme in 2011 (page 56). These included a £310,000 contribution towards a project in the Kasigau Corridor, Kenya, to protect an area from deforestation. The project helps to reduce the pressures of logging, agriculture and unsustainable charcoal making through the provision of education and employment in conservation for local

communities, together with training in alternative employment, and development of alternative sources of forest products such as fruit tree nurseries and sustainable charcoal production.

A third of the project finance goes to local community organisations, which democratically decide how to spend it. The area is also a wildlife corridor between two national parks, supporting many endangered species.



## Palm oil

Indicator: **Use of sustainable palm oil in own-brand products**

Target 2011	Progress	Target 2012
<b>E.P.</b> Ensure palm oil used in all own-brand products is 100% Certified Sustainable Palm Oil (CSPO) by 2011	All palm oil is now either segregated CSPO or covered by GreenPalm credits	Ensure palm oil used in all own-brand products comes from a segregated source and is CSPO by 2015

Palm oil is used as an ingredient in many foods and cleaning products. Its production is one of the primary causes of global deforestation<sup>11</sup> and is a major source of carbon dioxide<sup>12</sup>. It is also the primary cause of biodiversity loss in Southeast Asia<sup>13</sup>.

The Co-operative Food works with the Roundtable on Sustainable Palm Oil (RSPO) to improve the sustainability of palm oil production and to strengthen supply chain sustainability. During 2011, we used 4,729 tonnes (2010: 5,090 tonnes) of palm oil in 609 (2010: 624) of

our own-brand products. All the palm oil in these products was certified as sustainable under one of the certification schemes developed by the RSPO<sup>14</sup>. This was partially achieved through the purchase of GreenPalm credits<sup>15</sup>, which guarantee a price premium for CSPO producers. 1,229 tonnes of our palm oil (25%) was obtained through segregated, traceable or identity preserved CSPO sources. By 2015 we aim to use segregated CSPO for all our own-brand requirements.

**PERFORMANCE benchmark**

In 2011, we received top marks in WWF's Palm Oil Buyer's Scorecard. The scorecard assesses the progress made by businesses towards achieving a sustainable palm oil supply chain. Of 45 European retailers, The Co-operative Food was one of only ten companies to attain 9 out of 9 on the scorecard<sup>16</sup>.

## Soya

Indicator: **Use of sustainable soya in own-brand products**

Target 2011	Progress	Target 2012
<b>E.P.</b> Move soya sourcing to a sustainable footing by 2015	We are developing accounting systems for soya used in own-brand products and are on track to achieve our target by 2015	<b>E.P.</b> Move soya sourcing to a sustainable footing by 2015

As a high-protein, low-fat and low-cost bean, soya is a versatile and common ingredient in many foods and is a major foodstuff for livestock and poultry. In 2011, half of all soya was produced in South America<sup>17</sup> where its production is linked to deforestation of the Amazon and destruction of other ecosystems<sup>18</sup>.

The development of accounting systems to monitor the soya used in our own-brand products has been a challenge due to the wide range of soya uses across the food chain. However, in 2011, The Co-operative Food began development of an accounting system to monitor the soya used within the feed chain of our Elmwood range of

higher welfare pork, chicken and turkey (page 25). By 2015, we aim to only use soya from sources we are confident avoid deforestation and other habitat destruction in the feed chain of all our own-brand meat products (provided adequate supplies of sustainable soya are available).

## Peat

Indicator: **Reduction in use of peat in own-brand growing media**

Peat is the major constituent of most horticultural growing media in the UK. Its removal from Britain's bogs threatens wildlife habitats and releases carbon from a vital carbon sink. Losing just 5% of the 2.7 million hectares of peatland in Britain would be equal to the UK's entire carbon emissions for a year<sup>19</sup>.

Our long-term goal is to help preserve peatlands and our strategy is two-fold:

- **Supporting research** We have funded a project with Moors for the Future to develop a method for large-scale cultivation and spreading of *Sphagnum*

moss – a plant which is vital to the health of UK peatlands. 2011 results were encouraging, showing that the *Sphagnum* distributed onto bare moorland has grown successfully and, on some sites, 70% of the spores have become established.

- **Phasing out peat from our products**

We support the Government's target to completely phase peat out of the amateur gardener market by 2020. We have set annual peat dilution targets and, by 2012, all growing media that we sell will contain no more than 20% peat.

During 2011, we used green waste from plant baskets and composted flower cuttings in growing media in place of peat, and conducted growing trials to research other ways to incorporate green waste into our composts. Of the 19,522m<sup>3</sup> of growing media and soil improvers sold in 2011 (2010: 8,741m<sup>3</sup>), 31% was peat<sup>20</sup> (2010: 68%). This was in part due to some of our 2010 '70% peat' stock being sold in 2011. This has since been replaced by new stock that contains no more than 20% peat and will drive down the average peat concentration of our growing media and soil improver products in 2012.

## Land stewardship: The Co-operative Farms

Indicator: **Land under Environmental Stewardship Agreements**

In 2011, The Co-operative Farms managed a total of 18,158 hectares (2010: 17,541 hectares) of land under a variety of different agreements. Of this, we owned or tenanted 10,827 hectares (2010: 11,133 hectares) and 10,225 hectares (2010: 10,674 hectares) was intensively cultivated by The Co-operative Farms. 602 hectares (2010: 459 hectares) was either less intensively cultivated or left fallow<sup>21</sup>.

All our farms are assessed annually against an environmental management system (EMS), which checks for compliance with legislation and identifies areas for environmental improvement. In 2011, 90% (2010: 93%) of our eligible owned/tenanted and intensively farmed land was managed in accordance with the Natural England 'Entry Level' Environmental Stewardship Scheme, and a 'Higher Level' Stewardship Scheme is in place on the Stoughton Estate<sup>22</sup>. All our farms are compliant with the Good Agricultural and Environmental Condition standards and Statutory Management Requirements of the Single Farm payment scheme, ensuring a base level of protection for soils, habitats and landscape features.

We only cut hedges every second or third year, in winter. We have established and maintained grass margins, grassy field corners and other wildlife areas and, in 2011, these accounted for 400 hectares<sup>23</sup> (2010: 250 hectares) within intensively cultivated land. These measures provide

improved nesting sites for birds and ideal habitats for insects and small mammals.

Additionally, the dairy farms within the newly formed Co-operative Dairy Group (page 26) are required to be in an environmental stewardship scheme.

### In focus

#### Habitat Heroes

In 2010, we launched Habitat Heroes to improve habitat for iconic species on six of The Co-operative Farms' sites. In 2011, we saw some encouraging results:

- we installed three specifically designed 'Barn Owl Manors' at Down Ampney Farm, Gloucestershire;
- otters have already been seen pulling bedding into the purpose-built holt on Coldham Farm, Cambridgeshire;
- we installed 50 bat boxes for some of the 17 species of bats on Tillington Farm in Herefordshire;
- surveys have shown new drainage management practices are boosting water vole populations on the Goole estate in Yorkshire; and
- squirrel feeders have increased foraging opportunities for red squirrels at Blairgowrie estate in Perthshire.



## Biodiversity initiatives

Target 2011	Progress	Target 2012
<p><b>E.P.</b> Extend our Plan Bee campaign to address the decline of additional 'at risk' pollinators</p>	<p>✓ Projects such as Bee Roads and Woodland Burial Ground Wildflower Meadows have benefited a broad range of pollinators</p>	<p><b>E.P.</b> Continue our Plan Bee campaign to address the decline of pollinators</p>



We launched Plan Bee in 2009 to highlight the decline of the honeybee population. In 2011, identified as a priority in our Ethical Plan, we extended the campaign to include other 'at risk' pollinators, such as bumblebees, butterflies and moths.

### This is just some of what we have achieved so far:

- We've distributed nearly one million packets of wildflower seeds which, once grown, will provide vital nutrition for bees and other pollinators.
- Research into the best wildflowers for bees at two Co-operative Farms showed 14 times more bees on wildflower research strips than on adjacent hedgerows and grass margins.
- The land managed by The Co-operative Farms now supports over 1,200 (2010: 850) hives.
- *Honey*, the street theatre production, featured at 15 festivals and three school events in 2011, engaging with over 1,600 people (2010: 1,900 people).



- By the end of 2011, around 300 new beekeepers had been trained at Plan Bee urban beekeeping workshops in Sheffield, Mid Antrim, London, Inverness and Manchester.
- We launched Bee Roads, an innovative project to develop pollinator corridors, or 'roads' of wildlife flowers, across the county of Yorkshire. So far, the project has seeded eight hectares of wildflower meadows.
- We improved pollinator habitat on three of our woodland burial grounds and we have now started work to create almost 11 hectares of wildflower meadows across the three sites.

Find out more at

[www.co-operative.co.uk/planbee](http://www.co-operative.co.uk/planbee)

## Responsible finance

Indicator: **Consideration of biodiversity in provision of finance**

### Royal Society for the Protection of Birds credit cards

Between 1999 and 2011, our Royal Society for the Protection of Birds (RSPB) charity credit cards have raised over £6m (£399,000 during 2011) to help protect Britain's threatened wetlands. These are increasingly under threat from demand for water, poor land management, agricultural drainage and housing development. New wetlands supported by our partnership are now being used by marsh harriers, bitterns, otters and many other species.

### Woodland Trust credit cards

The UK is the least wooded country in Europe, with just 12% woodland cover compared with a European average of 44%. The money raised through the Woodland Trust charity credit card is helping to reverse this trend. The funding is supporting projects such as the Tree for All campaign, which aims to plant 12 million trees – that's one for every child in the UK. Since 2007, over £160,000 has been raised (£36,000 in 2011), enough to help the Woodland Trust plant nearly 19,000 trees.

### Bonus Account

The Co-operative Bank offers a youth account that supports animal welfare and conservation. Since 2003, the Bonus Account, in partnership with the Born Free Foundation, has provided £213,039 (£6,856 in 2011) towards projects such as anti-poaching units in Zimbabwe, chimpanzee sanctuaries in Cameroon, projects for sea turtles in Tanzania and tiger conservation in India.

# Chemicals

32

pesticides banned from use in our own-brand produce<sup>1</sup>

11.2m

bank debit, credit and membership cards – all of them are PVC free

## Background

Man-made chemicals are widely used in consumer and industrial products and today's global chemical industry is worth more than four trillion dollars a year<sup>2</sup>. Over 100,000 synthetic chemicals are registered for use in the EU<sup>3</sup>, but there is little information on the harmful effects of many of these chemicals. Most have never been adequately assessed for their human and environmental safety<sup>4</sup>.

Pesticides are substances which prevent, control or destroy pests. They are designed to be selective in the organisms they affect, but can have potentially unintended consequences for human health and the environment<sup>5</sup>. While fertilisers added to the soil provide nutrients for plant growth, run-off into waterways can lead to excessive plant growth and oxygen depletion.

## Materiality and strategy

The informed and safe use of chemicals of concern, pesticides and fertilisers is a priority in the manufacture and supply of own-brand food and household products and in the operations of The Co-operative Farms. This strategy is implemented through our market-leading Pesticides Policy.

Substances of concern and persistent, bioaccumulative or toxic (PBT) chemicals were identified as priorities in our latest ethical policy consultations for our Food and Banking businesses (page 10), in which over 100,000 co-operative members and over 80,000 bank customers took part. Members endorsed The Co-operative Food's Ethical Policy commitment to be the UK's leading retailer in the removal of substances of concern and bank customers endorsed The Co-operative Bank's commitment not to finance the manufacture of PBT chemicals. Our Ethical Plan (page 7) commits us to improve our pesticides policy further and to ban certain chemicals from our business.

## Pesticides

Indicator: **Reduced use of pesticides in food production**

Targets 2011	Progress	Targets 2012
<p><b>(E.P.)</b> Enhance our Pesticides Policy and seek to ban chemicals such as endosulfan and paraquat</p>	<p>✓ Paraquat was banned in 2011 and endosulfan is to be banned in 2012</p>	<p><b>(E.P.)</b> Enhance our market-leading Pesticides Policy, banning alachlor and aldicarb</p>
<p>Reduce requests for use of prohibited pesticides by 10% against 2010 levels</p>	<p>✗ Requests for use of prohibited pesticides increased by 3% over 2010 levels<sup>6</sup>. A target has not been set going forward, until a process is in place to reduce derogations</p>	
<p>Ensure the new Co-operative Retail Online Pesticide Network (CROP) system is fully used by suppliers of fresh produce during 2011, and suppliers of frozen and canned produce by 2012</p>	<p>← Work to improve the CROP website led to several periods in 2011 where the system was inaccessible, delaying roll-out</p>	<p>Relaunch CROP for all suppliers</p>
<p>Establish an Expert Pesticide Overview Group and identify residue reduction targets</p>	<p>✗ We expanded the number of residues we test for in 2011 and will establish an expert group in 2012</p>	<p>Identify key residue hotspots and establish a group of supplier-based experts to focus on routes and targets for reduction during 2012 and 2013</p>

### The Co-operative Food Pesticides Policy

We have an industry-leading policy to reduce the use of pesticides in all our own-brand fresh, chilled, frozen and

canned produce. To date, a total of 449 pesticides are listed in the Policy as banned, prohibited or monitored:

- **32 banned** – those that should not be used under any circumstances;

- **89 prohibited** – those that should not be used, except following permission under exceptional circumstances; and

## ...Pesticides continued

- **328 monitored** – those where use is allowed but monitored; alternatives should be considered and a full justification for use made available.

Our policy requires the use of pesticides to be considered by growers only as a last resort and other preventative measures should be fully explored first, eg, land choice, crop rotation and crop hygiene, and cultural and biological controls.

Since 2010, we have updated our list of banned pesticides with those listed by the Rotterdam Convention for Prior Informed Consent (PIC) and banned by the Stockholm Convention on Persistent Organic Pollutants (POPs). In 2011, their reviews of alachlor, aldicarb and endosulfan saw us move to ban these pesticides following a phase-out period agreed with suppliers<sup>7</sup>. Other pesticides we had previously banned but which were not on the PIC or POPs lists have been moved to our 'prohibited' list. In 2009, we temporarily moved eight neonicotinoid pesticides to 'prohibited' status, and following subsequent scientific research<sup>8</sup>, we moved two of these to 'monitored' status in early 2010.

### Pesticides residue testing

Our Pesticides Policy requires regular compliance auditing across our supply chain, including desk-based traceability audits<sup>9</sup>, site audits, agronomic audits and pesticide analysis on a monthly basis by an independent laboratory. Where compliance with the policy is breached, we temporarily suspend sourcing from that supplier or grower until we have conducted a full investigation. We advise corrective action where appropriate and if this is not taken, we end our relationship with that supplier.

We have a pesticide residue testing programme that involves analysis of a representative sample of our products<sup>10</sup> each month and during 2011, we extended this to cover 449 residues<sup>11</sup>. Testing detected two banned pesticides, but these were eventually found to be from background environmental residues. Seven pesticide residues (2% of all residues detected<sup>12</sup>) were detected at levels that exceeded the Maximum Residue Limit (MRL)<sup>13</sup> set for these products<sup>14</sup>. Testing also detected 12 residues for prohibited pesticides where permission for use had

not been granted; this is being followed up with the suppliers involved. The decreasing percentage of residue-free produce from 2007 to 2011 is thought to be a direct result of extended residue testing – over this period, we have increased the number of different residues tested for from 90 to 449, and testing sensitivity has also increased.

During 2011, we allowed the use of prohibited pesticides in 173 cases, where the grower was able to demonstrate no reasonable alternative was available. This was an increase of 3% over 2010 levels and was primarily due to the submission of a large number of requests by a single supplier, with whom the reason for the increase is currently being explored.

Our internet-based pesticides portal, the Environmental Practice at Work (EPAW) system, helps tier-one suppliers comply with our requirements. In 2011, we improved EPAW with the addition of the Co-operative Retail Online Pesticide Network (CROP) system, covering all fresh, chilled, frozen and canned produce suppliers and facilitating data recording. We will be re-launching the site in 2012 to provide suppliers with suggested alternatives to prohibited chemicals and to enable online requests to use prohibited pesticides in specific circumstances.

### PERFORMANCE benchmark

In November 2011, Pesticides Action Network published a study comparing the pesticides policies and performance of nine UK supermarkets. We were named as one of two retailers doing the most to address pesticide use and the contamination of food.

### In focus

#### Research on insecticides

As part of Plan Bee (page 70), our campaign to tackle the decline of at-risk pollinators, we've funded independent research to determine the effects of neonicotinoids, a type of insecticide, on bees. The study looked at the levels of neonicotinoid in bee pollen and nectar. The effects of exposure on honeybee and bumblebee mortality and performance, and the wider impacts on bee behaviour, were also investigated. The research has now been peer reviewed and is awaiting publication. In 2010, we funded a further project to determine the effects of neonicotinoids on infant bees and the results are expected to be published in late 2012.



### The Co-operative Food pesticide residue analysis

Pesticide analysis results	2007	2008	2009	2010	2011
Total number of samples tested	238	257	268	124	206
Banned pesticides detected	1	0	0	0	2
Derogations granted for prohibited pesticides	13	39	282	168	173
Number of residues in excess of MRL	0	0	0	1	7
Prohibited pesticides detected without derogation	0	0	8	4	12
Percentage of samples with no residues	74%	70%	56%	49%	35%

# Chemicals reduction

Indicator: **Removal of substances of concern**

Targets 2011	Progress	Target 2012
Progress the development of a REACH <sup>15</sup> database within The Co-operative Food	✓ The database is now being populated with product specification data	Complete population of database and begin testing products to ensure compliance with REACH regulations
Extend the range of household products accredited with the EU Eco-label standard	✗ We did not launch any new products, but we continue to work with suppliers to identify commercially viable products	

## The Co-operative Food's Policy on Chemicals for Priority Action

Our policy identifies 41 chemical types<sup>16</sup> that we have banned or which we are planning to remove from our non-food own-brand products such as cleaning products. The policy applies to all parts of the product including internal components and packaging. We require that all our products meet safety standards set by relevant legislation and our own policies, which, in many cases, go above and beyond general legal requirements.

Chemicals listed in our policy include those defined by the Oslo–Paris Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR)<sup>17</sup>. For others, such as Bisphenol A and PVC, we based our policy on emerging evidence of damaging impacts. We regularly review the list and add new chemicals as evidence becomes available.

A full list of the chemicals identified for removal is provided in the online Report . Also described are examples of recent decisions taken where there is concern over a specific chemical but, as yet, no internationally established consensus.

## REACH regulation

We support the European REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)<sup>18</sup> Regulation and campaigned for its introduction until it came into force in June 2007. Implementation is being phased in 2018<sup>19</sup>. Our policy requires own-brand products to comply with REACH Regulations, and we list all substances prohibited for use from our products and packaging above 0.1% by weight<sup>20</sup>. In some cases, such as cadmium, legislation has severely restricted the options for usage<sup>21</sup>.

In line with REACH, we have also committed to:

- notify the European Chemicals Agency of any products containing 0.1% or more of Substances of Very High Concern (SVHC). In 2011, none of our products were highlighted as containing over 0.1% SVHC;
- include REACH data in the Co-operative Online Resource Environment (CORE) database, supporting the exchange of information between the business and our supply chain. All product information will be added in early 2012; and

- launch a new due diligence programme to test the safety of all our products against the CORE declarations from 2011. Non-compliant products will be withdrawn from sale. This programme will start in 2012 once all product information has been added to the CORE database.

### In focus

#### Bank and membership plastic cards

Most credit and debit cards in the world are made of PVC<sup>22</sup>. Since 2007, The Co-operative Bank has only issued PVC-free cards. We've issued some 2.7 million cards made from the plastic glycol-modified polyethylene terephthalate (PETG), which does not contain or use chlorine in its production. And, since their introduction, the approximately 8.5 million membership cards we've distributed have also been made from PETG.



### In focus

#### Ecological cleaning range

Since 2008, we've produced our own-brand ecological cleaning range of seven products. This was the first range to be launched in the UK



carrying both the EU's Eco Flower logo and a 'Cruelty-Free' logo from the British Union for the Abolition of Vivisection (BUAV). We are working with our suppliers to identify other commercially viable additions to this range.

# The Co-operative Farms

Indicator: **Use of chemical inputs**

We minimise the use of pesticides on our farms through crop rotation and by choosing crop varieties that maintain soil health and limit the spread of pests and disease. We naturally control damaging species by encouraging pest predators such as beetles, ladybirds and spiders. To make the most efficient use of fertilisers, we take soil samples to determine nitrogen, phosphate and potash fertiliser requirements. We favour minimum tillage when we are preparing the soil for growing crops. This reduces energy consumption, soil erosion and run-off, and maintains earthworm and soil microbe communities.

## Fertiliser use

Fertilisers are applied either through the soil, for uptake by plant roots, or through leaves<sup>23</sup>. Changes in fertiliser use from 2010 to 2011 are the result of small changes in the mix of crops grown each year.

## Co-operative Farms' fertiliser applications (kg/ha)<sup>24</sup>

	2010	2011
Nitrogen	143	163
Phosphate	25	22
Potash	21	25

## Pesticide use

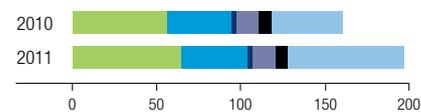
Our use of pesticides in 2011 was comparable to previous years, with some specific variations:

- dry conditions on many of our farms significantly reduced the need for applications of solid molluscicides;
- fewer soil pests of potatoes meant a reduction in the requirement for solid insecticides; and
- an increase in the area of fruit orchards and some product changes from solid to liquid formulations saw an increase in the quantity of liquid herbicides we used.

Trace elements were applied to most crops to either correct micronutrient deficiencies in the soil, or where lack of soil moisture prevented plant roots from taking up the micronutrients from the soil.

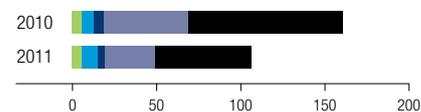
## Pesticide, adjuvant, growth regulator<sup>25</sup> and trace element<sup>26</sup> applications

### Liquid ('000 litres)



	2010	2011
Herbicide	55,720	64,180
Fungicide	38,538	39,334
Insecticide	2,905	3,211
Adjuvant	12,960	13,150
Growth regulator	7,966	7,420
Trace element	42,346	69,815
<b>Total</b>	<b>160,435</b>	<b>197,110</b>

### Solid ('000 kg)



	2010	2011
Herbicide	5,804	5,912
Fungicide	6,869	9,338
Insecticide	6,048	3,779
Molluscicides	50,337	30,112
Trace element	91,646	57,661
<b>Total</b>	<b>160,704</b>	<b>106,802</b>

# Delivering value

## Our approach

In pursuit of sustainable development, The Co-operative seeks to deliver value to stakeholders in an ecologically sustainable and socially responsible manner. Our purpose is to serve our members by carrying on business as a co-operative in accordance with co-operative Values and Principles.

Democratic control

**Page 76**

Supporting co-operatives

**Page 82**

Economic impact

**Page 85**

Employees

**Page 88**

Customers

**Page 96**

Public policy

**Page 100**



The United Nations has recognised the powerful, global contribution made by co-operatives to economic and social development by designating 2012 The UN International Year of Co-operatives. To celebrate this we've created The Co-operative Revolution, a dramatic street gallery of photographs which will tour the UK showcasing the scale and impact of co-operation worldwide.

This image shows members queuing for their share in the dividend distribution at a co-operative store in the 1940s. Since their inception, co-operatives have had a duty at their core to improve the lives of their members, not just to make a profit. The Pioneers' original 1844 rulebook allowed both men and women to become members, with equal rights and responsibilities. This was an era when a woman had very few legal rights to property – anything she owned belonged to her husband or her father. Despite the laws, early co-operatives assertively treated dividends as *wives'* property.

Image: National Co-operative College

# Democratic control

## 7.2 million

members  
(2010: 5.8 million)

## 8 out of 10

members earned a  
share of profits based  
on trade in 2011

## 88%

of membership elections  
were contested  
(2010: 81%)

## Background

A co-operative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise. For just £1, anyone living in the UK, aged 16 or over, can become a member of The Co-operative<sup>1</sup>. Members earn a share of the profits and can exercise their democratic control over the business, with equal rights and benefits.

As one of the world's largest consumer co-operatives, we are in business to serve and benefit members and their communities. Member views help shape our business activities including our sustainability agenda.

## Materiality and strategy

The Co-operative stands apart from other major businesses in the UK as an organisation that is not owned by investor shareholders but by more than seven

million members (14% of the UK adult population)<sup>2</sup>, each of whom owns an equal share of the business. Voluntary and open membership, democratic member control and member economic participation make up three of the Co-operative principles that guide our business practice, and 'responding to our members and sharing our profits' constitutes one of our six business aims (inside front cover).

'Democratic control and reward' is a key priority of Our Ethical Plan (page 7). Our member democracy model offers individuals the opportunity to play a direct role in the governance and future development of the Group and profits are shared with each member, in proportion to how much they trade with us over the year.

Our Membership Engagement Strategy, launched in 2010, guides our trading and non-trading relationships. We aim to grow total membership and improve the level of spend, cross-trade, and non-trading engagement of our members.

## Democratic governance

Indicator: **Member democratic participation**

Targets 2011	Progress	Targets 2012
<b>(E.P.)</b> Build membership to 20 million by 2020, with an interim target of 7 million by the end of 2011	✓ As at end 2011, membership was 7.2 million	<b>(E.P.)</b> Build membership to 20 million by 2020, with an interim target of 7.5 million by the end of 2012
<b>(E.P.)</b> Subject to change in legislation, extend membership to include under 16s <sup>3</sup>	↔ As legislation remained unchanged in 2011, we have not yet been able to meet this target	<b>(E.P.)</b> Subject to change in legislation, extend membership to include under 16s <sup>4</sup>
Increase attendance at regional members' meetings by a further 5%	✓ Attendance at regional members' meetings increased from 4,640 to 4,795, plus online members' meeting pages received 7,011 views	Increase attendance at regional members' meetings by a further 5%
Increase proportion of area committee elections that are contested to 90%	↔ There were 42 (88%) contested elections in 2011, compared to 39 (81%) in 2010	Increase proportion of area committee elections that are contested to 90%
Increase proportion of targeted members <sup>5</sup> voting to 13%	✗ While the overall number of members voting increased, the proportion of targeted members voting decreased from 11% to 9.8%	Increase proportion of targeted members voting to 13%

The degree to which members are active in our ethical and democratic affairs is a key indicator of co-operative well-being, and is measured via the active members' network<sup>6</sup>; participation in elections (including the number of elections that are contested); attendance at members' meetings; and the

flow of motions and questions to the Annual General Meeting (AGM) and half-yearly meeting. Our members (economically and/or democratically active, and new members in 2011) have increased by almost 1.5 million since 2010, to reach 7.2 million.

### Number of Co-operative Group members

2007	2008	2009	2010	2011
2.7m	3.4m	5.1m	5.8m	7.2m

**In focus**

**Democratic structure**

**Group Board**

**Three principal subsidiary Boards**

Banking Group Board

Food Board

Specialist Businesses Board

**Additional Group Committees**

Group Audit & Risk Committee

Group Remuneration & Appointments Committee

Group Governance Working Party

Group Chair's Committee

Group Values & Principles Committee

**Regional/Area Boards/Committees**

7 Regional Boards

48 Area Committees

Regional Values & Principles Committees

**Customer Members**

The Co-operative Group is owned and democratically controlled by its members, who elect representatives to oversee the business. Our governance structure is made up of a Group Board<sup>7</sup>, further details of which are provided on the inside front cover, seven regional boards and 48 area committees (including a members' council for Northern Ireland<sup>8</sup>). Members who wish to be involved in governance can stand for election and, if successful, progress through each tier. This process makes it possible to progress from being a customer to a Board Director.

Additional Group Committees accountable to the Board include the Values & Principles (V&P) Committee, which oversees sustainability, community and member engagement strategies.

The regional boards have a broad remit<sup>9</sup> extending across our regional commercial interests. They review management

proposals for regional expenditure, monitor sales and profitability of the region's core trading operations and make recommendations to develop the region in line with core Co-operative Group Board objectives. Each region has a regional Values & Principles Committee, tasked with ensuring our co-operative Principles and social goals are pursued at a regional level.

Our area committees<sup>10</sup> and the members' council for Northern Ireland have similar commercial responsibilities, but at a more local level. They monitor local trading performance, make recommendations to develop local business, comment on potential store disposal and new developments and provide local intelligence to management and regional boards. Area committees also work in partnership with local Co-operative employees to develop membership and community initiatives, and they allocate Community Fund awards (pages 14–15).

**Area committee elections**

Our members have the opportunity to influence how we do business, by standing for, or voting in, our annual area committee elections.

In 2011, 351,685 members (9.8%) voted (2010: 266,519; 11%). The number of contested elections increased in 2011 to 88%, with 42 out of 48 elections contested (2010: 81%). 354 candidates stood for 225 vacancies. Of the 224<sup>11</sup> successful candidates, 141 (62.9%) were sitting members and 83 (37.1%) were newly elected.

**Contested area committee elections**

2008	2009	2010	2011
57%	57%	81%	88%

**Members' meetings**

Members' meetings are a key part of our democratic process at which members can table motions. Held in May and October in each region, a total of 4,795 members attended regional members' meetings in 2011<sup>12</sup>.

In 2011, we held online members' meetings for the first time. Members could view presentations, access other key documents and information, and ask questions. Between 1 May and 30 June 2011 our online members' meetings pages received over 7,000 views.

**Member training and education**

A varied training programme is provided for elected members. There are four levels of learning:

- **Induction training** – introduces newly elected members to the diverse aspects of their role and the skills and knowledge required. In 2011, 90 area committee members and regional board members attended induction training.

- **The Learning Framework** – allows area committee members to gain a Certificate in Co-operation and regional board members to pursue a Diploma in Co-operation. In 2011, 569 members took part in Certificate and Diploma workshops and a further 240 units were requested by elected members as distance learning options. The Group Board Development Centre, first introduced in 2010, helped 14 candidates qualify to participate in the 2011 Group Board elections.
- **Director induction** – designed to help new directors develop their knowledge and understanding of their role and of The Co-operative governance practices and procedures. In 2011, three new directors undertook the training at Board and/or subsidiary Board level.
- **Director training** – provided to Boards, Board sub-committees and individual directors to deepen their knowledge of The Co-operative businesses and Board practices on a regular and ongoing basis.

...Democratic governance continued

## Annual General Meetings

At our Annual General Meetings (AGMs) and half-yearly general meetings, regional boards table motions and questions they wish the business to respond to. Examples can be found below. We determine the number of delegates to attend the meetings from each region by the amount of trade undertaken in the region in the previous year. We also invite at least one representative of each area committee.



Regional boards and Independent Society members have the opportunity to table motions and questions at the AGM.

Independent co-operative society members can also table motions and ask questions. The voting strength of independent society members is determined by the amount of trade their business has conducted with The Co-operative in the preceding year.

Motions approved by the AGM are not binding upon management; however, the Board and/or management consider the issues raised and provide both a response on the day and an update at the next general meeting.

### Attendance at regional AGMs and half-yearly meetings

2008	2009	2010	2011
3,044	4,386	4,640	4,795

## AGM (May 2011) resolutions

Region	Motion	Response
South & West	Called for the Annual Report and Accounts to report on the remuneration differential between the lowest and highest paid members of staff and to state what the Group's objectives are to address this differential.	The 2011 Annual Report and Accounts for the first time reported the Chief Executive's total pay as a multiple of the lowest pay (full time). This ratio was significantly lower for the Group than of a typical PLC.  The Remuneration and Appointments Committee has commissioned a report on this issue for consideration by the Group Board.
South & West	Called for the cessation of the sale of all Israeli goods.	The meeting was advised that the Human Rights and Trade Policy (page 20) sets out that the Group does not source from the Israeli settlements, where there is broad international consensus that the settlements are illegal. However, the Policy does not support the call for a boycott of Israel or Israeli goods as none of the conditions for the cessation of trade are triggered.  The Motion was debated and overwhelmingly rejected by members at the AGM.

## Half-yearly General Meeting (November 2011) resolutions

Region	Motion	Response
North	Called on the Board to establish a working group to consider mechanisms and management practices to achieve fair representation of women in the democratic structure and in management roles at all levels.	The Board was pleased to support the thrust of the Motion and reported that the Diversity Steering Group presented a medium-term action plan to encourage more female managers to progress their career within the Group.
South East	Called for employees affected by the rioting during August 2011 to be recognised for services beyond normal duties and for action to be taken to promote greater community cohesion in affected areas.	The Board commended the courage shown by employees affected by the riots and reported that support was provided (including time off work, advice and counselling) for those affected. Where appropriate, the staff recognition scheme was used to highlight the outstanding contribution of front-line staff. The Board reported that current Social Goals activity, such as Inspiring Young People, is already doing much to promote community cohesion.

# Member economic involvement

Indicator: **Dividend payment to members**

Indicator: **Proportion of members cross-trading**

Targets 2011	Progress	Targets 2012
<b>(E.P.)</b> Continue a member profit-sharing scheme that is among the broadest and most generous of any major UK business	✓ We continue to pay more per point than any other food retailer, and are the only major UK business that provides a profit-sharing scheme payout in cash. Our card is accepted in over 5,000 outlets across the UK, more than any other retailer	<b>(E.P.)</b> Continue a member profit-sharing scheme that is among the broadest and most generous <sup>13</sup> of any major UK business
<b>(E.P.)</b> Encourage ethical consumerism through more member engagement and extra share of profit from 2012	✓ In 2011, over 152,000 members were offered bonus membership points for purchasing Fairtrade products (page 16)	<b>(E.P.)</b> Encourage ethical consumerism through engagement with members and extra share of profit from 2012

As a consumer co-operative, we are run for the benefit of members, who share in our profits in proportion to how much they trade. Our membership scheme is available across our main businesses and within over 5,000 UK outlets.

Five independent co-operative businesses accept The Co-operative membership scheme cards within their stores: Anglia; Chelmsford Star; Midcounties; Midlands; and Southern<sup>14</sup>.

## Share of profits

We pay out a share of our profits to members twice a year – as an interim dividend payment in November and a final dividend payment in June. Members earn ‘points’ when they purchase goods and services with the Group’s family of businesses. The more business they do with us, the greater their share of the profits. Uniquely among UK high-street retailers, our members can receive their reward in cash, paid in-store, or directly into their bank account. Members can also opt to donate some, or all, of their share of profits to The Co-operative Membership Community Fund (pages 14–15).

Typically, our members will receive one point for each pound they spend, plus additional points for trade with The Co-operative Banking Group. In 2011, the total number of points earned across our family of businesses was 3,385 million (2010: 3,437 million).

The total dividend payment reflects the financial value of a membership point and depends on our financial performance. In respect of trade undertaken during 2011, members earned £61.9m through the membership scheme (2010: £70.5m)<sup>15</sup>. Of this, £3.2m (2010: £3.2m) was donated by members to The Co-operative Membership Community Fund (pages 14–15). Additional payments made to and on behalf of members in respect of 2011 profits were: an employee-member dividend of £24.4m (2010: £32.5m ◉), an

independent society dividend of £17.3m (2010: £21.8m) and a community dividend of £10.0m (2010: £10.0m).

## Cross-trading

In 2011, we maintained a solid base of members that trade with more than one business, which has significantly increased since the re-launch of the membership scheme in 2006.

### Members earning a share of profits<sup>16</sup>

2007	2008	2009	2010	2011
2.2m	2.5m	3.3m	4.6m ◉	5.5m

### Members trading with more than one business

2007	2008	2009	2010	2011
0.4m	0.5m	0.8m	1.3m ◉	1.4m

# Member engagement

Indicator: **Member engagement on co-operative and ethical issues**

Target 2011	Progress	Target 2012
<b>(E.P.)</b> Engage with 500,000 members a year on social goals	 In 2011, we engaged over 500,000 members in our campaigns	<b>(E.P.)</b> Engage with at least 500,000 members and customers a year on social goals and campaigning

Engagement refers to interaction with members who may not be actively involved in the democratic process, but who can still be encouraged to engage on co-operative and ethical issues. Engagement includes communications and regional events and activities that have a co-operative or ethical focus. This activity is directed by a Membership Engagement Strategy, and during 2011, a total of £4.8m (2010: £4.8m) was made available for member engagement.

We continue to measure member engagement through our annual Membership Engagement Index, now in its second year. The index is compiled through telephone interviews with members and combines a series of key indicators onto a single ten-point scale, allowing progress to be tracked year on year. These measures include: perceptions of the membership brand; understanding of membership; membership rewards; and member communications, activities and events.

In 2011, engagement across our membership increased, particularly among new members (those who have been members for less than one year) whose engagement index score increased to 7.18 (2010: 6.53).

### Membership Engagement Index

	2010	2011
Non-employee members	6.99	7.02
Employee members	8.28	8.45
New members (<1 year)	6.53	7.18

Priorities identified by members remain very similar to last year. Members want to feel they are getting rewards, to understand their share of profits and to be confident that we are doing good work. In 2011, levels of satisfaction increased with regards to communications to members and awareness of The Co-operative Membership Community Fund.

In 2012, a new Membership Engagement Strategy will be developed for the period 2013 to 2016. A full consultation with members and other co-operative societies will be held, with final sign-off by the Group Values & Principles Committee planned for late 2012.



The Co-operative Membership website has a focus on interactive content.

### Membership communications and education

We use a variety of channels to communicate with members including our website, Facebook, online discussions and webcasts. All members listed on our active members' network (page 76) receive a biannual mailing containing:

- *Re:act* – a national magazine focusing on co-operative values and ethical leadership; and



- *Re:action* – a newsletter containing regional news and business performance information.

Up to three million targeted members approximately every quarter receive *Your membership*, a national magazine focusing on consumer lifestyle and social goals initiatives. Members also benefit from learning opportunities delivered online, via printed materials and at events organised by regional membership teams across the UK.

**In focus**

**Members and ethical campaigning**

Our campaigns and community activities are designed to reach and engage members and customers via a wide variety of programmes, channels and publications. In 2011, *Your membership*, our national magazine, which is read by millions of members, was the primary vehicle for engaging with our mass membership. The magazine carries regular features on our campaign initiatives and provides members with numerous engagement opportunities, such as recommending schools to take advantage of our Green Schools Revolution programme or making a loan via our lendwithcare.org scheme. In 2011, two editions of our *Re:act* magazine were distributed to 250,000 of our most engaged members. Cover stories in 2011 were the launch of Our Ethical Plan and Inspiring Young People. As part of our Plan Bee campaign some 300,000 individuals responded to our offer of free wildflower seeds (page 70). Nearly 50,000 people engaged in our Clean Energy Revolution campaign (page 58), either by way of signing one of our petitions or by contacting their MP. As part of our Unfinished Business campaign, some 30,000 members responded to our call to action and contacted their MP (page 23).



**Member diversity**

Indicator: **Diversity of elected members**

Target 2011	Progress	Target 2012
Improve diversity of elected membership in 2011 by increasing proportion of: female elected members from 35% to 38%; younger elected members from 4.8% to 6%; and Black, Asian and Minority Ethnic (BAME) elected members from 2% to 5%	<p>In 2011, 39% of elected members were female. The other two elements of this target were not achieved. The proportion of younger elected members decreased to 4% and BAME candidates made up 2%</p>	Further improve diversity of elected membership in 2012 by increasing proportion of female elected members from 39% to 49%; increase proportion of younger elected members from 4% to 6%; and BAME candidates from 2% to 5%

A Diversity Working Group (DWG) oversees efforts to improve diversity relating to membership. Regional representatives are elected to the DWG from groups including women, members with disabilities, BAME members, and lesbian, gay and transgender members. In 2011, the DWG developed a new three-year strategy to improve diversity and inclusion across the membership structure at all levels.

The Davies Report *Women on Boards* recommends that FTSE 100 companies should aim for at least 25% board members to be women by 2015 – a target that we've already achieved and in 2011 we achieved our target and increased the percentage of female elected members to 39%. While we continue to promote diversity in membership elections, the diversity of candidates is dictated primarily by the democratic process, therefore our level of influence is constrained.

**Diversity of elected members (gender and ethnicity)**

	2008	2009	2010	2011
Total number of area committee members	579	556	587	593
Female elected members in area committees	36%	35%	38%	39%
BAME elected members in area committees	2%	3%	2%	2%

**Diversity of elected members (age)<sup>17</sup>**

	2009	2010	2011
30 and under	4%	5%	4%
31–50	25%	26%	29%
51–69	60%	59%	57%
70+	7%	8%	8%
Unknown	4%	2%	2%

# Supporting co-operatives

## 591

co-operatives supported by The Co-operative Enterprise Hub in 2011

## £17m

to be invested in co-operative support and development by 2014

## Background

Against the backdrop of a challenging economy, the UK co-operative sector has continued to grow<sup>1</sup>. There are now over 5,000 co-operatives nationwide, involved in everything from food retail to housing, farming and education<sup>2</sup>. Worldwide, there are more than a billion individual co-operators; and, when taken together, the turnover of the top 300 co-operatives equates to that of the world's ninth largest economy<sup>3</sup>.

We believe that economies that unduly reward the providers of capital are both unsustainable and unjust: strong public and co-operative sectors are essential for the sustained progression of equality and quality of life.

## Materiality and strategy

Co-operation among co-operatives is one of the Principles that guides our approach (inside front cover), 'Supporting

co-operatives' is a key priority of our Ethical Plan (page 7) and one of our business aims is to inspire others through co-operation (inside front cover). We are supporting the sector – particularly growth areas such as schools, community energy, sports clubs and rural services – and promoting the co-operative model within business, education and community sectors. Through the Co-operative Enterprise Hub, we are providing free advice, training and access to finance for new and existing UK co-operatives.

2012 is the United Nations International Year of Co-operatives and, by contributing to events and activities that celebrate the year, we aim to help increase understanding of the co-operative difference and raise awareness of the contribution made by co-operatives towards reducing global poverty, creating employment and supporting social development.

## Co-operative development and support

Indicator: **Support for the growth and development of co-operatives**

Targets 2011	Progress	Targets 2012
<p><b>EP</b> Act as the primary funder of co-operative encouragement bodies such as The Co-operative College, and invest £11m to support the growth and development of co-operatives by 2013</p>	<p><b>EP</b> In 2011, we invested £4.2m in the growth and development of co-operatives, including over £2.7m in co-operative encouragement bodies and almost £1.5m in The Co-operative Enterprise Hub</p>	<p><b>EP</b> Act as the primary funder of co-operative encouragement bodies such as The Co-operative College, investing £9m by 2014</p>
<p><b>EP</b> Invest £2m to celebrate 2012 as the United Nations International Year of Co-operatives</p>	<p><b>EP</b> In 2011, we set aside £1m to celebrate the United Nations International Year of Co-operatives. A further £1m will be set aside in 2012</p>	<p><b>EP</b> Invest £6m to support co-operative enterprise by 2014, and launch a facility enabling small co-operatives to access low-cost, green electricity on the back of The Co-operative's bulk purchase arrangements</p>

In 2011 we invested £4.2m in the growth and development of co-operatives. Between 2012 and 2014, we will invest a further £15m (£9m in support of co-operative development bodies and £6m in support of co-operative enterprise)

and an additional £2m in the 2012 United Nations International Year of Co-operatives celebrations. Our investment is mainly channelled through The Co-operative Enterprise Hub, working with a number of key bodies such as The Co-operative

College, Co-operatives UK, The Co-operative Party and the Association of British Credit Unions. More detail on our partnerships is given on page 84, and further information on our support for credit unions can be found on page 41.

## The Co-operative Enterprise Hub

The Co-operative Enterprise Hub<sup>4</sup> is our flagship programme to promote the co-operative business model in the UK. The Hub offers free advice, training and access to finance for new and existing co-operatives. Support is provided by a network of co-operative development advisers to help co-operatives set up, expand or change their management structure. Further information about the Hub, including case studies, is available online<sup>5</sup>.

Additionally, the Hub is investing in specific areas of activity within the co-operative economy, which complement our wider business objectives:

- a £1m fund over three years to support community-owned renewable energy schemes;
- a lower cost green energy purchasing scheme;
- The Co-operative Community Shares Fund, a partnership with The Co-operative Loan Fund, to underwrite community share issues;
- a programme of activity to support young co-operative enterprise; and
- the promotion of co-operative development in the developing world (pages 21–23).

### Advice and training

In 2011, the majority of our investment in the Hub was directed to providing free advice and training. We received 674 applications for advice and training, of which 576 (85%) were successful. Almost 1,200 consultancy days were delivered by Hub advisers to the value of nearly £540,000, supporting a rich diversity of co-operative businesses, including a library co-operative in London, a bicycle training and repair enterprise in Southampton and an Anglo-African Cultural Centre in Rochdale.

There has been a substantial increase in applications and demand for the Hub's resources in the past two years, corresponding with a resurgence of interest in the co-operative way of doing business. This increase in demand has been met by more than doubling the financial contribution we provide to co-operatives through the Hub, and has enabled us to support 591 co-operatives in 2011 (2010: 256).

#### In focus

##### Enterprise Hub now UK-wide

In 2011, The Co-operative Enterprise Hub expanded into Scotland and Northern Ireland, ensuring that its services are available to co-operatives throughout the whole of the UK. One of the first Scottish co-operatives to receive support was Papay Community Co-operative on Papa Westray, in the Orkney islands. It runs the only shop on the island, a hostel, minibus and community function room, but community participation in managing the shop had dwindled, and secretary Tim Dodman said:



*"We knew that we needed outside help to update our management and administration, so when we heard about the support available from the Hub, we got in touch."*

#### In focus

##### New Pioneers

The Co-operative Enterprise Hub's 2011 Annual Review was published in November 2011<sup>6</sup>. It provides detail of how the Hub is performing against its objective of advancing, strengthening and increasing the sustainability of the UK co-operative economy, along with a selection of case studies and plans for 2012.



### The Co-operative Enterprise Hub

	Number of co-operatives supported			Financial contribution <sup>7</sup>		
	2009	2010	2011	2009	2010	2011
Co-operative development	107	252	588	£163,500	£422,200	£1,024,500
Renewable energy co-operatives	2	2	2	£98,000	£100,000	£63,500
Overseas co-operative development	3	2	1	£101,000	£61,000	£140,200
Running costs				£216,800	£173,000	£288,900
<b>Total</b>	<b>112</b>	<b>256</b>	<b>591</b>	<b>£679,300</b>	<b>£756,200</b>	<b>£1,517,100<sup>8</sup></b>

## Co-operative financial support

Indicator: **Provision of finance for co-operatives**

Target 2011	Progress	Target 2012
<b>E.P.</b> Initiate a £20m Global Development Co-operative Loan Fund	 Fund was launched in New York in November 2011	<b>E.P.</b> Build a £20m Global Development Co-operative Loan Fund

Access to finance can be a key barrier for both start-up and existing co-operative businesses, given both the difficult economic climate and the unusual governance structure of a co-operative. As part of our commitment to co-operation with other co-operatives, we provide financial support to co-operative businesses – through a variety of channels – to help build a strong and sustainable co-operative economy.

### The Co-operative Loan Fund

The Co-operative Loan Fund is funded by The Co-operative with Midcounties, East of England and Chelmsford Star co-operative societies. It supports co-operatives throughout the UK with accessible, ethical loan finance. The Co-operative Enterprise Hub (page 83)

works closely with The Co-operative Loan Fund to promote access to co-operative loan finance.

In 2011, we contributed £250,000 to the Fund (2010: £30,000). We increased our investment to provide enough funding for the growing number of Hub clients applying to the Fund and the anticipated increase in demand generated by the 2012 International Year of Co-operatives. At the end of 2011 total funds stood at £1.64m (2010: £1.3m)<sup>9</sup>.

### The Global Development Co-operative Loan Fund

We are spearheading the new Global Development Co-operative (GDC), unveiled at the New York launch of the UN International Year of Co-operatives. This global initiative will provide low-cost loans for capital and infrastructure projects around

the world, targeting those that support international development and extend the reach of the co-operative model. Further details can be found on page 23.

### Public Service Mutuals

Support was provided towards the establishment of Public Service Mutuals in 2011, a one-stop shop offering advice and assistance to those looking to establish alternative ways of delivering public sector services.

### Banking support

The Co-operative Bank offers a bespoke banking package, Co-operatives Directplus, to member organisations of Co-operatives UK, and a bespoke savings account and credit card for Co-operative members. In 2011, we provided up to £187m of lending to co-operatives and mutuals (2010: £198m)<sup>10</sup>.

## Co-operation between co-operatives

Indicator: **Collaboration and provision of support**

### UK Co-operative Retail Trading Group (CRTG)

CRTG was set up in 1993 to centralise the buying power of member co-operative societies in the UK. The CRTG controls buying for retail co-operative societies, including The Co-operative Food, and represents £9.7bn of buying power (2010: £7.3bn). There are currently 21 society members of the CRTG, with The Co-operative Group accounting for approximately 75% of turnover. All products procured on behalf of member societies through CRTG are sourced in line with relevant Co-operative Group policies.

Trading relationships have also been extended with other European co-operatives. We have had a trading relationship with the Icelandic Co-operative Samkaup since 2007, and in 2011, traded £607,000. In 2011, we set up new trading relationships with the Central Co-operative Union of Bulgaria and the Cyprus Co-op.

### Representation

We actively promote national and international co-operation by working with representative bodies such as:

- International Co-operative Alliance (ICA)
- Co-operatives UK
- The Co-operative College
- Mutuo
- The European Association of Co-operative Banks
- The International Co-operative and Mutual Insurance Federation (ICMIF)
- Euro-Coop
- The International Co-operative Banking Association
- The Co-operative Party.

Further details about the financial support we provided in 2011 are included on page 103.

### ICA

The Co-operative is a board member of the ICA, the world's largest non-governmental

organisation representing and supporting co-operatives and mutuals. In 2011, we contributed £100,000 to help fund the ICA Global President, Dame Pauline Green. As part of our support to the ICA we have pledged £2m to fund activities for the United Nations International Year of Co-operatives.

### Co-operatives UK

The aim of Co-operatives UK is to promote the interests of co-operatives, increase awareness of co-operative Values and Principles and support the growth and development of new and existing co-operatives. Each year, we report on our performance against the Co-operatives UK Co-operative, Environmental and Social Performance Indicators<sup>11</sup>. In 2011, seven representatives of The Co-operative served on the Co-operatives UK Board. As part of our support for the United Nations International Year of Co-operatives, we supported Co-operatives UK's launch of a Smartphone app aimed at listing all co-operatives in the UK, to make it easy for users to find co-operatives wherever they are.

# Economic impact

## £13.3bn

gross sales in 2011

## £2.7bn

contribution to national wealth in 2011

## Background

2011 was a challenging year for global economies. In the UK, the economy fluctuated before contracting towards the end of the year<sup>1</sup>. For the majority of the year inflation was over 4%<sup>2</sup>, consistently above the Bank of England's target rate of 2%<sup>3</sup> and consumers had to cope with rising costs and rising unemployment.

## Materiality and strategy

Uncertainty about the future and difficult trading conditions had a significant impact on the sectors in which The Co-operative operates. Despite this, our strategy to develop local economies and deliver value for stakeholders remains as important as ever. We continue to invest in member dividend payments (page 79), employment and remuneration (page 91) and community development (pages 12–15).

Being a commercially successful business is key to our vision 'to build a better society' (inside front cover). We measure financial performance as one of five key indicators of success at a Group level and our key financial measure is growth in underlying operating profit. Underlying profit is also monitored through the Banking Group's balanced scorecard to achieve its vision 'to be the UK's most admired financial services business'.

A detailed account of The Co-operative's financial performance is presented in the Annual Report and Accounts<sup>4</sup>.

## Sustainable financial performance

Indicator: **Underlying profit – Trading Group and Banking Group**

Indicator: **Return on Capital Employed – Trading Group**

Target 2011	Progress	Target 2012
Achieve a Trading Group Return on Capital Employed (ROCE) of 12.6%	✘ We achieved a ROCE of 10.5%. While down on 2010, this was up on the 2009 result of 9.6%, and was achieved during challenging trading conditions in 2011	Achieve a Trading Group ROCE of 9% in 2012 <sup>5</sup>

Despite exceptionally difficult trading conditions in 2011, The Co-operative achieved solid results in line with our expectations. We reported gross sales<sup>6</sup> of £13.3bn (2010: £13.1bn) and operating profits<sup>7</sup> of £526m, down 13% from £602m in 2010.

### Gross sales (Group)

2007	£7,911m
2008	£9,098m
2009	£12,043m
2010	£13,144m
2011	£13,272m

### Underlying operating profit (Group)

2007	£319m
2008	£380m
2009	£464m
2010	£602m
2011	£526m

### Trading Group – underlying profit

In 2011, due to the extremely difficult market conditions, we saw a decline in Trading Group underlying operating profit to £427m (2010: £498m). However, the five-year trend remains upwards and the Trading Group is strengthening its position through product and service innovation and increased scale afforded by recent acquisitions.

### Trading Group – Return on Capital Employed

Return on Capital Employed (ROCE) measures how well the Trading Group has earned a return on members' investments in the business. In 2011, ROCE was 10.5% (2010: 12.9%). Difficult economic conditions meant that the 2011 target was not achieved and we have set a minimum 9% ROCE target for 2012 to reflect the continuing economic challenges.

... Sustainable financial performance continued

## Banking Group – profit generation

The Banking Group's performance is measured through three key financial performance measures – shareholder profits, liquidity and surplus capital.

In 2011, operating profits excluding discontinued operations<sup>8</sup> were £201m, compared with £202m in 2010. The Banking Group has a sound liquidity position, with an improved loans to deposits ratio of 93.9% (2010: 102.5%) – now our primary measure of liquidity

and replacing the customer funding ratio, which was 118% at the end of 2011 (2010: 107%). The Banking Group's core tier-one ratio was unchanged from 2010 at 9.6% reflecting the strong stable capital base of the business.

## Value added

Indicator: **Distribution of economic value added**

Economic value added is the contribution of commercial organisations to national wealth and the benefits delivered to stakeholders<sup>9</sup>. Economic value can be distributed as salaries to employees, as taxes to Government, as donations to charitable causes and as profit, dividend and reserves to owners. In 2011, we contributed £2.7bn to national wealth, matching our 2010 contribution.

### Distribution of value added<sup>10</sup> 2011

	2007	2008	2009	2010 <sup>11</sup>	2011 <sup>12</sup>
Employee wages and pension benefits	£1,180m	£1,246m	£1,560m	£1,625m	£1,577m
Payments to Government	£194m	£314m	£381m	£330m	£363m
Distribution to members	£44m	£72m	£97m	£94m	£132m
Paid to the community	£10m	£12m	£11m	£12m	£14m
Paid to providers of capital	£43m	£44m	£116m	£89m	£88m
Set aside for capital maintenance and future growth	£335m	£322m	£439m	£581m	£520m
<b>Total</b>	<b>£1,806m</b>	<b>£2,010m</b>	<b>£2,604m</b>	<b>£2,731m </b>	<b>£2,694m</b>

## Tax

Indicator: **Tax paid to Government**

The Co-operative Tax Strategy and Policy defines our approach to compliance, planning and risk management. We avoid what we consider to be aggressive tax planning and the associated reputational risks<sup>13</sup>. Our 2011 tax payments and

credits are detailed within the Annual Report and Accounts. In 2011, we paid £49m tax on continuing business (2010: £58m ) at an effective tax rate of 21% against a standard blended rate of tax of 26.5%<sup>14</sup>.

The Co-operative Bank Ethical Policy contains a policy position on corporate payment of tax, and as such, the bank does not finance organisations that take an irresponsible approach to the payment of tax in the least developed countries.

## Supplier payment policy and practice

We have negotiated payment terms with each of our suppliers individually, and endeavour to pay them in accordance with their specific payment terms.

As at 31 December 2011, trade creditors expressed as number of days outstanding was 48 days (2010: 44 days).

# Local sourcing

Indicator: **Sourcing of produce from The Co-operative Farms**

Target 2011	Progress	Target 2012
<p><b>EP</b> Grow the UK farming business and aim to supply a quarter of all fresh produce sold in Co-operative Food stores by 2015, while helping secure the future of local priority species</p>	<p><b>EP</b> The Co-operative Farms is focusing on expanding production of key crops while working in partnership with conservation groups to protect priority habitats</p>	<p><b>EP</b> Grow the UK farming business and aim to supply a quarter of all fresh produce sold in Co-operative Food stores by 2015, while securing the future of priority species through a new Habitat Heroes initiative</p>

Local sourcing can have a range of positive impacts; from supporting local economies, to meeting increasing customer demand for seasonal and locally sourced products. The related subjects of food miles and considered carbon are discussed separately on page 55.

The Co-operative is one of the UK's largest farmers and we aim to source 25% of all fresh produce from our farms by 2015<sup>15</sup>, while securing the future of priority species through a new Habitat Heroes initiative (page 69). We already offer a wide range of products grown on or sourced from our farms, including vegetables, fruit, honey, turkey, porridge oats and Tillington 1000 apple juice. Previously branded as Grown by us or Reared by us, we have rebranded our products to address customer concern

about where their food comes from, supporting British farming and featuring growers from The Co-operative Farms.

In 2011, 100% of own-brand primary poultry, beef and pig meat was UK sourced (page 24). In each country we offer locally produced meat and, where possible, in Scotland, Wales and Northern Ireland we only sell beef, chicken and milk sourced from the respective country<sup>16</sup>.

We sourced 100% of own-brand fresh milk and eggs (page 24) and 71% of cheese from the UK in 2011. Our labelling of own-brand milk, eggs and cheese indicates where produce is of UK origin<sup>17</sup>. In August 2011, we launched The Co-operative Dairy Group with an agreement to support British Dairy Farmers (page 26).



## Influence and action

### Ethical consumerism

Our *Ethical Consumerism Report* has been produced since 1999 and acts as a barometer of green spending. The report analyses sales data for various sectors including food, household goods, eco travel and ethical finance, providing insight into ethical choices provided by

businesses, consumer responses to these choices and opportunities for intervention to drive growth in ethical sales. Despite the economic downturn, sales of ethical goods and services have remained resilient, going up almost 9% in 2010 (the most recent year for which data has been reported), from £42bn to £46.8bn.



Democratic control

Supporting co-operatives

Economic impact

Employees

Customers

Public policy

# Employees

## Background

An inclusive work environment where everyone's contribution is recognised and valued, and where employees feel supported, developed and motivated, is key to increasing employee productivity and creativity. Embracing difference enhances the capabilities of The Co-operative Group to meet the needs of an increasingly diverse UK population and is an imperative for any progressive business.

## Materiality and strategy

Our employees are vital for sustainable business success and being an 'exemplary employer' is a key aim supporting our corporate vision. With a workforce of over 100,000, we're one of the largest private employers in the UK. The co-operative Values and Principles (inside front cover) guide and strengthen our commitment to employees.

The Co-operative approach to employee engagement is informed by extensive employee research and industry best

practice. Engagement is measured as part of the business's key performance indicators and influences the remuneration of our management teams. Our commitment to engagement is particularly important in light of the significant organisational change we've undertaken in recent years and are still experiencing through Project Unity – the business transformation programme we launched in 2011, which will further align our brand and businesses to benefit our employees and customers (page 90).

To coincide with the implementation of the Equality Act in 2010, an employee diversity strategy was introduced within the Trading Group and a diversity strategy was developed in the Banking Group, addressing member, customer and colleague feedback, and recognising the specific challenges and opportunities faced by financial services providers.

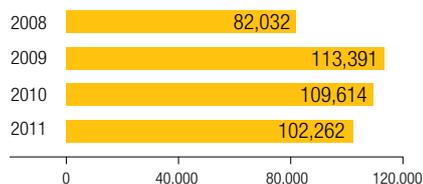
In 2012, we will align our current approaches to diversity as part of Project Unity.

**102,262**

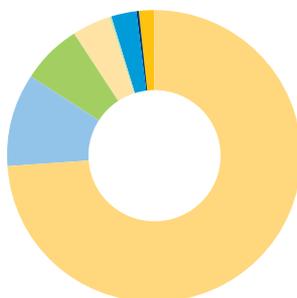
employees

Overall staff headcount decreased in 2011 (see graph below), due largely to organisational change (page 90). Total employee figures relate to November 2011 – further detail on reporting timeframes and business divisions is available online .

### Total employees<sup>1</sup>



### Headcount by business 2011



	Headcount
Food Retail Division	75,763
Banking Group	10,433
Healthcare Division	6,976
Funerals Division	4,084
Specialist Businesses	431
Specialist Commercial Businesses	2,604
Corporate Estates	348
Corporate Functions	1,623

## Employee engagement

Indicator: **Employee Engagement Index scores**

Targets 2011	Progress	Targets 2012
		 Develop an environmental advice centre to help our employees reduce their environmental impact
Maintain the 2010 Trading Group employee engagement index score in 2011	 The engagement score remained stable	Maintain the 2011 Trading Group employee engagement score in 2012
Achieve a Banking Group employee engagement score of 75% during 2011	 The engagement score target was exceeded	Align the Banking Group and Trading Group measurements of employee engagement

Employee engagement is a broad measure of how committed and motivated people are to do their best at work and generate strong business performance.

Engaged employees are more committed and motivated to perform at their best. High levels of employee engagement help us to attract and retain talent, promote our reputation and improve the products and services we offer. We measure engagement via surveys conducted twice a year (full and interim), which determines an 'engagement index' (EI) score.

The Trading Group and Banking Group calculate EI scores differently and therefore are not directly comparable. In 2012, as part of Project Unity (page 90), we will align the measurements for employee engagement across the business, while aiming to maintain engagement scores.

### Trading Group Engagement Index

In 2011, we revised measurement of employee engagement for accuracy and improved benchmarking. Scores using the old index and the new Core Score are included in the table below for comparison. The Core Score is calculated using ten questions that focus on: emotional commitment to The Co-operative; pride; advocacy of employer, products and services; staff retention; and discretionary effort<sup>2</sup>.

The full survey received responses from 86% (2010: 86%) of staff, with 71% taking part in the interim survey. Overall, scores remained relatively stable, achieving the 2011 target, and the majority of scores for individual questions either increased or stayed the same. In light of the organisational change in 2011, this is a notable achievement. Results compared favourably when benchmarked against similar organisations, for example 82% of respondents at head office stated they would recommend The Co-operative as a place to work to family and friends, compared to a benchmark of 70%.

#### Trading Group Engagement Index<sup>3</sup>

2008	2009	2010 (new Core Score in brackets)	2011 (new Core Score in brackets)
77	79	77 (71)	Interim: 78 (73) Full: 77 (72)

### Banking Group Engagement Index

Results from both full and interim surveys exceeded the 2011 target, and response rates were 87% and 82% respectively. The EI score is based on seven survey questions measuring: emotional attachment; intention to stay; and discretionary effort. Key outcomes from the survey include 89% of employees stating that their line manager demands the best from themselves and from the team; and 88% of employees saying that they are proud to work for the Banking Group.

#### Banking Group Engagement Index

2008	2009	2010	2011
64%	Interim: 75% Full: 82%	Interim: 79% Full: 78%	Interim: 79% Full: 81%

### Acting on results

Managers receive survey results, which they share and discuss in their teams and plan improvement actions. We set high-level targets to improve engagement scores, which are also incorporated into the performance appraisal and remuneration process for all managers.

The 54% of Trading Group employees, who agreed that the survey had led to improvements, had a higher engagement score than those who did not. We consider this to be a direct result of actions around the top ten emerging issues from the 2010 survey. In the Banking Group, workshops were held for the Executive and directorate teams to look at improving the colleague experience and engagement levels.

### Employee communications

Internal communications help inform and engage our employees. We're committed to opening two-way communication with employees through a variety of channels including face-to-face briefings, intranet, magazines, email and more recently social media such as facebook. As well as supporting organisational change projects across the Group (page 90), our communications aim to improve engagement through greater understanding of our values and social campaigns, and by recognising the contribution employees make to our commercial success.

#### In focus

##### Employees at the heart of our Ethical Plan

Employees are an important focus in our Ethical Plan (page 7). The re-launch of the Plan in early 2012 was accompanied by *The Little Book of Free Ethical Stuff*, that was made available to colleagues across the Group. The schemes highlighted in the booklet received wide interest and helped to raise awareness of the ways in which colleagues can help maintain The Co-operative's position as the UK's most socially responsible business.



#### PERFORMANCE benchmark

In 2011, The Co-operative was named as one of the UK's 50 best workplaces by The Great Places to Work Institute.



We were also named one of Britain's leading businesses for HR practices and policies by the Corporate Research Foundation Institute, being one of 58 businesses to feature in its 2011 Top Employers listing.

## Business change

Indicator: **Avoidable employee turnover**

Our business has undergone significant organisational change over recent years, including the merger of our financial services business with Britannia in 2009 and the acquisition of Somerfield in 2010. We're working to consolidate this growth to deliver greater efficiencies and brand value.

### Project Unity

In 2011, we embarked on Project Unity, a programme of business transformation bringing together the Trading Group and Banking Group businesses and developing new teams and functions within the corporate head office.

While every effort is being made to keep the number of compulsory redundancies to a minimum, colleagues directly affected by the change programme will be offered a wide range of outplacement services and all affected employees will have the opportunity to discuss their personal circumstances during individual consultations with line management. Formal consultation with the trades unions started at the outset of the programme in May and weekly meetings continued throughout 2011, where we developed an agreed framework for the programme.

### The Co-operative Travel joint venture

The joint venture between The Co-operative Travel and Thomas Cook (inside back cover) aimed to offer the majority of colleagues more job security and better career prospects. The process has, however, incurred redundancies. All parties remain committed to keeping redundancies to a minimum and employees displaced were offered the same support provided to those impacted by Project Unity.

### Co-operative Banking Group

In addition to working towards Project Unity, the Banking Group carried out a review of employment policies and benefits to develop a consistent package for all colleagues following the Britannia merger, and, after a detailed consultation process and a ballot with the joint trades unions, the revised package was implemented in 2011.

In July 2011, as part of a review of the Life and Savings business, and following full consultation with the trades unions, the Banking Group announced proposals to close its field sales channel and to enter into a distribution agreement for its bancassurance (branch-based financial advisers) operations through AXA. These developments led to the redundancy of approximately 670 field sales colleagues and the transfer of 80 colleagues to AXA. The Banking Group remains in consultation on the potential sale of the Long Term Business Fund and The Co-operative Asset Management (inside back cover), which could result in approximately 160 colleagues transferring to Royal London during 2012.

### Avoidable employee turnover

We are committed to retaining talent and seek to minimise 'avoidable' turnover where possible (unplanned employee departures – excluding redundancies, retirement etc). In 2011, avoidable turnover remained largely stable<sup>4</sup>. A full definition of avoidable turnover, as well as data for each business, by age and gender, is available online .

#### Avoidable employee turnover

	2008	2009	2010	2011
The Co-operative Food	28%	23%	20%	19%
Banking Group	20%	10%	11%	9%
The Co-operative Funeralcare	8%	8%	8%	7%
The Co-operative Pharmacy	21%	15%	13%	12%
Specialist Commercial Businesses	21%	19%	21%	19%
Specialist Retail Businesses	20%	15%	16%	15%
The Co-operative Estates	3%	6%	6%	7%
Corporate Functions	8%	5%	4%	5%

### Trades union recognition

The Co-operative believes that good and effective industrial relations depend upon representation of employees by trades unions through whom terms and conditions of employment can be reviewed and revised through discussion and negotiation. The Group, therefore, encourages employees to become a member of one of the trades unions recognised by the Group. The right of employees not to join a trades union is also respected.

Trades unions play an important role in helping us to support staff impacted by organisational changes and through open and honest consultation we work together to ensure that change programmes are managed fairly and consistently. During 2011, we worked with five trades unions<sup>5</sup> covering the range of employee roles across the business. Some 40%<sup>6</sup> of Trading Group employees and 42%<sup>7</sup> of Banking Group employees<sup>8</sup> are union members.



#### PERFORMANCE recognition

The Co-operative Group won three *Personnel Today* Awards in 2011. We were named Overall Winner and won awards for Managing Change and Workplace Diversity.

# Reward

Indicator: **Salary and benefits**

Rewarding colleagues for their contribution to our business is a key element of our strategy to attract and retain a talented workforce.

## Salary and benefits

Salary patterns differ across the businesses, with a larger proportion of Banking Group employees earning higher wages.

We operate performance-based bonus schemes in a number of areas in the

Trading Group and for the majority of Banking Group employees<sup>9</sup>. During 2011, 62% of eligible employees in the Trading Group<sup>10</sup> and 94% in the Banking Group<sup>11</sup> received a bonus.

We offer the same range of benefits to part- and full-time staff, and the majority of benefits are also available to temporary employees. See a full list of benefits online .

At the end of 2011, 93% of colleagues were employee-members. Subject to business performance, employee-members receive a dividend to reflect their contribution, which was a maximum of £500<sup>12</sup> for the 2010 financial year and paid in July 2011.

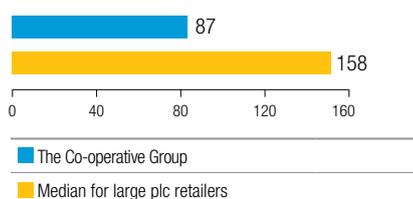
### Proportion of staff in each salary band<sup>13</sup>

	Trading Group <sup>14</sup>					Banking Group <sup>15</sup>				
	Up to £15,000	£15,001 to £20,000	£20,001 to £30,000	£30,001 to 40,000	£40,001+	Up to £15,000	£15,001 to £20,000	£20,001 to £30,000	£30,001 to 40,000	£40,001+
2008	75%	11%	10%	3%	1%	25%	24%	17%	10%	10%
2009	77%	9%	9%	3%	2%	25%	25%	22%	12%	11%
2010	77%	9%	9%	3%	2%	19%	35%	22%	12%	13%
2011	76%	9%	9%	3%	3%	17%	35%	22%	12%	14%

## Executive remuneration

Members of the Group Executive are eligible to participate in an annual incentive plan and a long-term incentive plan, which is determined by the Remuneration & Appointments Committee. The committee does not consider it appropriate to adhere to the size of incentive pay typically available in public limited companies (plcs) and accordingly the amounts payable under these plans are around half the market level in comparable plcs. The highest to lowest total pay ratio in The Co-operative Group is consequently significantly lower than the norm for plc retailers.

### Chief Executive total pay as a multiple of the lowest pay (full time)<sup>16</sup>



## Pensions

Every employee is offered the opportunity to join a pension scheme<sup>17</sup>. In 2011, members contributing to the scheme totalled 20,000 with 64,000 deferred and 51,000 pensioners and widows. The relatively low proportion of employees within the scheme is partly due to the high proportion of part-time staff and high turnover levels within the retail sector.

### Staff who are members of a pension scheme

	2008	2009	2010	2011
Trading Group	16%	15%	14%	13%
Banking Group	68%	72%	66%	68%
All businesses	21%	21%	19%	18%

During 2011, we aligned pension arrangements for former Somerfield staff and completed alignment of terms and conditions for former Britannia staff. We also consulted with colleagues on a proposal to harmonise future pension provision, aligning arrangements as part of Unity and providing greater choice. We will assess and implement the outcomes of the consultation in 2012.

# Workforce diversity and inclusion

Indicator: **Workforce composition**

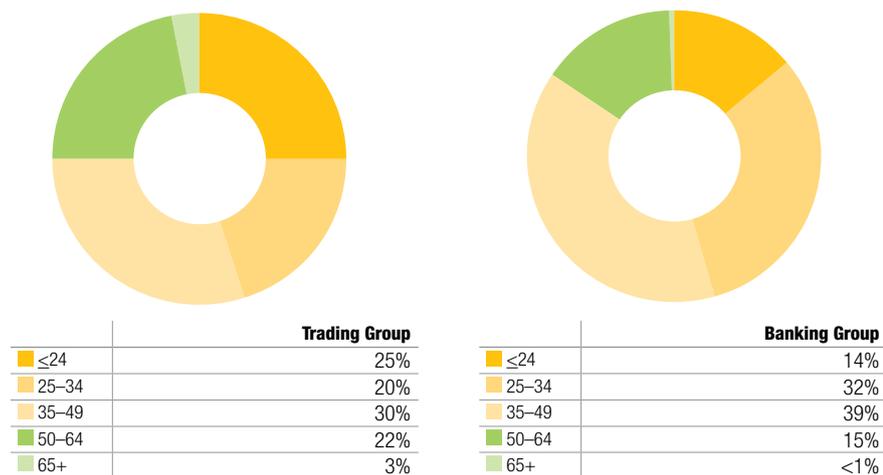
Targets 2011	Progress	Targets 2012
Refresh and republish Banking Group and Trading Group diversity-related policies in line with the Equality Act 2010	✓ Updated diversity policies were published	
Complete a diversity census of the Trading Group workforce, and roll out diversity monitoring of Banking Group employees	✓ The Trading Group ran a diversity census in July 2011 and comprehensive diversity data is now available for 37% of staff. The Banking Group completed diversity monitoring in August 2011	To build on the Trading Group census, roll out a second phase of targeted data collection, to include an additional 23% of employees
Within the Trading Group, publish a cultural awareness guide for all line managers	✓ A cultural awareness guide was developed and made available to all managers	
Pilot a mentoring programme for future female leaders within the Trading Group	↶ To better support future female leaders in the Trading Group, we held a Women in Management consultation event. This helped to identify the most appropriate support for female progression, and will inform the mentoring programme we will pilot in 2012	Build a proactive career support network for women within the Trading Group and attract 300 members during 2012
Pilot diversity awareness training for Co-operative Food store managers in at least one region in 2011	↶ While we developed a training programme, delivery was put on hold due to organisational change	Pilot diversity awareness training for Co-operative Food store managers in at least one region in 2012
Introduce supplier diversity monitoring into all Banking Group tender processes	✓ A diversity questionnaire was introduced into supplier tender documents	

We strive to build a workforce that is diverse, inclusive and represents our wide customer base. The Trading and Banking Groups monitor workforce information

separately and reporting periods differ slightly ↶. In future, we will look to align measurement and monitoring of employee and diversity data across the business.

During 2011, we carried out a diversity survey across the Trading Group resulting in diversity data for 37% of employees. We aim to raise this to 60% through a second phase of data collection in 2012. A self-service employee data centre was introduced for all Banking Group staff in 2011, which will help us to monitor diversity on an ongoing basis.

## Proportion of employees in each age band



**PERFORMANCE benchmark**

60% of employees at The Co-operative are female compared to a UK average of 47%<sup>18</sup>.

24% of Co-operative employees are over 50 years of age compared to 28% of people in UK employment<sup>19</sup>.

## Proportion of female employees, female managers<sup>20</sup>, ethnic minority and disabled employees<sup>21</sup>

	Trading Group						Banking Group					
	Female		Ethnic minority		Disabled		Female		Ethnic minority		Disabled	
	Employees	Managers	Employees	Managers <sup>22</sup>	Employees	Managers	Employees	Managers	Employees	Managers	Employees	Managers
<b>2008</b>	64%	50%	7%	8%	1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>2009</b>	64%	53%	7%	n/a	4%	n/a	58%	46%	n/a	n/a	2%	n/a
<b>2010</b>	63%	49%	9%	n/a	4%	n/a	59%	45%	4%	3%	2%	n/a
<b>2011<sup>23</sup></b>	60%	45%	10%	7%	4%	2%	62%	49%	4%	2%	2%	2%

**Memberships**



We're an active member of various professional bodies that promote

diversity and inclusion in employment, and aim to share best practice and improve our performance. In 2011, we became a founding member of Inclusive Employers, which supports companies in developing an inclusive work environment. The Banking Group worked closely with the Government's Access to Work initiative and we continued to be members of other non-profit organisations and to support diversity campaigns: Opportunity Now; Race for Opportunity; Employers' Forum on Disability; Stonewall; and Employers for Carers.

**PERFORMANCE recognition**

We featured in the charity Stonewall's Star Performer network in 2011 (one of only 47 organisations in the UK to do so) and were named Business of the Year at the Lesbian and Gay Foundation's Homo Hero Awards 2011.



**Diversity awareness and training**

We are committed to raising the profile of diversity issues via our communications and staff training. Across the Trading Group, we have diversity champions for sexual orientation, age, disability and ethnicity.

In 2011, we provided a guide, *Understanding Difference*, to our employees to raise awareness of the diversity of our workforce and the communities we serve. We also continued regular diversity bulletins on staff intranet sites and employee events.

Trading Group diversity training in 2011 focused on recruitment processes; for example we included training on diversity for our new recruiting managers.

Across the Banking Group, diversity training was refreshed, and all colleagues were required to complete an online course at the

start of 2011 – this training will be refreshed annually for all colleagues to undertake.

**Supplier diversity**

In 2011, we emphasised our commitment to recruiting diverse talent among our suppliers. Progress against our target to pilot diversity awareness training for Co-operative Food store managers was delayed due to organisational change and will be progressed in 2012.

In 2011 the Banking Group introduced a diversity questionnaire to supplier tender documentation. Forming part of the selection process, it monitors supplier diversity and includes questions on diversity measures and policies.

In 2012 we will put systems in place to manage this information electronically.

**PERFORMANCE recognition**

We won the AARP Best Employers for Workers over 50 International Award 2011. The award recognises our positive approach to older workers, eg, since 2006, we do not issue a fixed retirement age.



We are also recognised as an Age Positive Employer by the Department for Work and Pensions.

**In focus**

**Women in management**

Women are traditionally underrepresented in business management roles, particularly as seniority increases<sup>24</sup>.

Within the business, continual improvement is needed, along with further support for female representation at managerial level, especially given that organisational change<sup>25</sup> has resulted in a small decline in representation.

In 2011 we held a consultation event for female employees entitled Women in Management, focusing on obstacles and potential solutions to the progression of women in the workplace. Over 120 women attended, and as a result, a three-year work plan has been developed, which includes developing mentoring opportunities, and support on progression for pregnant women and mothers.

We also launched Women's Challenge 2020 – a campaign in partnership with Co-operatives UK, which will seek to ensure women are fairly represented at all levels within the Co-operative Movement. (See page 81 for more information on membership diversity.)

**In focus**

**The Respect network**

We have an active Lesbian Gay Bisexual and Transgender (LGBT) employee network, Respect. It works alongside a dedicated diversity team, offering support and advising the business on LGBT matters.



Respect started in 2010 and had over 1,000 members at the end of 2011. It supported The Co-operative's presence at nine Pride festivals across the UK in 2011. In 2012, we will continue to recruit new members, and aim to increase regional staff participation and female representation. In line with these goals, we're planning to introduce regional Respect champions and a female co-chair as well as to expand the steering group team and improve network monitoring.

**PERFORMANCE benchmark**

In 2011, we were recredited as a Two Ticks employer, recognising our commitment to recruiting and developing people with a disability.

The Trading Group was ranked 64th in Stonewall's Workplace Equality Index 2011 (2010: 79th) and is the only retailer to feature in the top 100.



# Health, safety and well-being

Indicator: **Accident rates**

Indicator: **Absence rates**

Targets 2011	Progress	Targets 2012
By the end of 2011, roll out flexible working to a further 400 Trading Group head office employees	✓ Target was exceeded with flexible working being rolled out to over 1,000 colleagues	Complete roll out of flexible working for Trading Group head office employees
Implement support for employees who are also unpaid carers, including a policy and support network	↔ We launched a programme of support for carers with a consultation event in 2011. A new carers policy is being developed	Launch and promote the carers policy among employees in 2012

The health and safety of all colleagues is of paramount importance and we aim to promote staff well-being and provide access to support services. We signed up to the Public Health Responsibility Deal in March 2011, committing to four health at work pledges, further details are available online [Co-op](#).

## Health and safety

Developing a new Health and Safety Compliance and Risk Management programme was a key business objective in 2011, to further formalise health and safety processes and partnerships across the business. We're also developing a new database to better identify incident trends and need for additional support.

We've seen a year-on-year reduction in reportable accidents in the Trading Group, which may be due to awareness-raising initiatives such as: employee health and safety and fire safety weeks where awareness of these topics is highlighted across every business in the Group; engagement with operational management; and improved reporting of accidents and incidents. In previous years reported accident data for the Banking Group has been

### Trading Group accident rates

Accidents per 100,000 employees	2008	2009	2010	2011
Reportable <sup>26</sup>	1,395	1,005	930	792
Non-reportable	9,739	9,430	8,882	8,304

### Banking Group accident rates

Accidents per 100,000 employees	2008	2009	2010 <sup>27</sup>	2011 <sup>28</sup>
Reportable	62	103	6	8
Non-reportable	1,585	1,788	142	158

inconsistent with Health and Safety Executive (HSE) reporting guidelines<sup>29</sup>. In 2011, the reporting procedure was improved to be consistent with the guidelines, accounting for the significant change in figures. The 2010 figures have also been restated in line with HSE guidance. No fatalities were reported across the business during 2011.

## Well-being

The Co-operative's Employee Assistance programme is a 24-hour service operated by AXA ICAS, which provides access to a range of specialist support services, including a free helpline with fully trained and qualified

telephone counsellors, available 365 days per year. It is also available to employees' immediate family members living in the same household. In 2011, we introduced an email counselling service to make it easier for more people to seek professional support. During 2011, 1% (2010: 1%) of employees from the Trading Group and 2% (2010: 3%) of colleagues from the Banking Group used these services.

We strive to promote the view that violence against people is unacceptable. We are a member of the Corporate Alliance against Domestic Violence and have a Trading Group policy to support employees experiencing domestic violence.

### In focus

#### Support for carers

In line with the Equality Act, we're increasing support for carers by establishing a formal policy and support network. In 2011, Trading Group employees were asked, via a survey, about their caring responsibilities. 5% of respondents said they had caring responsibilities towards an adult or adults with long-term ill health or a disability.



In 2011, we held a Carers Support event during Carers Awareness Week at our head office, bringing together employees who are carers with experts from caring organisations and support bodies. We made additional resources for carers available on the intranet, and, based on feedback, developed a carers policy due to launch across the business in 2012.

## Work/life balance

The majority of our employees work part-time, 60% of whom are store-based. There is also an increasing focus on flexible working for head office colleagues. During 2011, we enabled over 1,000 colleagues to take up flexible working, exceeding our target of 400. As at the end of 2011, a total of 1,525 head office colleagues were working flexibly. The Banking Group will develop a new approach to flexible working in 2012 in line with our Unity project (page 90).

**In focus**

**Flexible working**

As part of our flagship office development programme (inside front cover), we are introducing more flexible ways of working. Teams across the head office are being supported through the technical and cultural changes associated with moving to a more flexible working environment through improvement of office space, introduction of new technology and provision of opportunities to work outside core hours. It is hoped that flexible working will enable colleagues to have a better work/life balance, feel more engaged and perform at their best.

In summer 2011, an internal survey found that as a result of flexible working: 85% of employees reported same or improved productivity; and 49% of employees felt better about their job.

**Absence**

We aim to minimise absenteeism by supporting employees and managers in dealing with absence and return to

work. During 2011, we worked with our occupational health services provider to review services offered and delivered additional guidance to managers supporting employees with long-term health conditions. Guidance on working with a long-term medical condition was also developed for employees. In March 2011, the Banking Group introduced a new sickness absence management policy, and a programme to support this will continue in 2012.

In the Trading Group, the main known causes of absence<sup>30</sup> were injury-related. Stress is the most common known cause of absence in the Banking Group and one of the biggest drivers of absence in the UK among non-manual workers<sup>31</sup>. Stress-related absence in the Banking Group has more than halved since 2010 – partly the result of an employee stress risk assessment pack and factsheets promoting stress awareness.

**Whistle-blowing**

As part of its Code of Business Conduct, the Trading Group has a whistle-blowing policy and service called Speak Up, and the Banking Group has its own internal whistle-

**PERFORMANCE benchmark**

In 2011, the Group's absence rates remained stable at 4% for both the Trading Group and Banking Group<sup>32</sup> (2010: 4%). The 2011 average UK absence rate was 3%<sup>33</sup> and the industry average absence rate in the finance, insurance and real estate sector was 4%<sup>34</sup>.

blowing service. These confidential services enable colleagues and Trading Group suppliers to raise complaints relating to any business conduct issue or malpractice. All calls received through both internal and external routes are reported to the audit and risk committees. We will launch the Speak Up service to the Banking Group in 2012.

During 2011, 276 (2010: 50) and 63 (2010: 39) correspondences were received respectively by the Trading and Banking Group; the majority of which were of a low level of concern. The increase is due to relaunching these services to staff following the introduction of the Bribery Act, and extending the Speak Up service to Trading Group suppliers.

**Personal development and training**

Indicator: **Number of training days provided**

Developing colleagues is crucial for building a successful business. We offer a wide range of opportunities covering both business skills and wider personal development and have an Education and Vocational Qualifications Policy to promote further studying.

Across the three largest businesses of the Trading Group Food, Pharmacy and Funeralcare), we invested an average of £105 and 0.9 days training<sup>35</sup> per employee during 2011<sup>36</sup>. In addition to the business-specific training, a small proportion of training is organised centrally. Further details on training are provided online .

Across The Banking Group, we invested an average of £388 (2010: £164) and 1.7 days (2010: 2) of training per employee. During 2011, we increased investment in online and workplace-based learning, as part of our strategy to diversify training support. We also launched a new management, leadership and coaching zone, an intranet resource, providing colleagues with access to learning, including elements associated with business change (see page 90).

During 2011, The Trading Group launched a leadership development zone, an online

portal providing senior managers with access to development resources including guidance, case studies and podcasts.

In 2012, an in-house pre-retirement course will be launched, following a successful pilot that took place in 2011.

**PERFORMANCE recognition**

The Trading Group has Investors in People accreditation, which recognises organisations that aim to improve performance by developing their employees.



**Graduate and undergraduate programmes**

The Co-operative Graduate Programme offers opportunities across the business while supporting our ambition of Inspiring Young People (pages 44–48). In 2011, we launched two new schemes within the Graduate Programme, in HR and Retail Operations and continued to run CIMA Accredited Finance and Business

**PERFORMANCE benchmark**

We were ranked 58th in *The Times* Top 100 Graduate Employers.



We were also ranked 29th in TheJobCrowd (a graduate careers website) Top Companies For Graduates To Work For in 2011, based on current and previous graduates' experience of our programme.

**Apprenticeship Academy**

A Group-wide Apprenticeship Academy was announced in 2010 and officially launched in July 2011. The Academy provides a range of apprenticeship opportunities for 16–24 year olds (page 47).

# Customers

## Background

Modern-day consumers have more choice than ever before, with faster access to higher-quality, good-value products and services. But in December 2011, amid continued economic uncertainty, the confidence of UK consumers reached its lowest point in three years<sup>1</sup>. To achieve sustainable commercial success, it is vital to nurture customer loyalty and support through excellent customer care, service and offering.

## Materiality and strategy

The Co-operative Food has approximately 14.5 million customers each week and the Banking Group has approximately

eight million in total. Customers are key stakeholders and customer satisfaction is a strategic priority. One of the six aims underpinning the business vision is 'to meet the needs of our customers and the communities we serve'. We measure customer satisfaction through customer surveys, and performance is linked to the remuneration of the Executive team.

In addition to using customer surveys, we are increasingly using a range of other engagement channels – such as social media, consumer panels and online communities – to ensure that our products and services meet and exceed the needs of our customers.

## Customer satisfaction

Indicator: **Customer Satisfaction Index scores**

Targets 2011	Progress	Targets 2012
Achieve a Customer Satisfaction Index score of 78.3% for The Co-operative Food	✓ We achieved a Customer Satisfaction Index score of 79.1% for The Co-operative Food	Achieve a Customer Satisfaction Index score of 80.6% for The Co-operative Food
Maintain a minimum Customer Satisfaction Index score of 90% for The Co-operative Pharmacy	✓ We achieved a Customer Satisfaction Index score of 91.7% for The Co-operative Pharmacy	Maintain a minimum Customer Satisfaction Index score of 90% for The Co-operative Pharmacy
Maintain a Funeralcare Excellence Score of 90	✓ We achieved a Funeralcare Excellence Score of 92.4	Maintain a Funeralcare Excellence Score of 90
Maintain a customer advocacy score for The Co-operative Banking Group that is at least 8.5% <sup>2</sup> ahead of our peer group	✓ The Co-operative Banking Group averaged 10.3% above the 'top five' peer group across the year	Maintain a customer advocacy score for The Co-operative Banking Group that is at least 8.5% ahead of our peer group

Customer satisfaction is tracked across The Co-operative Food, Pharmacy, Funeralcare, Legal Services and The Co-operative Life Planning, using the Customer Satisfaction Index (CSI) as our key measure of satisfaction. Introduced at the beginning of 2010, the CSI assesses how we are 'doing best what matters most

to customers'<sup>3</sup>. Between 500 and 600 customers are surveyed every month<sup>4</sup> and are asked to register satisfaction on a ten-point scale. Due to the sensitive nature of their business, The Co-operative Legal Services and Funeralcare use postal surveys to track customer satisfaction<sup>5</sup>.

Satisfaction scores vary across our businesses, reflecting the different market sectors and the methods of measurement used.

### The Co-operative Food

A CSI of 79.1% (2010: 77.2%) exceeded our 2011 target of 78.3%. Areas identified for improvement within the survey include value for money, product availability and range, and queuing times.

### The Co-operative Pharmacy

Exceeding our 2011 target of 90%, we achieved a CSI of 91.7% (2010: 91.3%). Priorities identified by customers for improvement in 2012 include privacy within pharmacy branches, availability of prescriptions and length of waiting time.

### The Co-operative Funeralcare

Satisfaction results remained extremely high with 98.48% of customers reporting they were either 'very satisfied' or 'fairly satisfied' with their overall experience.

Customer service questionnaires are used to calculate a Funeralcare Excellence Score (FES), based on the quality of customer service. The 2011 FES was 92.4 (91.5 in 2010), exceeding our target of 90. Priorities for improvement were identified within the surveys as: fully explaining to all clients exactly what will happen on the day of the funeral and ensuring continued contact between the time of arranging the funeral and the day of the funeral.

#### Customer satisfaction: The Co-operative Funeralcare

2008	2009	2010	2011
97.77%	97.97%	98.17%	98.48%

### The Co-operative Legal Services

Customer satisfaction remains relatively stable with 72% of respondents rating their satisfaction with the overall experience as a nine or a ten out of ten. Priorities for improvement, identified by customers, include speed of answering calls, duration of appointments/claims and regularity of updates.

#### Customer satisfaction: The Co-operative Legal Services

2008	2009	2010	2011
72%	74%	75%	72%

### The Co-operative Bank

The Banking Group focuses on customer advocacy<sup>6</sup> to monitor satisfaction, using the GFK NOP Financial Research Survey – a financial sector survey to effectively measure advocacy and benchmark performance against a peer group<sup>7</sup>. This better understanding of performance in critical areas can drive higher levels of advocacy among our customers<sup>8</sup> and lead to business growth.

 **PERFORMANCE benchmark**

10% more customers would recommend The Co-operative Banking Group than the average of our 'top five' peer group<sup>10</sup>.

The Banking Group exceeded its 2011 target to perform at least 8.5% above its 'top five' peer group average for customer advocacy, averaging 10.3% above the group across the year.

The Banking Group also carries out satisfaction surveys among corporate and business customers, weighting survey results according to the stated importance of attributes<sup>9</sup>. We achieved a Satisfaction Index of over 86% among our corporate banking customers (business customers with turnover exceeding £1m), who told us that the accuracy of banking transactions and keeping our promises and commitments are what matter to them most.

#### Customer satisfaction: Corporate banking customers

2008	2009	2010	2011
83.7%	84.0%	84.9% 	86.2%

#### Customer satisfaction: Business banking customers

2008	2009	2010	2011
84.2%	82.7%	80.3%	84.4%

## Reputation and brand

Indicator: **Brand awareness and performance recognition**

Target 2011	Progress	Target 2012
Complete the rebrand of The Co-operative outlets <sup>11</sup>	 We have completed the rebrand process for all Group sites that are within scope of The Co-operative rebrand	

The Co-operative Group has historically measured its reputation among UK consumers via the Corporate Reputation Index (CRI). However, as a result of a number of changes within the organisation this study was not repeated in 2011. Evaluation metrics for the organisation,

including the measurement of reputation and customer satisfaction, are being reviewed to ensure that they are in line with our strategy (ie, they measure the things that we expect to be impacting) and enable us to take action as a result. It is also important that any measurement

framework can be applied across the whole of the Group including the bank. Work is currently underway to develop an appropriate brand health/reputation measurement, which is likely to be introduced during 2012.

...Reputation and brand continued

## Rebranding programme

During 2011, The Co-operative rebranding programme continued to unify our different businesses and other co-operative societies under one identity. Brand standards are designed to improve customer experience and achieve a higher level of customer satisfaction. By December 2011, 5,400 outlets were rebranded (2010: 4,900), completing the rebrand for all Group sites included within The Co-operative rebrand project. A programme of store interior refits is ongoing (page 51).



A rebranded Co-operative Food store.

## PERFORMANCE recognition

- Named Sustainable Retailer of the Year at the Retail Industry Awards 2011.
- *Which?* rated us the Number 1 high street bank for customer services.
- Our current account was rated the best current account in the Moneywise Customer Service Awards 2011.
- Global market research company JD Power rated us the top high street bank for customer satisfaction.



## Customer relations

Indicator: **Customer complaints**

Target 2011	Progress	Target 2012
Maintain complaints received by The Co-operative Banking Group to less than two per 1,000 accounts, policies and portfolios <sup>12</sup>	 In the first half of 2011 we received 1.84 complaints per 1,000 accounts, policies and portfolios. However, due to the increased volume arising from Payment Protection Insurance (PPI) enquiries, complaints in the second half were slightly higher at 2.09 per 1,000 accounts, policies and portfolios	Maintain complaints received by The Co-operative Banking Group to less than two per 1,000 accounts, policies and portfolios in each half year <sup>13</sup>

The Customer Relations department is the first point of contact for customers who wish to comment on our products, policies and operations, or to find out about the source of own-brand products. It generates information that helps us to understand and respond to emerging consumer issues. In 2011, the Customer Relations department took 201,204 calls from customers; of all correspondence received, 19,230 instances related to product complaints (2010: 31,437).

The Co-operative Banking Group and Pharmacy each operate their own customer contact centres to handle customer queries and complaints. In 2011, the Pharmacy business continued to target areas for improvement in response to customer feedback, resulting in almost 20% fewer customer complaints, including stock availability, privacy, customer experience and reduction in waiting times.

### Complaints received

	2008	2009	2010	2011
Customer relations <sup>14</sup> (largely food related)	n/a	n/a	31,437	29,094
The Co-operative Pharmacy	915	1,552	1,210	970
The Co-operative Banking Group	50,151	42,588	47,883	58,714

The Co-operative Banking Group received less than two (1.84) regulated complaints<sup>15</sup> per thousand live accounts, products or portfolios in the first half of 2011, rising to 2.09 in the second half of the year (2010 H1: 1.91, H2: 1.83). An increase in the second half of 2011 was due to complaints relating to Payment Protection Insurance (PPI), where cases were put on hold pending the outcome of a judicial review in April 2011. In 2011, 17,521 complaints related to PPI. Further data on bank complaints are reported in accordance with FSA requirements and are available on the FSA website<sup>16</sup>.

## PERFORMANCE benchmark

At The Co-operative Bank and Insurance, 91% and 95% of customer complaints respectively were resolved within eight weeks, compared to an average of 86% across the financial services industry<sup>17</sup>.

# Customer engagement

Target 2011	Progress	Target 2012
Seek to use new technology to help consumers make ethical choices	 We will progress our use of technology to influence consumer ethical decision-making during 2012/13	Seek to use new technology to help consumers make ethical choices

Customer satisfaction surveys are just one of the ways that we engage with our customers. We use a number of other customer communication and feedback channels such as social media to improve our engagement and insight.

## Social media and campaigns

In 2011, we set out to substantially increase our engagement with customers on consumer and ethical issues.

In March 2011, we launched Join the Revolution, our largest ever marketing campaign on ethics. The national TV, press and online campaign told the story behind The Co-operative 'revolution' – the creation of a business based on democratic principles, owned by its customers and reinvesting in the community. The campaign also focused on the people whose personal revolutions have been supported, from community-owned wind turbines to urban beekeeping.



The campaign laid the groundwork to expand our 'social network' to engage customers and members. As of December 2011, more than 101,000 people liked or followed one or more of our social media pages, a four-fold increase on the previous

year (2010: 24,000); we will continue to utilise social media to drive customer engagement. A Social Goals email update continued in 2011, with subscriptions doubling to more than 30,000 customers and members (2010: 15,000). Other communication channels included point-of-sale promotions in stores, campaign inserts in bank statements and coverage in customer magazines.

## Chip and pin feedback: InSight

Our Food business uses chip and pin terminals to gather customer feedback on pertinent customer service, sustainability and business issues. InSight was designed and developed in-house and is, we believe, unique to The Co-operative. We received an average 405,500 responses every week in 2011 (2010: 365,000), providing an instant picture of customer opinion.

### InSight customer feedback

**September 2011 chip and pin terminal survey of The Co-operative Food customers**

**Question: "Were we friendly and helpful?"**

(Total responses: 485,876)

Yes	<div style="width: 94%; background-color: #f1c232; border: 1px solid #ccc;"></div> 94%
No	<div style="width: 6%; background-color: #ccc; border: 1px solid #ccc;"></div> 6%

0 20% 40% 60% 80% 100%

## Consumer panels and online communities

### The Co-operative Food: The Taste Team

The Taste Team is our consumer panel made up of over 2,500 employee-customers, who sample every new product and provide feedback. In 2011, 312 products were assessed by The Taste Team (2010: 343). Of the five largest food retailers in the UK, we are the only one to test food products in the home – the method considered to be the most realistic.

### Up for Discussion – consumer community

Up for Discussion, an online community, was created in December 2010 to improve our understanding of consumer attitudes and behaviours across The Co-operative family of businesses. Approximately 1,550 registered participants are invited to offer views on a different consumer or lifestyle topic each week, with a total of 7,616 contributions received in 2011.

### Talking Shop – Food consumer community

Talking Shop is our private online community, set up in 2010 to engage with consumers and provide daily insight into issues relating to the Food business. In 2011, membership increased to 1,800 participants (2010: 1,300).

# Public policy

## Background

All too often, proposals for progressive ethical and sustainability legislation are blocked, or delayed, by the resistance of certain businesses and trade associations. As Kofi Annan said, when he was United Nations Secretary General, "Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy".

## Materiality and strategy

We believe that businesses wishing to stake a claim to leadership on sustainability issues must demonstrate that their public affairs activities are aligned with their publicly stated sustainability claims and objectives.

As a leading advocate of responsible business, we actively engage on public policy matters. We are committed to always being open about this activity and its outcomes, as well as making a full annual disclosure relating to membership and financial support for trade associations and political parties.



## Public policy engagement

Indicator: **Impact of public policy interventions**

Target 2011	Progress	Targets 2012
Finalise a new strategy for public policy engagement, with consideration of co-operative Values and Principles	<span style="color: orange;">✘</span> In 2011, no progress was made on the further development of a strategic political engagement policy	<span style="color: orange;">E.P</span> Uniquely in the UK, we will continue to use our influence to campaign for a more equitable and sustainable world, and will always be open about such lobbying and its outcome
		Finalise a new strategy for public policy engagement, with consideration of co-operative Values and Principles

Our Political Strategy Working Group<sup>1</sup> met in November 2010 to consider the purpose and define goals, transparency of process and ownership of a strategic political engagement policy. No further progress was made in 2011. A draft policy will be presented to the working group in 2012 for agreement, with a view to the final policy being discussed and agreed at a

Group Board strategy meeting by year end. It would then become part of the regular cycle of business planning.

### Influencing public policy

For reporting purposes, 'engagement' is restricted to instances where The Co-operative has pressed a point of

difference or where it has lent weight to a significant positive initiative on those issues already designated as material for broader disclosure in the Sustainability Report. Disclosure encompasses active lobbying with, and of, trade and business associations, as well as direct lobbying of Government at the UK and EU levels.

## Public policy engagement in 2011

Issue	Audience	Influence and action	Page
<b>International development</b>			
Export Credits Guarantee	Members of Parliament (MPs) and the Export Credits Guarantee Department	Contacted MPs on behalf of 30,000 members asking them to sign Early Day Motion (EDM) 622, which calls for reform of the Export Credit Guarantee Department. As at June 2012, 198 MPs had signed.	23
Vulture Funds	Governments of Jersey and Guernsey	Submitted consultation responses supporting the extension of the Debt Relief (Developing Countries) Act to those territories.	23
<b>Animal welfare</b>			
EU Welfare of Laying Hens Directive	Environment, Food and Rural Affairs Select Committee	Responded to the Select Committee's inquiry into the Directive supporting total compliance.	
<b>Diet and health</b>			
Public Health Responsibility Deal	Department for Health	Held meetings with the Department for Health to input into development of the scheme.	
<b>Responsible finance</b>			
Financial education	Department for Education	Submitted a response to the national school curriculum review in support of including financial education.	42
<b>Social inclusion</b>			
Fuel poverty	UK Government	Supported the Energy Bill Revolution campaign calling on the UK Government to use the revenue from the European Emissions Trading Scheme and the Carbon Floor Price to improve the energy efficiency of UK homes. We also supported the Warm Homes Amendment to the Energy Bill, which would introduce provisions to meet carbon reduction targets and eradicate fuel poverty.	35
Post Office mutualisation	Department for Business Innovation and Skills (BIS) and MPs	Submitted a BIS consultation response on Post Office mutualisation and, in support, met the BIS Shareholder Executive, met the Chair of the Post Office, met the Chair of All Party Parliamentary Group on Post Offices and attended a roundtable with the Minister for Postal Services.	43
<b>Inspiring young people</b>			
Votes at 16	UK Government and devolved Governments in Scotland and Northern Ireland	Supported the tabling of motions in support of votes at 16 in the UK Parliament, Scottish Parliament and Northern Ireland Assembly.	48
<b>Climate change</b>			
Mandatory greenhouse gas reporting	UK Government, Department for Environment, Farming and Rural Affairs (Defra), and MPs	Mobilised members and customers to contact their MP in support of EDM 799 calling on the Government to introduce mandatory greenhouse gas reporting for large companies. 162 MPs have signed. We also mobilised 190 businesses and civil society organisations to sign a letter to Government Ministers. In June 2012, the Government announced all companies listed on the London Stock Exchange will be required to report their GHG emissions from April 2013.	58
Community energy	Secretary of State for Energy and Climate Change	Held a Community Energy Summit with other membership organisations and the Secretary of State for Energy and Climate Change, to encourage Government support.	58

...Public policy engagement in 2011 continued

Issue	Audience	Influence and action	Page
<b>...Climate change continued</b>			
Feed-in Tariffs (FiTs)	Prime Minister and Department for Energy and Climate Change (DECC)	Co-signed a letter to the Prime Minister in support of the UK solar industry and FiTs. We also submitted a consultation response to DECC calling for better management of FIT reviews and more support for community projects.	58
Green Investment Bank (GIB)	HM Treasury, BIS and DECC	Supported the establishment of an independent, permanent and self-financing UK GIB and called for its funding remit to include community-scale renewables. A new report was distributed to ministers and civil servants in key Government departments.	58
National Planning Policy Framework	Department for Communities and Local Government	Submitted a consultation response on the National Planning Policy Framework calling for a 'presumption in favour' of community renewable energy projects and suggested locally agreed targets for community energy as part of Local and Neighbourhood Plans.	58
EU Fuel Quality Directive	European Commission, Members of the European Parliament (MEPs), European Parliament Environment and Petitions Committees, UK Under-secretary of State for Transport, EU member state representatives on Fuel Quality Committee	Undertook activities in support of an effective ban on tar sands as part of the Fuel Quality Directive, including: joint letters and briefing papers sent to the European Commission, MEPs and EU Member States; a MEP briefing session in the European Parliament; an EU citizens' petition with 21,000 signatories; a presentation to EU member state representatives on the Fuel Quality Committee; letters to and meetings with the UK Minister for Transport; and the publication of open letters in the form of advertisements in EU and UK press.	58
Shale gas moratorium	UK Government, MPs, Members of the Welsh National Assembly and European Parliament Environment Committee	Called on the UK Government to impose a moratorium on shale gas extraction and mobilised members to contact their MP in support of Early Day Motion 2292, which 49 MPs signed. We held a debate in Portcullis House, Westminster and supported a reception at the Welsh National Assembly in support of a moratorium. We also wrote to the European Parliament Environment Committee encouraging it to examine the issue.	58
<b>Biodiversity</b>			
Fish discards		We supported the Fish Fight campaign to reduce the number of fish discarded in European waters.	66



We called on the UK Government to suspend shale gas extraction and encouraged the European Parliament to examine the issue.



As part of our Clean Energy Revolution, we're campaigning to dramatically increase the number of communities democratically controlling and benefiting from their own renewable energy projects.

## Trade and business association memberships

The Co-operative has membership of a number of trade and business associations. In taking the broadest view of transparency in respect of public policy activities, all principal memberships, subscription fees and donations to trade and business associations are disclosed together with involvements in other organisations that seek to influence public policy or business practices.

### Trade and business association membership fees and donations, 2011

Name	Amount	Name	Amount	Name	Amount
Co-operatives UK	£979,636	The Wine & Spirit Trade Association	£20,000	Fresh Potato Suppliers Association	£4,357
Co-operative Employers Association	£268,000	British Institute of Embalmers	£17,917	Scottish Social Enterprise Coalition	£3,766
Building Societies Association	£217,129	UK Sustainable Investment and Finance (UKSIF)	£17,500	Corporate IT Forum	£2,754
British Bankers Association	£206,128	Institute for Citizenship	£17,500	Federation of Burial and Cremation Authority	£2,722
National Association of Funeral Directors	£179,155	The Fairtrade Foundation	£17,500	Scottish Federation of Housing Associations	£2,598
Federation of Small Businesses	£173,068	Scottish Grocer Federation	£17,300	British Institute of Funeral Directors	£2,550
Royal Pharmaceutical Society of Great Britain	£165,137	Combined Heat and Power Association	£16,440	Country Land and Business Association	£2,550
British Retail Consortium	£168,320	Association of Convenience Stores	£11,145	Roundtable on Sustainable Palm Oil	£2,000
Council of Mortgage Lenders	£110,515	Finance & Leasing Association	£10,240	World Council of Credit Unions	£1,817
Forum for the Future	£92,000	PRI Association (Principles for Responsible Investment)	£7,920	European Mentoring & Coaching Council	£1,770
Business in the Community (BITC)	£79,550	National Farmers Union	£7,394	British Food Importers and Distributors Association	£1,690
European Community of Consumer Co-operatives (Euro Coop)	£68,789	Renewable Energy Association (REA)	£6,792	WWF Forest & Trade Network	£1,619
Company Chemists Association	£66,539	Institute of Customer Service	£6,500	Council of Institutional Investors	£1,602
IGD Services (Institute of Grocery Distribution)	£54,608	National Farmers Union (England)	£6,096	SAC Association of Potato Producers	£1,600
International Co-operative Alliance	£50,899	The Climate Group	£5,500	European Sponsorship Association	£1,440
Ethical Trading Initiative	£30,000	British Nutrition Foundation	£5,245	Royal Pharmaceutical Society of Northern Ireland	£1,395
European Association of Co-operative Banks	£26,860	British Retail Consortium – Palm Oil	£5,000	National Farmers Union (Scotland)	£1,272
Scottish Renewables Forum	£23,113	Arts and Business	£5,000	London Benchmarking Group	£1,200
Association of British Insurers	£22,546	National Association of Memorial Masons	£4,810	International Chamber of Commerce	£1,260
Social Enterprise UK	£21,550	Association of UK Oil Importers	£4,785	<b>Total</b>	<b>£3,278,841</b>
Downstream Fuel Association	£20,010	International Association of Microfinance Investors	£4,743		

## Political donations

We are a significant supporter of The Co-operative Party (The Party), which was created in 1917 by the UK Co-operative Movement in order to promote its Values and Principles. The Party works to raise awareness of the benefits of the co-operative and mutual models, and to influence Government towards support for more co-operative action. The Party has representation in both Houses of Parliament, the Scottish

Parliament, the National Assembly of Wales and the Greater London Assembly, and, additionally, has 350 local councillors<sup>2</sup>.

In 2011, an overall financial contribution of £767,000 (2010: £749,000) was made to The Party in respect of the annual subscription and support for Party Councils. Additional donations of £10,000 and £5,000 were made to The Party to respectively support activities in advance

of devolved elections in Scotland and Wales, and during the Scottish Labour leadership campaign. In addition, a number of donations totalling £28,500 (including in-kind contributions, 2010: £5,000) were made to The Party to support a range of activity including party conferences. Furthermore, a small in-kind donation of £450 was made to The Labour Party, in the form of the provision of office space for Labour Party events.

# Expert commentary



Trust is the critical lubricant in society today. Trust is what the Bank of England says on the back of every bank note (“I promise to pay the Bearer on demand the sum of £20”), the equivalent of which is now entirely absent in Greece and Spain. Trust in our local hospital or care home, so that we feel confident that our interests as a patient or resident will be put above those of some distant shareholders – a form of trust that is being eroded away as inexorably as the coast of East Anglia is being eroded by the North Sea. Trust in our politicians – both nationally and locally – which opinion polls tell us is a vanishingly rare commodity.

Without trust, the wheels of the economy seize up. Without trust, the natural, day-to-day functioning of our communities and neighbourhoods is put at risk. Without trust, our governance systems are jeopardised by corrosive cynicism or debilitating indifference.

This Report is all about trust. As I've said in earlier Reports, the sheer weight of detail may seem to some as a little over the top – obsessive even! But out there, among The Co-operative's multiple stakeholder groups, there's somebody who wants to know how many of The Co-operative's 7.2 million members are taking an active role in the governance of the organisation; there's somebody who wants to know how many CCTV cameras have been installed in the abattoirs of

The Co-operative Food's own-brand meat suppliers; there's somebody who wants to know whether the promise to have a Co-operative presence in every postal area (to help combat social exclusion) is being complied with; and there are quite a lot of people (including myself!) who want to know what the multiple is, between the pay of The Co-operative's Chief Executive and that of the lowest-paid full-time worker in The Co-operative, in comparison to that of every other large plc retailer (not that most of them would dream of sharing that information!).

(The answers to those four questions, by the way, are on pages 77, 24, 39 and 91 respectively – and they all tell a good story!)

The point is that you can't pick and choose with Corporate Sustainability: it's pretty much all or nothing, including all the data about economic performance, profitability, market share and so on. And you certainly can't pick and choose so as to present a nice shiny picture – as I'm afraid some corporates are still inclined to do. Best practice performers in this area are prepared to share failure and disappointment as much as success and celebration.

I just want to dwell on two things this year: the work The Co-operative is doing for young people and education; and the work it's doing to promote sustainable energy.

The Co-operative's vision on education is to be “the best values-led provider of education in the UK”. There were 190 Co-operative Trust Schools at the end of 2011 (and a target for 200 by the end of 2012) and three Co-operative Academies. The work of the Schools Co-operative Society (page 45) becomes more important by the year, as does the wonderful Green Schools Revolution (launched in September 2011) to bring together a host of initiatives around food, energy and recycling – and making it possible for more and more kids to walk to school by promoting ‘walking buses’.

For far too many young people today, school is the easy bit. It just gets tougher from then on. The Co-operative (and the Co-operative Foundation) are piling a huge amount into schemes for young people – including an inspiring campaign (Truth about Youth) to correct some of the more grotesque misconceptions about young people today.

Finally, a word on the energy front, which I've been following much more closely over the last year, as Forum for the Future is now working closely with The Co-operative to help promote community-based renewable energy schemes.

It's now widely recognised that The Co-operative Bank is the outstanding market leader for investments in energy efficiency and renewables in the UK. Its decision to commit £1bn sent out such a positive message, as did the further agreement to set aside £100m of that total pot for funding small-scale community projects, both in renewables and schemes alleviating fuel poverty. As of 2011, £678m of that £1bn had been committed – a massive contribution to a sector that is being held back by Governments' failure to provide certainty within the sector.

Here too, it's all about trust. The more risk there is in any investment market, the higher the cost of capital. To keep down the cost of capital, we have to ‘de-risk’ those investments – and trust in what people say and what they promise is the single most important ingredient in that process.

For me, that's what co-operative ownership, and co-operative wealth creation in general, is all about.

A handwritten signature in black ink that reads "Jonathon Porritt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jonathon Porritt

Jonathon Porritt is Founder Director of Forum for the Future  
[www.forumforthefuture.org](http://www.forumforthefuture.org)

# Independent assurance statement



## Scope and objectives

**Two Tomorrows (Europe) Limited** has undertaken independent assurance of The Co-operative Group (The Co-operative) Sustainability Report 2011 (the Report).

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level Type 2 assurance, covering:

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles); and
- the reliability of specified sustainability performance information.

The performance information included in scope was all key data and claims in the printed Report. We have not checked the collation of data for the financial information taken from The Co-operative's audited Annual Report and Accounts. We did not review the GRI table or GRI application level in the Report.

We were also engaged to provide high-level assurance on the data and claims in the Responsible finance chapter (pages 33–38).

We used the Global Reporting Initiative (GRI) Quality of Information Principles as criteria for evaluating performance information.

## Responsibilities of the directors of The Co-operative Group and of the assurance providers

The directors of The Co-operative have sole responsibility for the preparation of the Report. Our statement represents our independent opinion and is intended to inform all The Co-operative's stakeholders in a balanced way.

We were not involved in the preparation of any part of the Report. However, having reviewed and provided feedback on drafts of the Report, in a number of instances changes were made to the final version.

We have had one other contract with The Co-operative in the past year to provide

a Tomorrows Value Rating benchmark report. This is the sixth year that we have provided assurance for The Co-operative. Some members of our team have acted as assurance providers to Co-operative Financial Services for the previous three years and to The Co-operative Bank for its Partnership Report for the six years prior to that.

Our team comprised Richard Dalley, Rachell Evans, Richard Evans, Adrian Henriques, Mark Line, Kate Martin, Judith Murphy and Elvin Ozensoy. Further information, including individual competencies relating to the team, can be found at: [www.twotomorrows.com](http://www.twotomorrows.com)

## Basis of our opinion

In our work, designed to gather evidence with the objective of providing the agreed level of assurance as defined in AA1000AS (2008), we undertook the following activities:

- Materiality review of sustainability issues that are of interest to stakeholders, could affect The Co-operative or were discussed with its management.
- Interviews with members of the Social Goals team and selected managers in the businesses responsible for sustainability issues.
- Review of The Co-operative's approach to stakeholder engagement and the outputs of recent stakeholder engagement. We had no direct engagement with stakeholders other than staff.
- Assessment of information provided to us by The Co-operative on its reporting and management processes relating to the Principles and the Ethical Plan.
- Assessment of supporting evidence for key claims in the Report.
- Review of the processes for gathering and consolidating data using the GRI Quality of Information Principles and, for selected samples, checking the data consolidation.
- Review of referrals to the bank Ethical Policy Unit to support a high level of assurance that the data presented in the Report are accurate.

## Findings and opinion

We have reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe The Co-operative's adherence to the Principles or its performance.

We believe the claims in the Responsible Finance section, on which we are providing high-level assurance, are reliable.

In terms of data accuracy, nothing came to our attention to suggest that data have not been properly collated from information reported at operational level, or that the assumptions used were inappropriate. We are not aware of any errors that would materially affect the data reported.

## Observations

The Co-operative has maintained good levels of performance in many areas, exemplified by the sustained levels of employee engagement. This is impressive given the continuing difficult economic climate. The business has also again provided extensive transparency in its Report.

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

## Performance information

Overall we have confidence in the level of accuracy demonstrated by the information in the Report.

As in previous years, manual collation and adjustment of data occurs. While The Co-operative has paid particular attention to ensuring the accuracy of performance data, automation would help to reduce the risk of error further. This affects waste, animal welfare, and also employee training for some operating companies.

For health and safety information there has again been a very significant improvement in the performance reported. Although changes in protocols and management practice can account for this, it does mean that comparability across years is difficult.

While the Report clearly signposts many of the detailed protocols underlying the numerous indicators within it, as we have noted in previous years there are some areas for which they have not yet been defined. We welcome the drafting of a protocol for the measurement of the estimated Fairtrade premium. As recommended in prior years, protocols would also make reporting much more robust across site-based environmental impacts such as water, waste and climate change where reporting boundaries need to be aligned and complex calculations performed consistently year on year.

**Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability**

The Ethical Plan is a leading example of a commitment to address stakeholder issues, sustainability and ethics. Integration of this commitment into the business planning cycle enables change to be driven through the business.

The Co-operative has a strong historical base of stakeholder engagement on which to build and integration of the Report with the Ethical Plan, itself based on engagement, takes this further. The Report provides detail on the key top-level targets set out in the Ethical Plan and a continued focus on specific and measurable progress in the narrative is to be welcomed.

**Material issues are those which are necessary for stakeholders to make informed judgments concerning The Co-operative and its impacts**

We believe the Report describes the majority of The Co-operative's material impacts and, as a whole, provides greater transparency than many others.

It is very welcome to see the addition of bonus information and pay ratios this year. There are still some issues for which it would be helpful to have additional transparency, for example, report more information on supplier payment practices.

The position of The Co-operative as one of the UK's largest landowners makes its commitment and achievement in relation to biodiversity all the more significant. We look forward to further significant initiatives in this area.

The Co-operative has taken a leading position in campaigning on sustainability issues and on its transparency around public policy interventions for a number of years. We look forward to seeing finalisation of the new strategy for public policy engagement, as the issue of corporate engagement with government is gaining increasing public awareness. The new strategy for community investment is to be welcomed and there are opportunities to deepen the measurement of community impact to cover other material areas such as relevant sponsorships, in order to better reflect the extent of The Co-operative's community investment.

**Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

In very challenging economic times, it is particularly encouraging to see the continuing commitment by The Co-operative to the support of disadvantaged regions and businesses, particularly small businesses.

To provide clarity on progress of the Ethical Plan, the Report should continue to update on annual progress towards the longer-term targets. For issues that are important to stakeholders beyond those included in the Ethical Plan, the Report should continue to include clearly measurable and specific targets and to publicly report progress of these activities.

The Co-operative's substantial achievements in animal welfare have been commended by Compassion in World Farming and the RSPCA. The development of a dedicated supply chain for own-brand milk is another significant example. Within the Report, the associated reporting of performance against particular standards and external benchmarks could be clearer and the provision of additional points of comparison is useful for stakeholders.

The Co-operative has maintained its real commitment to delivering sustainability, and in the light of increasingly challenging economic times, the way it delivers transparency will again come to the fore.



**Mark Line**  
Senior Principal Consultant

**Two Tomorrows (Europe) Limited**  
London  
July 2012

**Two Tomorrows (Europe) Limited** is part of DNV, a global provider of services for managing risk, helping customers to safely and responsibly improve their business performance. [www.twotomorrow.com](http://www.twotomorrow.com)

 **AA1000**  
Licensed Assurance Provider  
000-2

# End notes

## Managing sustainability

- 1 Terms of reference for elected committees can be found at [www.co-operative.co.uk/corporate/sustainability/areacommittees](http://www.co-operative.co.uk/corporate/sustainability/areacommittees)
- 2 [www.tomorrowvaluering.com](http://www.tomorrowvaluering.com)
- 3 The Co-operative complies with the UK Combined Code on Corporate Governance as far as it is applicable to an Industrial and Provident Society. Compliance is reported in the Annual Report and Accounts of The Co-operative Group (page 30) and The Co-operative Banking Group Financial Statements (page 11).
- 4 There are also three subsidiary boards, for the Banking Group, Food business, and other customer-facing businesses respectively.
- 5 Terms of reference for the V&P Committee can be found at [www.co-operative.co.uk/PageFiles/350358825/Final-VP-Terms-of-Reference-revised-July-2010.pdf](http://www.co-operative.co.uk/PageFiles/350358825/Final-VP-Terms-of-Reference-revised-July-2010.pdf)
- 6 The V&P Committee met four times during 2011 and also held a conference at which it met with regional V&P committees.
- 7 Full-time equivalent. Accurate as at December 2011.
- 8 The Executive Director of Corporate Affairs oversees Public Affairs, Public Relations, Corporate Communications and Social Goals.
- 9 The Co-operative Group Annual Report and Accounts, 2011, page 40.
- 10 The Co-operative Group Annual Report and Accounts 2011 pages 22–25 and The Co-operative Banking Group Financial Statements 2011 pages 46–70.
- 11 The Audit and Risk Committee comprises five Board members. Among other things, the Committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's performance, together with any significant financial reporting judgements contained in the financial statements.
- 12 The Banking Group's certification extends to the complete range of operations, activities, products and services, (personal and corporate banking, insurance, investments and pensions) including, but not limited to: The Co-operative Bank, The Co-operative Insurance, smile the internet bank, Britannia and Platform.
- 13 The Co-operative Food and The Co-operative Banking Group have member-mandated ethical policies; The Co-operative Pharmacy, The Co-operative Clothing and The Co-operative Funeralcare have ethical strategies. In 2011, these parts of the business accounted for 86% of total revenue.
- 14 Respondents comprised 64,000 Co-operative Group members and 36,000 members of other co-operative societies. Respondents to the consultation were representative of the overall membership base in terms of age, gender and location.
- 15 For further information on G3.1 application levels, see: [www.globalreporting.org](http://www.globalreporting.org)
- 16 [www.accountability.org](http://www.accountability.org)

## Social responsibility

### UK community investment

- 1 Based on a review of our accounting systems, we are now able to provide a more comprehensive measure of all the support The Co-operative's activities provide to communities exclusively in the UK.
- 2 Includes donations of products, equipment, facilities or other non-cash items, including the use of premises for events, donations of electrical products for fundraising prizes, and donations of fruit and vegetables to promote the Group's healthy living agenda.
- 3 Refers to investment in the community according to the LBG analysis, plus support for the Co-operative Movement.
- 4 Total contribution relating to support provided by The Co-operative Enterprise Hub excludes investment activities that support Credit Unions and overseas projects.
- 5 Includes our employee payroll giving scheme, local fundraising and contributions to The Co-operative Booster Fund, which supplements employees' fundraising activities.
- 6 RSPB £292,897; Friends of the Earth £6,328; Help the Aged £5,088; Greenpeace £62,499; Help the Hospices £9,838; Shelter £3,802; and Woodland Trust £26,071.
- 7 [http://inspireme.mencap.org.uk/map#map\\_top](http://inspireme.mencap.org.uk/map#map_top)
- 8 Based on 2010 performance data supplied to the London Benchmarking Group (LBG).
- 9 Of this, 162,416 hours were attributable to employee volunteering, 46,769 hours were attributable to management time.
- 10 Data includes support for the Co-operative Movement. Historic data on Co-operative Movement support is not available.
- 11 Ibid.
- 12 Figures relating to The Co-operative Food volunteers have been extrapolated from a 5% sample. 150 stores provided initial data (25 stores in each of the six operating regions) which equates to an estimated sample size of 1,750 employees. The LBG verified that the figures have been prepared in accordance with LBG guidelines.
- 13 The Inspire Me programme ran workshops in Greater Manchester, London, Birmingham, Liverpool and Bristol.
- 14 While the number of team challenges has decreased, the number of participants has remained relatively stable at 1,345 volunteers (2010: 1,400).
- 15 In 2011, a merger of The Co-operative Foundation into The Co-operative Community Investment Foundation commenced, and is expected to be completed by spring 2012. The operations and objectives of the foundations will not change; the purpose of the merger is to reduce overheads and streamline resources in the administration of the two foundations.

- 16 Of this, £9.6m has been invested in endowment funds that generate income for future disbursement, and £5.1m of which has been made available for distribution. £308,080 was earned in interest in 2011.
- 17 The Co-operative Foundation is a trading name of The Co-operative Charitable Foundation, a registered charity, which is governed by an independent Board of Trustees.
- 18 Excluding Wales, and subject to successful progress and future proposals from other current partners.
- 19 The Britannia Foundation is an independent registered charity, which is governed by a Board of Trustees.

### International development and human rights

- 1 Overall annual beneficiary numbers are lower than in previous years due to a change in the nature of water provision projects funded by the sale of The Co-operative Fairbourne Springs. This followed a strategic review by the One Foundation to expand the range of clean water technologies it implements and to expand its operations into very rural areas across Africa with an acute need for access to water. Rigorous baseline surveys and ongoing marketing and evaluation practices ensure that projects provide the most appropriate solution for the target community and offer the best value for money. However, the associated logistical costs, longer project timeframes and lower population density in target communities afford for fewer beneficiaries per project compared with the PlayPumps™ previously funded.
- 2 [www.ica.coop/coop/index.html](http://www.ica.coop/coop/index.html);  
[www.un.org/News/Press/docs/2009/dev2784.doc.htm](http://www.un.org/News/Press/docs/2009/dev2784.doc.htm)
- 3 When we say 'if it can be, it will be' we mean that 90% (by sales value) of the products that can be labelled as Fairtrade will be converted to Fairtrade by end 2013.
- 4 [www.fairtrade.org.uk](http://www.fairtrade.org.uk)
- 5 [www.co-operative.co.uk/fairtrade](http://www.co-operative.co.uk/fairtrade)
- 6 Data from Kantar World Panel.
- 7 Ibid.
- 8 The number of Fairtrade products reduced slightly in 2010 due to rationalisation of low-selling products following the integration of former Somerfield stores.
- 9 The value of Fairtrade premiums paid to producers in 2011 is estimated to be £2.2m. This does not include additional voluntary contributions to wine and chocolate producers.
- 10 The Co-operative was a founding member of the Ethical Trading Initiative (ETI) – an alliance of companies, non-governmental organisations (NGOs) and trades unions

who work together with the aim of improving working conditions in supply chains.

- 11 [www.co-operative.co.uk/soundsourcingcode](http://www.co-operative.co.uk/soundsourcingcode)
- 12 Through Sedex, companies are able to share the results of audits, thus reducing the need for duplication. The Co-operative Food is actively engaged in a number of Sedex working groups, for example the Sedex Associate Auditor Group, which works to improve the quality of social audits.
- 13 Suppliers deemed to be 'in-scope' include all tier-one sites and some tier-two sites (see notes 14 and 15).
- 14 A tier-one site is a production site at which goods are finished ready for supply to, or sale by, the end company.
- 15 A tier-two site is a production site that supplies goods or materials to a tier-one site for incorporation into the finished product.
- 16 The figures in this table represent all tier-one and tier-two sites registered on Sedex. Of these, 15 tier-two sites have not yet completed self-assessment.
- 17 The Co-operative Food will only accept site assessments conducted by approved third-party auditors and undertaken to a recognised, robust format. We undertake further due diligence tests by way of verification. In 2011, 11 such tests were undertaken (2010: 15).
- 18 High-risk suppliers' risk status is further reviewed by appropriate employees in the Food business.
- 19 Country locations of supplier sites are listed online [www.co-operative.co.uk](http://www.co-operative.co.uk).
- 20 Classification of countries is based on the UN's Millennium Development Goals regional classification, with countries of the Commonwealth of Independent States (CIS) classified as developed.
- 21 Of the total 205 assessments undertaken, 35% were undertaken in developing countries. Of the 1,200 improvement actions arising, 48% arose from sites in developing countries. 57%, 100% and 71% of the total non-conformances for the provisions of freedom of association, child labour and living wages, respectively, occurred in developing countries.
- 22 Major non-conformance: a breach that represents a danger to workers/those on site; a material breach of a code requirement/law; or a systematic breaking of a code requirement/law. Minor non-conformance: an occasional or isolated problem; an issue which represents low risk to workers/those on site; or a policy issue or misunderstanding where there is no evidence of a material breach.
- 23 Own-brand suppliers in scope represented 80% of own-brand sales value.
- 24 Of the 689 overdue actions, 323 (47%) were in tier-two sites. Our influence over completion of actions in tier-two sites is less than in tier-one sites as we communicate via our tier-one suppliers.

- 25 [www.co-operative.co.uk/humanrights](http://www.co-operative.co.uk/humanrights)
- 26 The four suppliers are Agrexco, Arava Export Growers, Adafresh and Mehadrin.
- 27 The majority of lendwithcare loan recipients are women, and studies have shown that supporting women can have the greatest impact on alleviating poverty as they spend a larger proportion of their income on the welfare of their households than men.
- 28 Co-operative support initiatives cover: Fairtrade premiums; community investment monies for Tackling Global Poverty eg, for 'beyond Fairtrade' initiatives and projects supporting overseas co-operatives; monies invested in carbon offset projects overseas; and affinity donations eg, through the sale of The Co-operative Fairbourne Springs water.
- 29 This figure was lower than the £7m expected due to the restated Fairtrade premiums value (page 17).
- 30 The contribution is match-funded by the Department for International Development's (DfID) Food Retail Industry Challenge (FRICH) Fund. FRICH is a fund launched by DfID to challenge the private sector to find ways of getting more food from Africa into UK supermarkets and other retail outlets, [www.dfid.gov.uk/Work-with-us/Funding-opportunities/Business/FRICH/](http://www.dfid.gov.uk/Work-with-us/Funding-opportunities/Business/FRICH/)
- 31 Out of a total project cost of £200,558.
- 32 Products where a pence-per-pack donation to a charity is made for each sale.
- 33 The ECGD backs millions of pounds worth of exports each year to fund overseas projects, often with insufficient attention given to their potential impact on human rights or the environment. If these projects go wrong they can become Third World debts.
- 34 Following the Arbitration (Scotland) Act 2010 and the newly established Scottish Arbitration Centre (opened in 2011), Scotland would be able to act as a seat of arbitration in cases of sovereign debt.

## Animal welfare

- 1 Defra (2010) Poultry and Poultry Meat Statistics [www.archive.defra.gov.uk/evidence/statistics/foodfarm/food/poultry/.../ppntc.pdf](http://archive.defra.gov.uk/evidence/statistics/foodfarm/food/poultry/.../ppntc.pdf)
- 2 Defra (2011) United Kingdom Cattle, Sheep and Pig Slaughter Statistics [www.defra.gov.uk/statistics/foodfarm/food/slaughter/](http://www.defra.gov.uk/statistics/foodfarm/food/slaughter/)
- 3 Defra (2010) Poultry and Poultry Meat Statistics [www.archive.defra.gov.uk/evidence/statistics/foodfarm/food/poultry/.../ppntc.pdf](http://archive.defra.gov.uk/evidence/statistics/foodfarm/food/poultry/.../ppntc.pdf)
- 4 Products include beef, lamb and pork joints; steaks, chops, mince, burgers, sausages, bacon and gammon; whole chickens, turkeys and ducks; and chicken, turkey and duck steaks, fillets and portions.
- 5 Compliance with UK farm assurance standards, or national equivalents, is assured for all own-brand fresh and frozen meat and poultry products. Outside the UK, suppliers are required to ensure, through independent third-party audits, that non-UK producers apply equivalent standards.
- 6 Quality Standard Marks are specifically applied to beef, lamb and pork products.
- 7 In accordance with Humane Slaughter Association species code of practice.
- 8 Compliance with UK farm assurance standards or national equivalents was assured for all own-brand UK-sourced fresh shell eggs, milk, turkey, duck, beef, lamb, chicken, pork, pig meat for sausage and bacon, and farmed salmon and trout. While compliance with farm assurance standards is similarly stipulated for other meat and poultry products (eg, non-UK cooked meats), and products that contain meat or poultry ingredients (eg, ready meals), evidence of application is much more difficult to secure.
- 9 Includes sales of Elmwood, RSPCA Freedom Food, organic, free-range and traditional breed products. Details of these welfare standards are provided throughout the chapter with further information available online . Figures include sales of prepared and 'ready to go' products.
- 10 Egg sales account for approximately half of all Freedom Food sales (2010: 50%; 2009: 53%; 2008: 55%; 2007: 51%).
- 11 Ibid.
- 12 With the exception of burgers.
- 13 Sheep are born and reared on open hills throughout the year. There are no boundaries or fences to keep different farm flocks apart.

## Diet and health

- 1 DoH (2011) Healthy lives, healthy people: a call to action on obesity in England.
- 2 Ibid.
- 3 Based on unit prices. The Healthier Choices range accounted for 4.2% of own-brand product sales in 2011. Of the products that make up the range, 48% have comparable equivalents in the standard ranges.
- 4 The Simply Value range accounted for 1.8% of own-brand product sales in 2011. Of the 99 products that make up the range, 40% have comparable equivalents in the standard ranges. Achieved with the tolerances accepted for nutritional analytical variation specified externally by LACORS; or where the sugar content of an economy-range product is slightly higher than the standard equivalent, due to an increased proportion of fruit or vegetables and consequently naturally occurring sugars (eg, own-brand value cheese and tomato pizza).
- 5 Other retailers meeting the targets in a similar timeframe were Asda and Waitrose.
- 6 The second food pledge (F2) of the Public Health Responsibility Deal states: "we commit to the salt targets for the end of 2012 agreed by the Responsibility Deal, which collectively will deliver a further 15% reduction on 2010 targets". For some products this will require acceptable technical solutions which we are working to achieve. These targets will give a total salt reduction of nearly 1g per person per day compared to 2007 levels in food. We recognise that achieving the public health goal of consuming no more than 6g of salt per person per day will necessitate action across the whole industry, Government, NGOs and individuals.
- 7 Like saturated fats, trans fats can raise cholesterol levels and are associated with an increased risk of coronary heart disease.
- 8 The third food pledge (F3) of the Public Health Responsibility Deal states that "we have already removed, or will remove, artificial trans fats from our products by the end of 2011."
- 9 Except those of negligible nutritional value (eg, tea and coffee), some 'assorted' products (eg, seasonal tins of biscuits) and fruit and vegetables, fresh meat and cooking aids.
- 10 'Green Dot' messages are based on approved nutrition claims under the Nutrition and Health Claims Regulation (EC) 1924/2006, plus wholegrain and five-a-day claims.
- 11 A change in accounting in 2011, means comparative figures for previous years are not available.
- 12 The first food pledge (F1) of the Public Health Responsibility Deal states that "we will provide calorie information for food and non-alcoholic drink for our customers in out-of-home settings from 1 September 2011 in accordance with the principles for calorie labelling agreed by the Responsibility Deal."
- 13 The first alcohol pledge (A1) of the Public Health Responsibility Deal states that "we will ensure that over 80% of products on shelf (by December 2013) will have labels with clear unit content, NHS guidelines and a warning about drinking when pregnant."
- 14 The third alcohol pledge (A3) of the Public Health Responsibility Deal states that "we will provide simple and consistent information as appropriate in the off-trade (supermarkets and off-licences) as well as other marketing channels (eg, in-store magazines), to raise awareness of the units, calorie content of alcoholic drinks, NHS drinking guidelines, and the health harms associated with exceeding guidelines."
- 15 30% of promotions, by number. Healthier products are defined as: produce, products passing through the FSA nutrient profiling model used by OFCOM, or any products from the Healthier Choice range. Food promotions exclude non-food grocery and beers, wines and spirits.
- 16 Ibid.
- 17 One alcohol pledge (A2) is only applicable to on-trade (eg, pubs and clubs) and so not applicable to our business.
- 18 The fifth alcohol pledge (A5) of the Public Health Responsibility Deal states that "we commit to maintaining the levels of financial support and in-kind funding for Drinkaware and the 'Why Let Good Times Go Bad?' campaign as set out in the Memoranda of Understanding between Industry, Government and Drinkaware."
- 19 The sixth alcohol pledge (A6) of the Public Health Responsibility Deal states that "we commit to further action

- on advertising and marketing, namely the development of a new sponsorship code requiring the promotion of responsible drinking, not putting alcohol adverts on outdoor poster sites within 100 metres of schools and adhering to the Drinkaware brand guidelines to ensure clear and consistent usage."
- 20 The fourth alcohol pledge (A4) of the Public Health Responsibility Deal states that "we commit to ensuring effective action is taken in all premises to reduce and prevent under-age sales of alcohol (primarily through rigorous application of Challenge 21 and Challenge 25)."
  - 21 The seventh alcohol pledge (A7) of the Public Health Responsibility Deal states that "in local communities we will provide support for schemes appropriate for local areas that wish to use them to address issues around social and health harms, and will act together to improve joined up working between such schemes operating in local areas as:
    - Best Bar None and Pubwatch, which set standards for on-trade premises;
    - Purple Flag which makes awards to safe, consumer-friendly areas;
    - Community Alcohol Partnerships, which currently support local partnerships working to address issues such as under-age sales and alcohol-related crime, are to be extended to work with health and education partners in local Government;
    - Business Improvement Districts, which can improve the local commercial environment."
  - 22 The NHS New Medicines Service is only applicable in England. The equivalent in Wales is the Discharge Medicine Review, providing advice for those recently discharged from hospital. Scotland has no equivalent scheme.

## Responsible finance

- 1 Yougov research for National Ethical Investment Week 2011, [www.neiw.org/about/media-centre/green-and-ethical-market-spreads-its-wings](http://www.neiw.org/about/media-centre/green-and-ethical-market-spreads-its-wings)
- 2 The Co-operative Ethical Consumerism Report 2011, [www.co-operative.co.uk/corporate/Investors/Publications/Ethical-Consumerism-Report/](http://www.co-operative.co.uk/corporate/Investors/Publications/Ethical-Consumerism-Report/)
- 3 [www.goodwithmoney.co.uk/ethical-banking](http://www.goodwithmoney.co.uk/ethical-banking)
- 4 Excluding assets held for sale and reclaim fund assets at year-end.
- 5 Including discontinued operations.
- 6 New data source for 2011 – The Nunwood survey has replaced TNS Omnibus. General public's response to survey question "which UK financial services provider is most ethical". UK adult population aged 18+.
- 7 [www.ftconferences.com/sustainablefinance/](http://www.ftconferences.com/sustainablefinance/)
- 8 Relates to those potential financial opportunities foregone following referral to the Ethical Policy Unit. Figure comprises the first year of income foregone as a result of business turned away in 2011 (£2,805,000) and declines originating in the years 2000–2010 (£15,239,500), on the basis that financial services provision will have retention beyond 12 months.
- 9 The site rates financial institutions according to six areas: Ethical Lending/Insurance, Responsible Lending, Financial Exclusion, Environment, Carbon Neutrality and Equal Opportunities. The Banking and Insurance businesses were rated as 'good' (the highest rating) in all categories except Responsible Lending, for which the Banking business rated 'average' and the Insurance business 'n/a'.
- 10 [www.ethicalconsumer.org/buyersguides/money/bankingcurrentaccounts.aspx](http://www.ethicalconsumer.org/buyersguides/money/bankingcurrentaccounts.aspx)
- 11 RSPB, Traidcraft, IKEA, Lush, theTrainLine.com, Raleigh, Nigel's Eco-store, Ethical Superstore, Ecofirst, Ecotricity, Arriva, Ethical Consumer Magazine, The Ecologist, Co-op Electricals, The Co-operative Food and The Co-operative Insurance.
- 12 Leadership positions are identified via independent third parties, such as Ethical Consumer Research Association (ECRA).
- 13 [www.rspb.org.uk/supporting/campaigns/sumatra/](http://www.rspb.org.uk/supporting/campaigns/sumatra/)
- 14 <http://pace-pensions.co.uk/101/investments>
- 15 PACE, the Co-operative Group Pension (Average Career Earnings) Scheme ("the Group pension scheme").
- 16 <http://pace-pensions.co.uk/101/investments>

## Social inclusion

- 1 National Equality Panel (2010) An anatomy of inequality in the UK: Report of the National Equality Panel.
- 2 Taylor, M (2011) The long term impacts of financial capability: Evidence from the BHPS.
- 3 Figures show Co-operative stores or branches located in deprived areas as a proportion of all Co-operative stores or branches.
- 4 Those that correspond with the 20% most deprived areas identified in the Government's Indices of Multiple Deprivation for England and Wales, Scotland, and Northern Ireland 2010.
- 5 The small decline in 2011 can be attributed to the use of an older Indices of Multiple Deprivation (2007) to calculate data for previous years. The decline is due to the changes in classification of areas within the Index, as opposed to any significant movement in Funeralcare branch location.
- 6 2008 analysis for the branch network is incomplete, as Britannia estate data is unavailable.
- 7 Only major food retailer competitors are included in this benchmark, as follows, Asda, Marks & Spencer, Morrisons, Sainsbury's, Tesco and Waitrose. This analysis is drawn from an internal competitor location database. This is constantly updated in line with our field-based analysis and information shared by competitors and industry bodies. While the figure is correct to the best of our knowledge, it is unlikely that the database will be 100% accurate at any given time, due to the pace of change in competitor store location.
- 8 All Funeralcare providers are included in this benchmark. This analysis is drawn from an internal competitor location database, detailing all listed funeralcare providers. This is constantly updated and cross-referenced against business databases and industry intelligence.

- 9 See page 90 for more details. The project, launched in 2011, aims to fully unify our brand and businesses.
- 10 In December 2006, following lobbying by The Co-operative Bank, the LNK Network Members Council agreed to introduce a new financial inclusion premium, which incentivises ATM operators to deploy free-to-use cash machines in financially excluded target communities.
- 11 Call for banks to improve services to socially disadvantaged [www.guardian.co.uk/money/2010/feb/17/credit-card-loans-social-inclusion](http://www.guardian.co.uk/money/2010/feb/17/credit-card-loans-social-inclusion)
- 12 British Bankers' Association (March 2006), basic bank accounts give customers confidence in handling their finances.
- 13 Basic bank account market share is based on British Bankers' Association overall market figures (as at end of June 2011).
- 14 Jones, Paul A (2009), Still Banking on a Fresh Start, Liverpool John Moores University.
- 15 Refers to businesses with an annual debit turnover of up to £1m.
- 16 Where deprived areas are defined as those 5% of postcode sectors equating to the 2% most deprived electoral wards in Great Britain.
- 17 Figures relate to British Bankers' Association (BBA) (2010), 2011 data was not available at time of publication, [www.bba.org.uk](http://www.bba.org.uk)

## Inspiring young people

- 1 As at January 2011, the youth unemployment rate (including students) had risen to 18.1% (February 2010: 17.6%), the second highest figure on record. The rate for those aged 25 to 49 was 6.3% (February 2010: 6.2%) and for those aged 50 and over, 4.5% (February 2010: 4.7%). Centre for Economic and Social Inclusion: [www.cesi.org.uk/statistics/previous\\_months/lms\\_jan2011](http://www.cesi.org.uk/statistics/previous_months/lms_jan2011)
- 2 Unless otherwise stated, 'young people' in this Report refers to those aged 25 and under.
- 3 The figure presented here is from a joint report from The Work Foundation and Private Equity Foundation [www.theworkfoundation.com/DownloadPublication/Report/294\\_Off%20the%20map%20-%20PEF%20snapshot%20FINAL.PDF](http://www.theworkfoundation.com/DownloadPublication/Report/294_Off%20the%20map%20-%20PEF%20snapshot%20FINAL.PDF). As at November 2011, Youth Unemployment was 25% higher than it was at the same point after the 1990s recession. Centre for Economic and Social Inclusion: [www.cesi.org.uk/sites/default/files/publications/Young\\_people\\_and\\_unemployment\\_FINAL.pdf](http://www.cesi.org.uk/sites/default/files/publications/Young_people_and_unemployment_FINAL.pdf)
- 4 By 2020, 40% of all jobs will require a graduate-level qualification [www.bitc.org.uk/workplace/talent/the\\_talent\\_skills.html](http://www.bitc.org.uk/workplace/talent/the_talent_skills.html)
- 5 Going forward, our measurement of this programme will focus on number of schools – a more accurate reflection of our impact.
- 6 Governors are employees and elected members of The Co-operative.
- 7 Based on total number of pupils in registered schools.
- 8 [www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/social-trends-40/index.html](http://www.ons.gov.uk/ons/rel/social-trends-rd/social-trends/social-trends-40/index.html)
- 9 Employees aged 16 to 25 as at February 2011.
- 10 [www.co-operative.co.uk/corporate/ethicsinaction/inspiring-young-people/what-were-doing/campaigning/Votes-at-16](http://www.co-operative.co.uk/corporate/ethicsinaction/inspiring-young-people/what-were-doing/campaigning/Votes-at-16)
- 11 [www.demos.co.uk/publications/backtothefuture](http://www.demos.co.uk/publications/backtothefuture)

## Ecological sustainability

### Climate change

- 1 See for example: Stern, N. (2009), Blueprint for a Safer Planet – How We Can Save the World and Create Prosperity.
- 2 [www.ipcc.ch/publications\\_and\\_data/publications\\_and\\_data\\_reports.htm](http://www.ipcc.ch/publications_and_data/publications_and_data_reports.htm)
- 3 [www.bbc.co.uk/news/uk-16366078](http://www.bbc.co.uk/news/uk-16366078)
- 4 [news.bbc.co.uk/1/hi/8400905.stm](http://news.bbc.co.uk/1/hi/8400905.stm)
- 5 [unfccc.int/meetings/durban\\_nov\\_2011/meeting/6245.php](http://unfccc.int/meetings/durban_nov_2011/meeting/6245.php)
- 6 Figures for direct GHG emissions include those associated with air, rail and 'own-car' business travel, which are more commonly reported as 'indirect', or 'Scope 3' emissions.
- 7 Unless stated otherwise, we use the emission factors identified in the Department for Environment, Food and Rural Affairs (Defra) 2011 guidance to calculate our GHG emissions.
- 8 Historic data (2006–2009) includes data for merged and acquired businesses (the former United Co-operatives, former Somerfield and former Britannia), even at a time when these were not part of The Co-operative. Where historic data is unavailable, proxies have been used. Full information regarding the composition of figures can be found online [↗](#).
- 9 Carbon dioxide equivalent (CO<sub>2</sub>e) is used to compare the Global Warming Potential of different greenhouse gases (methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>)) relative to CO<sub>2</sub>. For example, CO<sub>2</sub> has a GWP of one, while N<sub>2</sub>O has a GWP of 310.
- 10 Figures apply a conversion factor of 0.52462kg/kWh for fossil fuel and renewable electricity and 0.18360kg/kWh for gas.
- 11 The Co-operative Banking Group energy consumption: 2011: 74,618MWh; 2010: 74,930MWh; 2009: 77,210MWh; 2008: 79,041MWh; 2007: 79,021MWh; 2006: 83,219MWh.
- 12 The BRE Environmental Assessment Method (BREEAM) assesses buildings against set criteria and provides an

- overall score that will fall within a band providing either: PASS, GOOD, VERY GOOD, EXCELLENT or OUTSTANDING rating, [www.breem.org](http://www.breem.org)
- 13 HFC-free alternatives are sometimes referred to as 'natural refrigerants' and include CO<sub>2</sub>, ammonia and hydrocarbons.
  - 14 Refrigerant data (2006–2011) includes The Co-operative, former United Co-operatives, and former Somerfield stores and distribution centres, even when these were not part of The Co-operative. Data excludes refrigeration units on distribution fleet. CO<sub>2</sub>e emissions factors are calculated by applying relevant Defra 2011 conversion factors.
  - 15 The Co-operative Bank, The Co-operative Insurance and the Trading Group have reported on their transport impacts since at least 2003. Data for former Britannia and former United Co-operatives' transport impacts is unavailable prior to 2006 and 2007 respectively, necessitating the need for proxies (2007 and 2008 respectively). Data for former Somerfield's transport impacts is unavailable prior to 2009 (with the exception of distribution mileage, which has the largest impact), necessitating the use of 2009 data as a proxy in previous years.
  - 16 CO<sub>2</sub>/CO<sub>2</sub>e emissions are calculated by applying relevant Defra 2011 'conversion factors' for each mode of transport to the distance travelled.
  - 17 A conversion factor of 2.57250kg CO<sub>2</sub>e per litre of fuel used.
  - 18 [www.co-operative.co.uk/greentravel](http://www.co-operative.co.uk/greentravel)
  - 19 Such research includes: Dr A Williams (2 February 2007) Comparative Study of Cut Roses for the British Market Produced in Kenya and the Netherlands, Précis Report for World Flowers, Cranfield University; C Saunders and A Barber (2007) Comparative Energy and Greenhouse Gas Emissions of New Zealand's and the UK's Dairy Industry, Research Report No. 297, Lincoln University, New Zealand; and P Tyedmers and N Pelletier (2007) Greenhouse gas emissions for selected seafood species supplied to the UK, Dalhousie University, Canada.
  - 20 [www.ghgprotocol.org/calculation-tools/faq](http://www.ghgprotocol.org/calculation-tools/faq) The GHG Protocol categorises direct and indirect emissions into three broad scopes. Scope 1: All direct GHG emissions.

- Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam. Scope 3: Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (eg, T and D losses) not covered in Scope 2, outsourced activities, waste disposal, etc.
- 21 Emissions from business travel are currently recorded in Scope 1 and Scope 2 reporting. This is due to accounting systems for business travel being unable to disaggregate mileage from company and privately owned vehicles.
  - 22 Limited to mortgages held up to 31 October 2011.
  - 23 Due to reporting of this new product the tonnes required for 2010 sales were offset in the portfolio of 2011. Going forward the offset will occur in the same year as sales. This offset is calculated based upon purchases of the fuel additive used during an emissions control service.
  - 24 The significant reduction in offset total between 2009 and 2010 is a result of conservative overestimates in previous data combined with improved accountability in 2010, while the increase in 2011 reflects the addition of Funeralcare's carbon neutral offsetting.
  - 25 Our Walking Bus initiative helps children to walk to school together in safety accompanied by adults.
  - 26 Members include the National Trust, Women's Institute, Church of England and Campaign to Protect Rural England.
  - 27 [www.tyndall.ac.uk/shalegasreport](http://www.tyndall.ac.uk/shalegasreport)
  - 28 [www.co-operative.coop/join-the-revolution/our-plan/clean-energy-revolution/fracking/Contact-Your-MP/](http://www.co-operative.coop/join-the-revolution/our-plan/clean-energy-revolution/fracking/Contact-Your-MP/)
  - 29 [gaslandmovie.co.uk/](http://gaslandmovie.co.uk/)
  - 30 Other engagement at the European level included: employing a consultant in Brussels to engage with MEPs, Parliament and the Commission; co-signing NGO letters to member states; supporting the production of and disseminating reports countering Canadian Government and oil industry claims that addressing tar sands emissions in the Directive would breach WTO agreements and place too great an administrative burden on the oil industry; a joint advertisement with NGO partners in *European Voice* magazine; and a joint event in Brussels for EU member

state representatives on the Fuel Quality Committee. Additional UK engagement included working with *The Guardian* newspaper to run a series of articles and a joint advertisement with NGO partners in the *Financial Times* calling on the UK to support the proposed tar sands ban.

## Waste and packaging

- 1 [www.wrap.org.uk/retail\\_supply\\_chain/design/packaging.html](http://www.wrap.org.uk/retail_supply_chain/design/packaging.html)
- 2 [www.defra.gov.uk/statistics/environment/waste/wrfg15-hmaterial/](http://www.defra.gov.uk/statistics/environment/waste/wrfg15-hmaterial/)
- 3 WRAP (2011) New estimates for household food and drink waste in the UK.
- 4 [www.co-operative.co.uk/corporate/pdfs/packaging\\_policy.pdf](http://www.co-operative.co.uk/corporate/pdfs/packaging_policy.pdf)
- 5 The majority of waste disposed is sent to landfill (page 62).
- 6 In 2011, The Co-operative Food accounted for 98% of total packaging handled by The Co-operative.
- 7 Including waste to landfill, autoclaved and incinerated.
- 8 80% complete, with reliance on extrapolation at The Co-operative Pharmacy, The Co-operative Funeralcare and The Co-operative Travel.
- 9 85% complete, with reliance on extrapolation at The Co-operative Pharmacy and The Co-operative Travel.
- 10 85% complete, with reliance on extrapolation at The Co-operative Pharmacy and The Co-operative Travel. Reduction in waste arisings is largely due to store disposals.
- 11 Reduction in waste recycled is largely due to store disposals.
- 12 Data includes tonnages from the co-operative societies that merged with United Co-operatives prior to its merger with The Co-operative. These include Yorkshire Co-operative Society, Leeds Co-operative Society and Sheffield Co-operative Society.
- 13 [www.co-operative.co.uk/corporate/pdfs/packaging\\_policy.pdf](http://www.co-operative.co.uk/corporate/pdfs/packaging_policy.pdf)
- 14 The Co-operative was also a signatory to the original Courtauld Commitment (2005–2010), which sought to 'design-out' packaging waste growth, deliver absolute reductions in packaging weight and tackle the amount of food that consumers throw away. Courtauld 2 runs from 2010–2012.
- 15 [www.co-operative.co.uk/corporate/pdfs/packaging\\_policy.pdf](http://www.co-operative.co.uk/corporate/pdfs/packaging_policy.pdf)
- 16 Includes former Somerfield stores.
- 17 As in previous years, this figure does not include bank branches.
- 18 The Co-operative Banking Group recycling rate figure now includes the whole estate and bank branches. In 2010, this figure referred exclusively to the Banking Group estate and contained bank branch recycling data, but not bank branch landfill data.
- 19 Derived assuming The Co-operative accounts for 84.6% of the Co-operative Retail Trading Group collections in 2011.
- 20 Ultimately derived from the European Parliament and Council Directive 94/62/EC on Packaging and Packaging Waste.
- 21 As does any retailer that handles more than 50 tonnes of packaging and has a turnover in excess of £2m per annum. The Co-operative is obliged as a 'seller' at 48%, pack/filler at 37% and importer at 100%. The 2011 targets for materials were: glass 81%, paper 69.5%, aluminium 40%, steel 71%, plastics 32% and wood 22%. Overall recovery (which includes energy recovery and composting) is set at 74%, of which a minimum of 92% must be achieved via recycling. The Producer Responsibility Obligations (Packaging Waste) Regulations 2007, Defra.
- 22 Under the Regulations, obligations are calculated on the packaging handled in the previous year. The obligation in 2011 was, therefore, based on 211,951 tonnes of packaging handled by The Co-operative.
- 23 As defined in The Animal By-Products Regulations 2005.
- 24 [www.environment-agency.gov.uk/netregs/topics/WEEE/default.aspx](http://www.environment-agency.gov.uk/netregs/topics/WEEE/default.aspx)
- 25 The Co-operative producer obligation based on 22,745 items, and distributor obligation based on 220,227 items of electrical and electronic equipment produced/sold in 2011.
- 26 Figure includes 17 tonnes of IT equipment from The Co-operative Banking Group; and 30 tonnes of IT equipment from the Manchester head office complex.

- 27 The Co-operative Banking Group head office now includes the old Britannia estate. The Co-operative Banking Group waste arisings 2011: 2,493 tonnes (2010: 2,456 tonnes). The Co-operative Banking Group reused/recycled 2011: 1,350 tonnes (2010: 1,507 tonnes). Full Co-operative Banking Group data 2006–2011 can be found online [v.v.](#)
- 28 Ibid.
- 29 In addition to waste disposed directly to landfill, The Co-operative Funeralcare sent 355 tonnes of clinical waste and one tonne of spray booth filters to be autoclaved/incinerated; The Co-operative Food sent 115 tonnes of animal by-products to be rendered/incinerated and The Co-operative Motor Group sent 3 tonnes of hazardous waste, including cleaning solution and rags to be reprocessed and disposed. No data is available for clinical/pharmaceutical waste from The Co-operative Pharmacy.
- 30 Defra (2010) Assessing the Environmental Impacts of Oxo-degradable Plastics Across Their Life Cycle [www.carrierbagtax.com/downloads/Oxo-degradable%20study-Defra.pdf](http://www.carrierbagtax.com/downloads/Oxo-degradable%20study-Defra.pdf)
- 31 Including 35,003 tonnes of waste from Food stores (extrapolated from 98% sample) and 3,154 tonnes of waste from Regional Distribution Centres (extrapolated from a 16% sample). It is estimated that 25,687 tonnes (75%) of The Co-operative Food's waste to landfill is food waste.
- 32 Extrapolated from 94% sample.
- 33 Extrapolated from 60% sample.
- 34 Other businesses' waste to landfill 2011 data: Sunwin Cash in Transit, 77 tonnes; The Co-operative Travel, 71 tonnes; The Co-operative Clothing, 11 tonnes; The Co-operative Electrical, 9 tonnes and The Co-operative Legal Services, 3 tonnes.

## Water

- 1 [www.nature.com/nature/journal/v467/n7315/full/nature09440.html](http://www.nature.com/nature/journal/v467/n7315/full/nature09440.html) and [http://assets.wwf.org.uk/downloads/water\\_footprint\\_uk.pdf](http://assets.wwf.org.uk/downloads/water_footprint_uk.pdf)
- 2 In November 2002, the United Nations Committee on Economic, Social and Cultural Rights affirmed that access to adequate amounts of clean water for personal and domestic uses is a fundamental human right of all people.
- 3 The World Health Organization states that 884 million people are now reliant on unimproved drinking water [www.who.int/water\\_sanitation\\_health/monitoring/jmp\\_report\\_7\\_10\\_lores.pdf](http://www.who.int/water_sanitation_health/monitoring/jmp_report_7_10_lores.pdf)
- 4 Environment Agency (2007) Identifying areas of water stress.
- 5 Excluding The Co-operative Farms.
- 6 Number of premises decreased 2010–2011.
- 7 Abstracted water in 2009 accounted for 90% of total water consumption, as opposed to 70% in 2008 and 67% in 2007. Abstracted water in 2011 accounted for 98% of total water consumption, and 99% in 2010.
- 8 The Environment Agency and Scottish Environmental Protection Agency stipulate that farmers must keep a record of water abstracted.
- 9 Excludes The Co-operative Farms, which is reported separately.
- 10 Total number of sites decreased from 5,152 in 2010 to 5,021 in 2011.
- 11 [www.igd.com/water](http://www.igd.com/water)
- 12 ClimateCare has revised its figures based on applying a new methodology to consider the lifetime of the treadle pumps, and the number of beneficiaries has reduced accordingly.
- 13 Due to logistical difficulties there has been an increased delay between provision of funding, installation of pumps and obtaining data for reporting.
- 14 Figures in the table are based on PlayPumps™ spinning for four hours a day, pumping 1,400 litres an hour. This figure is multiplied by the number of pumps installed in that year (according to the rate at which they were installed) and the number of days in a year.

## Biodiversity

- 1 FAO (2010) The State of World Fisheries and Aquaculture, Fisheries and Aquaculture Department. Food and Agriculture Organisation of the United Nations. Rome.
- 2 [www.teebweb.org](http://www.teebweb.org)
- 3 Bai, Z.G., Dent, D.L., Olsson, L. and Schaepman, M.E.

- (2008) Global assessment of land degradation and improvement. Identification by remote sensing. Report 2008/01, ISRIC – World Soil Information, Wageningen.
- 4 FAO (2009). Global Agriculture towards 2050. Food and Agriculture Organisation of the United Nations. Rome.
- 5 [www.co-operative.co.uk/food/food-and-drink/food/Own-brand-fish](http://www.co-operative.co.uk/food/food-and-drink/food/Own-brand-fish)
- 6 Mardas, N., Mitchell, A., Crosbie, L., Ripley, S., Howard, R., Eila, C., Trivedi, M. (2009) Global Forest Footprints, Forest Footprint Disclosure Project, Global Canopy Programme, Oxford.
- 7 World Bank (2004), Sustaining Forests: A Development Strategy, World Bank, Washington, DC.
- 8 Macqueen, D. Review of Funds Which Aim To Protect Tropical Forests; International Institute for Environment and Development: London, UK, 2010. Note: 1 billion forest farmers, 350 million in forest frontier communities and 60 million primarily indigenous forest dwellers.
- 9 FSC certification includes FSC mixed-source certification, which requires a timber product to contain a minimum of 50% FSC-certified material and the remaining materials to be from controlled sources.
- 10 These FSC-certified products carry one of the following FSC labels: FSC 100%; FSC Recycled, containing a minimum of 85% wood fibre content from post-consumer sources; and FSC Mixed, containing a blend of FSC 100% with recycled and/or controlled wood fibre. This controlled fibre is from non-FSC forests, but is screened to ensure it doesn't contribute to negative forest practices such as illegal logging or the destruction of high conservation value forests.
- 11 Mardas, N., Mitchell, A., Crosbie, L., Ripley, S., Howard, R., Eila, C., Trivedi, M. (2009) Global Forest Footprints, Forest Footprint Disclosure Project, Global Canopy Programme, Oxford.
- 12 Murdiyoso, D., Herguac'h, K., Verchot L.V. Opportunities for reducing greenhouse gas emissions in tropical peatlands. Proceedings of the National Academy of Sciences of the United States of America, 2010. 107(46): p. 19655-19660.
- 13 Wilcove, D.S., Koh L.P., (2010) Addressing the threats to biodiversity from oil-palm agriculture. *Biodiversity Conservation*. 19:999–1007.
- 14 The Co-operative uses three different routes for CSPO accreditation. These are: 'UTZ certification' (3.5% of total palm oil use), where oil is traced using the RSPO official traceability partner; 'Segregated' (22.4%) where palm oil can be 100% CSPO traced from plantation to product, allowing the claim that this product contains RSPO-certified palm oil; 'identity preserved' (0.1%) where oil is uniquely identifiable to the mill and its supply base, and is kept physically isolated from all other palm oil sources throughout the supply chain (including other segregated RSPO–CSPO sources); and GreenPalm (74%), as described within the main text.
- 15 GreenPalm certificates were purchased from a co-operative of smallholders who are producing sustainable palm oil, accredited by the RSPO.
- 16 [wwf.panda.org/what\\_we\\_do/footprint/agriculture/palm\\_oil/solutions/responsible\\_purchasing/scorecard2011/methodology/](http://wwf.panda.org/what_we_do/footprint/agriculture/palm_oil/solutions/responsible_purchasing/scorecard2011/methodology/)
- 17 [www.soystats.com/2011/Default-frames.htm](http://www.soystats.com/2011/Default-frames.htm)
- 18 Such as the Cerrado, the Pantanal and the Atlantic Forest.
- 19 IUCN (2011) IUCN UK Commission of Inquiry on Peatlands. IUCN UK Peatland Programme, Edinburgh.
- 20 Includes bagged compost and compost for household and bedding plants.
- 21 This figure does not include a further 763 hectares of land which are farmed on behalf of The Co-operative Farms, but only for a small number of months. We do not have land management rights for this farmland.
- 22 [www.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx](http://www.naturalengland.org.uk/ourwork/farming/funding/es/default.aspx)
- 23 This figure varied throughout 2011 as a result of land sales.

## Chemicals

- 1 Fresh, chilled, frozen and canned.
- 2 American Chemistry Council (2011) Global Business of Chemistry.
- 3 European Inventory of Existing Commercial chemical Substances (EINECS).

- 4 Defra, EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).
- 5 Health and Safety Executive, What are pesticides?
- 6 This target will not be carried forward; activity will now be focused on the reduction of pesticide residues.
- 7 Use of endosulfan and alachlor will cease in May 2012, use of aldicarb will cease in 2014. In addition, in 2009, we highlighted to suppliers two other pesticides that were likely to change status as a result of planned convention reviews.
- 8 Thiacloprid and Acetamiprid were moved to 'monitored'. Clothianidin, Dinotefuran, Imidacloprid, Nitenpyram, Thiamethoxam and Fipronil remain on the 'prohibited' list.
- 9 Traceability audits are undertaken by The Co-operative Food's Quality Assurance team, which analyses Pesticide Application Records. These detail the number, rate and dates of pesticide application. Assurance is sought that the decision to use pesticides in the growing process has been based on sound information, and that due consideration has been given by the grower to integrated crop management procedures.
- 10 Tests are carried out on the final product as sold in-store.
- 11 Due to movement to a new facility in 2010, a reduced number of tests took place in comparison to 2009.
- 12 In comparison, the most recent Pesticide Residues Committee Annual Report states that, in 2010, 5% of fruit and vegetable samples that they tested, showed residues in excess of the set MRL.
- 13 MRLs are set by the European Food Safety Authority (EFSA) on the basis of the highest residues expected when a pesticide is applied in accordance with manufacturer instructions for use.
- 14 In one case, investigation revealed no issues, in three cases, the grower involved will no longer be used and in a further three cases the produce in question was destroyed before it reached our stores.
- 15 EU regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals.
- 16 Listed in the online version of this Report .
- 17 [www.ospar.org](http://www.ospar.org)
- 18 Regulation EC 1907/2006. [ec.europa.eu/environment/chemicals/reach/reach\\_intro.htm](http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm)
- 19 REACH regulations require manufacturers, importers and downstream users of chemicals to demonstrate safe product use and disposal for approximately 30,000 of the 100,000 chemical substances in use in the EU.
- 20 Listed in the online version of this Report .
- 21 RoHS Regulations (2006), Dangerous Substances Marketing and Use Directive.
- 22 ICMA (International Card Manufacturers Association). [www.icma.com](http://www.icma.com)
- 23 Fertilisers are used to promote growth and supplement the three major plant nutrients (nitrogen, phosphorus and potassium), the secondary plant nutrients (calcium, sulphur and magnesium) and sometimes trace elements with a role in plant nutrition (boron, chlorine, manganese, iron, zinc, copper and molybdenum).
- 24 Previously, fertiliser purchases were reported. Recent accounting system improvements have simplified farm data collation, actual fertiliser application is a more accurate reflection of The Co-operative Farms' use of chemicals.
- 25 Growth regulators are synthetic plant hormones that modify natural growth in cereals and are used in conjunction with pesticides and adjuvants to optimise crop productivity.
- 26 Nutrients essential for plant health, but required only in very small amounts. Most common in agriculture are: boron, copper, manganese and magnesium.

## Delivering value

### Democratic control

- 1 In addition, The Co-operative has 122 Independent Society members, who represent other co-operative societies to whom The Co-operative provides services. Independent Society members must demonstrate a commitment to co-operative values in their business practice and buy at least one share (costing £5) in The Co-operative. They have the right to participate in democratic affairs – a right that can be exercised at the AGM and in the nomination and election of Independent Society members to The Co-operative Group Board. As such, the interests of the co-operative businesses with whom The Co-operative trades are represented on its board.
- 2 Based on an adult population of 51.4 million (Office for National Statistics, 2010).
- 3 In line with Industrial and Provident Act legislation, The Co-operative's membership scheme has only been open to UK citizens aged 16 and over. A potential change to the Industrial and Provident Act would enable citizens under the age of 16 to become members. Restrictions would, however, preclude these members becoming elected to committees or boards.
- 4 Ibid.
- 5 Targeted members are those members that received a share of the profits in the June 2011 payout.
- 6 The active members' network is made up of members who have actively made a request to receive information on membership over a number of years. The list was updated in 2010, ensuring that members are only listed if they are currently active. As well as having opted to receive information, they must additionally have fulfilled one of several criteria, including voting in recent elections, attendance at recent members' meetings and participation in recent ethical consultations. Over 270,000 members are currently listed on this network. Going forward the list is likely to grow as additional members request to receive information on membership.
- 7 In addition to the Group Board, there are subsidiary boards in place for Food, Co-operative Banking Group, and Specialist Businesses, all of which have the potential to appoint up to three independent, professional, non-executive directors.
- 8 The Northern Ireland Members' Council has representation on the Scotland and Northern Ireland Regional Board. The Council is larger than an area committee, and has enhanced roles and responsibilities.
- 9 The full responsibilities of the regional boards are detailed at: [www.co-operative.co.uk/membership/have-your-say/regional-boards](http://www.co-operative.co.uk/membership/have-your-say/regional-boards).
- 10 The full responsibilities of the area committees are detailed at: [www.co-operative.co.uk/membership/haveyour-say/area-committees](http://www.co-operative.co.uk/membership/haveyour-say/area-committees).

- 11 One seat remains vacant in an area with fewer candidates than seats.
- 12 98% of respondents who completed satisfaction questionnaires agreed that the meetings were worthwhile.
- 13 Member profit share is paid in cash which, unlike in other major membership schemes, means that how rewards are spent is not restricted. We also pay more per point than any other food retailer operating a loyalty card scheme.
- 14 All five independent societies retain control of their respective membership schemes, including share of the profit payments and voting rights.
- 15 Individual member earnings include an interim dividend paid in November 2010. The total individual payment of £67.7m, as reported in the Annual Report and Accounts (page 29), also includes membership activity funding.
- 16 The stated number of members earning a share of profits includes members that, while having traded with The Co-operative, do not accrue sufficient points during the year to trigger a dividend payment for that year. In these circumstances, points are rolled over to the following year.
- 17 Due to a change in the method of data gathering, comparable data is only available to 2009.

### Supporting Co-operatives

- 1 The UK Co-operative Economy 2010, Co-operatives UK
- 2 Ibid.
- 3 [www.ica.coop](http://www.ica.coop)
- 4 The Co-operative Enterprise Hub is a working name for Co-operative Action Limited. Since 2009, the Enterprise Hub has replaced the activity of two former co-operative programmes, The Co-operative Development Fund and C-Change. Further details of the work of The Co-operative Enterprise Hub can be found in the 2011 New Pioneers Annual Review, at: [www.co-operative.coop/Campaigns/EnterpriseHub/Pdfs/NewPioneers\\_Online-Version-%20-pages.pdf](http://www.co-operative.coop/Campaigns/EnterpriseHub/Pdfs/NewPioneers_Online-Version-%20-pages.pdf)
- 5 [www.co-operative.co.uk/enterprisehub/About-the-hub/](http://www.co-operative.co.uk/enterprisehub/About-the-hub/)
- 6 Ibid.
- 7 Total investment by The Co-operative Enterprise Hub includes funding for international development projects and support to Credit Unions. Financial contributions are rounded to the nearest £100.
- 8 Total investment by The Co-operative Enterprise Hub includes funding for international development projects and support to Credit Unions.
- 9 The Fund is managed by Co-operative and Community Finance, which is authorised and regulated by the FSA.

- 10 Figures are based on the highest average monthly lending for 2011, which in March was £187m. The average across the year was £142m.
- 11 [www.uk.coop/cespi](http://www.uk.coop/cespi)

### Economic impact

- 1 Based on figures produced by the Office of National Statistics (ONS) [www.ons.gov.uk/ons/taxonomy/index.html?nscl=Economy](http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Economy)
- 2 The Consumer Price Index is the main UK domestic measure of inflation for macroeconomic purposes. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK. Based on figures produced by the ONS – [www.ons.gov.uk/ons/taxonomy/index.html?nscl=Price+Indices+and+Inflation](http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Price+Indices+and+Inflation)
- 3 Based on information presented by the Bank of England – [www.ons.gov.uk/ons/re/cpi/consumer-price-indices/december-2011/stb---consumer-price-indices---november-2011.html#tab=CPI-Percentage-change-over-12-months](http://www.ons.gov.uk/ons/re/cpi/consumer-price-indices/december-2011/stb---consumer-price-indices---november-2011.html#tab=CPI-Percentage-change-over-12-months)
- 4 Data presented in this section has been drawn from The Co-operative Annual Report and Accounts 2012, which has been independently audited and prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulations 1969, and applicable International Financial Reporting Standards, as endorsed by the EU (IFRS), for the year ending 1 January 2012. [www.co-operative.co.uk/corporate/corporatepublications](http://www.co-operative.co.uk/corporate/corporatepublications)
- 5 Target has decreased compared to 2011 as trading conditions are expected to remain difficult throughout 2012.
- 6 Gross sales figures are shown before premiums ceded to reinsurers.
- 7 Underlying Group operating profit measures the normal underlying business performance and removes from operating profit the following volatile or one-off costs: property disposal losses, investment property valuation fluctuations, significant items, fair value amortisation and Financial Services Compensation Scheme Levy.
- 8 The Banking Group operating profits are presented before tax, FSCS levies, significant items, short-term investment fluctuation and fair value amortisation.
- 9 Value added = operating profit + employee costs + depreciation + amortisation + impairment of property, plant and equipment; goodwill and intangible assets + significant items (excluding impairment, because already included above).

- 10 Based on GRI G3.1 Indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
- 11 The Group's Travel business, Life and Savings business and a small number of former Somerfield stores have not been included in this calculation. This reflects the Group's 2010 and 2011 financial statements, which show these items as discontinued and therefore not included in the trading profit figures.
- 12 Ibid.
- 13 Level of aggression is considered as one of the risk factors within The Co-operative Tax Strategy and Policy.
- 14 A reconciliation of the standard rate of tax is presented in The Co-operative Annual Report and Accounts 2011, page 62.
- 15 The Co-operative Farms is focusing on crops already grown – potatoes, apples and strawberries – to help to meet this target. In 2011 new crops included Ayrshire and Cornish Pearl potatoes and significant investments have been made in The Co-operative Farms apple orchards in Kent that will enable us to meet all The Co-operative Food's UK apple requirements by 2015.
- 16 Unless there are quality, financial, availability or ethical issues that would prevent this.
- 17 All Co-operative own-brand milk is sourced within the UK. Where appropriate, The Co-operative sources conventional milk regionally and labels this accordingly, for example in Scotland, Northern Ireland, Wales and the West Country. Outside these regions, Co-operative own-brand milk carries the British label. All Co-operative own-brand organic milk carries the British label.

## Employees

- 1 Figures show headcount, not full-time equivalent.
- 2 Discretionary effort refers to the effort that employees are prepared to go to above and beyond the tasks within their job descriptions. The question asked in the staff survey is 'I am prepared to "go the extra mile" for The Co-operative to succeed'.
- 3 Scores are a mean average, on a scale of 0–100.
- 4 Avoidable turnover excludes 'End Of Fixed Term Contract', 'Transfer Of Undertaking', 'Retirement – Normal', 'Retirement – Early', 'Resignation – Return To Studies', 'Resignation – Failed To Start', 'Resignation – End Of Studies', 'Redundancy – Voluntary', 'Redundancy – Compulsory', 'Redundancy and Retirement', 'End Of Seasonal/Temporary Work', 'End Of Apprenticeship/YTS', 'Death in Service', 'Redundancy – Re-organisation'.
- 5 Full details of trades unions recognised available online [↗](#).
- 6 Based on percentage of those employees who paid subscriptions by payroll deduction and calculated based on total active headcount and maternity headcount. In some parts of the business, there are a number of colleagues who pay subscriptions via direct debit. However, for consistency, auditing and data protection purposes, those employees paying membership subscription fees through Direct Debit arrangements are not included in these figures.
- 7 Ibid.
- 8 The method of calculating trades union membership figures has changed (see note 6) and 2010 figures are therefore not comparable.
- 9 Every Banking Group colleague is eligible; however the scheme rules include qualifying dates, performance criteria and pro rating in respect of absence.
- 10 Figure includes head office management-level employee scheme, regional store manager scheme, Funeralcare Ambassador scheme and Travel branch scheme.
- 11 Excludes Field Sales Teams' incentive schemes, and business-specific/regional bonus schemes.
- 12 This is pro rata for part-time or new employees.
- 13 Based on full-time equivalent salaries.
- 14 Excludes casual staff and those on 0-hour contracts ie, employees on career breaks. Percentages are based on employee headcount.
- 15 In 2008 and 2009, employees who were Financial Advisers were excluded, as their pay was based on earnings on a commission basis.

- 16 Data taken from 2010/11 being the most up-to-date market data available at time of publication. Highest total pay = 2010/11 salary, bonus paid in relation to 2010/11, expected value of long-term incentives at grant, pension and benefits, net of income tax and employees' national insurance (based on 2010/11 rates), sourced from Report & Accounts. Lowest total pay = 2010/11 salary (based on the over 18 hourly rate and standard full-time working week) and bonus paid in relation to 2010/11 (salary and bonus data sourced from IDS 'Pay and Conditions in Retail'), assumed combined pension and benefits worth 10% of base salary, net of income tax and employees' national insurance (based on 2010/11 rates).
- 17 Following recent mergers and acquisitions The Co-operative now sponsors ten pension schemes offering a range of benefits – full details can be found online [↗](#).
- 18 Office for National Statistics (ONS) Labour Market Statistics: November 2011.
- 19 ONS Economic and Labour Market Review, November 2010 Edition.
- 20 Females as a percentage of all managers. In the Trading Group: a manager is deemed to be any employee in managerial role bands, or with 'manager', 'head of', or 'director' in their job title. In the Banking Group: a manager is deemed to be any employee paid £25,000 or more.
- 21 Data is less complete for disability than other diversity categories, and it is likely that many census participants may choose not to define or report themselves as having a disability. It is anticipated that representation of those with a disability may be higher than the data available suggests.
- 22 2009/10 data on the proportion of Trading Group managers from ethnic minority groups was not captured by the employee survey from which the ethnicity data is now taken.
- 23 Note that data for employees and managers from ethnic minority groups and for employees and managers with a disability is drawn from two different sources, and therefore is not directly comparable. Full details of data sources and completeness is available online [↗](#).
- 24 Davies Report/Government equalities office.
- 25 Divestment of our Travel business (resulting in 4% change) and change within our Food Retail business, industries that typically employ a high proportion of women.
- 26 A reportable accident is defined under the Reportable Injuries Diseases and Dangerous Occurrences (RIDDOR) regulations as an injury that is not 'major' but results in the injured person being away from work or unable to do their full range of normal duties for more than three consecutive days; or major injuries or fatalities.
- 27 In previous years, data returned indicated all accidents RIDDOR and Non-RIDDOR. Figures for 2011 show a significant decrease as reporting has been brought into line with the Health and Safety Executive reporting regime and Trading Group methods of reporting. The figures for 2010 were calculated in retrospect, with potential for discrepancies.
- 28 Ibid.
- 29 In previous years data returned indicated all accidents RIDDOR and Non-RIDDOR. Figures for 2011 show a significant decrease as reporting has changed to be in line with the Health and Safety Executive reporting regime and Trading Group methods of reporting.
- 30 Figures for causes of absence are based on days absent.
- 31 CIPD (2011) Absence Management Annual Survey Report 2011.
- 32 In the Trading Group absence is calculated as a percentage of hours lost, and in the Banking Group absence is measured as a percentage of working days lost.
- 33 CIPD (2011) Absence Management Annual Survey Report 2011.
- 34 CIPD (2011) Absence Management Annual Survey Report 2011.
- 35 2011 data does not include the Travel business due to its divestment.
- 36 The data is an underestimate of the actual training provided, for example, the following are not captured in the figures: in the Pharmacy business in 2011 self-study programmes were provided for 662 colleagues, £1.3m was spent on a management development programme for 850 field, branch and head office managers, and in the last quarter of 2011 a new starter training programme was launched.

## Customers

- 1 GfK NOP (2011) Consumer Confidence Index.
- 2 Advocacy calculations have been rebased to be more reflective of market share at a product level, resulting in an increase in our position versus our peer group. In reaction to this, our 2011 target of 6% reported in 2010 was adjusted to reflect this increase, resulting in a 2011 target of 8.5%.
- 3 We assessed how important different aspects of customer experience are to our businesses and used the results to develop our questionnaires that focus specifically on the highest priority requirements. The results from these prioritised questionnaires form an index result that provides greater insight into the steps needed to improve performance. The index result is weighted towards attributes ranked most highly by customers and expressed as an overall percentage.
- 4 Data presented is an average of quarterly satisfaction scores. For Food, we carry out 217 telephone interviews per month, for Pharmacy, we conduct exit interviews outside 25 branches per month.
- 5 A self-completion postal survey is issued by The Co-operative Legal Services (CLS) and Funeralcare. In the case of CLS, 'satisfied' customers are those who rate their satisfaction with The Co-operative as nine or ten out of ten. Approximately 1,300 surveys are returned to CLS each quarter. In Funeralcare, satisfied customers are those who report they are 'very satisfied' or 'fairly satisfied' on a four-point scale.
- 6 Advocacy measures willingness to recommend a company, product or service to a friend or family member.
- 7 The peer group varies according to product types.
- 8 Measurement is based on the percentage of customers rating their likelihood to recommend as eight, nine or ten out of ten. Results are then weighted to reflect the number of customers who take up each product featured in the survey, to generate an overall score.
- 9 Telephone interviews with 547 Corporate Banking customers were undertaken in Q3 2011 and with 200 Business Banking customers in Q2 and Q4 2011. Each survey measures satisfaction with those elements of service considered to be most important to customers.
- 10 GfK Customer Advocacy Score, April 2011.
- 11 Excludes the private name funeral homes and Britannia branches, which did not participate in the rebrand.
- 12 Reported in accordance with FSA requirements based on half-yearly figures.
- 13 Ibid.
- 14 Historical data for product complaints 2008 and 2009 have not been included, as they do not include former Somerfield, and therefore are not comparable with 2010 and 2011 data.
- 15 A regulated complaint refers to a complaint that has not been resolved by close of business the day after it has been received.
- 16 [www.fsa.gov.uk/library/other\\_publications/commentary/firm\\_spec](http://www.fsa.gov.uk/library/other_publications/commentary/firm_spec)
- 17 Based on data for the first half of 2011. FSA (2011) Aggregate complaints data 2011 H1 [www.fsa.gov.uk/pages/library/other\\_publications/commentary/aggregate\\_com/prev\\_agg\\_com](http://www.fsa.gov.uk/pages/library/other_publications/commentary/aggregate_com/prev_agg_com)

## Public policy

- 1 A Political Strategy Working Group was formed in 2009. This comprises the Chair of The Co-operative Group, Chair of the Values & Principles Committee, one Co-operative Group Board member, one Banking Group Board member, one of The Co-operative Group Board's nominees to The Co-operative Party National Executive Committee (NEC) and relevant members from management.
- 2 [www.party.coop](http://www.party.coop)

# Scope of Report and target summary

## Scope of the Report

This is our 2011 annual Sustainability Report, published in July 2012, and relates to our operations and stakeholders (pages 6 and 8). Our 2010 report was published in June 2011 and is available online.

Unless otherwise stated, performance relates to the calendar year 2011 and covers those businesses wholly owned by The Co-operative Group (page 6). Reporting on products sold by The Co-operative Food focuses on own-brand, which accounted for 46.2% of sales by value in 2011. Like other retailers, we have substantially greater influence over own-brand goods than branded and in the short to medium term our priority is the ongoing improvement of the sustainability of these products.

## Family of businesses

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

## Business change

### The Co-operative Travel

The Group's Travel business transferred into a joint venture with Thomas Cook on 30 September 2011, creating the largest travel agency on the UK high street. The Co-operative Group retains a 30% share of the new entity. Data relating to The Co-operative Travel is reported as part of business-wide figures up to the point at which it ceased to be wholly owned by the Group.

### The Co-operative Asset Management

The Banking Group is in exclusive discussions with north west based mutual, Royal London, regarding the sale of CIS, and The Co-operative Asset Management (TCAM). Details of TCAM business engagements during 2011 can be found at: [www.co-operativeassetmanagement.co.uk](http://www.co-operativeassetmanagement.co.uk) and are not included within this Report<sup>1</sup>. Operational data relating to these parts of the business is reported as part of business-wide figures for the full year.

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

## Online reporting

Our online Report, which includes a limited amount of additional information, is available at: [www.co-operative.co.uk/sustainabilityreport](http://www.co-operative.co.uk/sustainabilityreport) and the following symbol denotes where additional detail is available in the online Report .

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

## 2011 targets overview

During 2011 we worked towards a series of targets set in previous years, the majority of which were long-term Ethical Plan targets  (page 7). Throughout the Report, progress against targets is classified into one of the categories below. The rise in the number of targets that we are 'on track' to achieve reflects the increased number of long-term targets that we are working towards.

 TARGET ACHIEVED	 ON TRACK	 CLOSE TO TARGET	 BEHIND SCHEDULE	 TARGET NOT ACHIEVED	 TARGET DROPPED
<b>62 OUT OF 104</b> 2010: 60 OUT OF 84 2011: <b>60%</b> 2010: <b>71%</b>	<b>20 OUT OF 104</b> 2010: 5 OUT OF 84 2011: <b>19%</b> 2010: <b>6%</b>	<b>5 OUT OF 104</b> 2010: 1 OUT OF 84 2011: <b>5%</b> 2010: <b>1%</b>	<b>9 OUT OF 104</b> 2010: 9 OUT OF 84 2011: <b>8%</b> 2010: <b>11%</b>	<b>7 OUT OF 104</b> 2010: 6 OUT OF 84 2011: <b>7%</b> 2010: <b>7%</b>	<b>1 OUT OF 104</b> 2010: 3 OUT OF 84 2011: <b>1%</b> 2010: <b>4%</b>

<sup>1</sup> One target set for 2011, relating to TCAM as set out in our 2010 Sustainability Report, page 42, has been dropped due to business change.

# Sustainability communications

## Online Report

[www.co-operative.co.uk/sustainabilityreport](http://www.co-operative.co.uk/sustainabilityreport)

Includes a small amount of additional performance information, as indicated throughout the Report. Stakeholder feedback via the website is welcomed.



## Film

A short film is available with highlights from the Report, available online [Co-op](#).

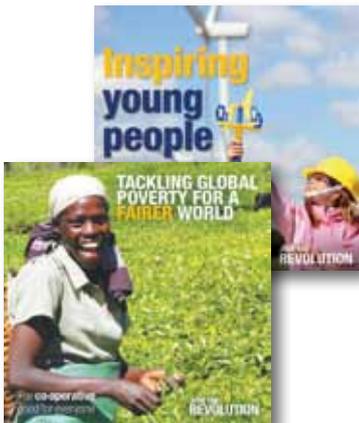
## Join the Revolution

[www.jointherevolution.coop](http://www.jointherevolution.coop)

Regular updates provided on sustainability initiatives, and news from our family of businesses.



We produce further information on a wide range of sustainability issues, from Tackling Global Poverty to Inspiring Young People, in a number of different formats including DVDs and downloadable brochures. To find out more visit: [www.jointherevolution.coop](http://www.jointherevolution.coop)



## Registered office

New Century House  
Manchester M60 4ES

## More information

This Sustainability Report can be viewed online at [www.co-operative.co.uk/sustainabilityreport](http://www.co-operative.co.uk/sustainabilityreport) or a paper copy obtained via **0161 827 6414** or [sustainability.report@co-operative.coop](mailto:sustainability.report@co-operative.coop)

This document is also available on request in large print, in Braille and on cassette: Freephone **0800 0686 727**, Minicom **0800 0686 717** or email [customer.relations@co-operative.coop](mailto:customer.relations@co-operative.coop)

Previous Sustainability Reports of The Co-operative Group and The Co-operative Banking Group can be found at: [www.co-operative.co.uk/sustainabilityreport](http://www.co-operative.co.uk/sustainabilityreport) and [www.co-operativebankinggroup.co.uk/sustainabilityreport](http://www.co-operativebankinggroup.co.uk/sustainabilityreport)

A detailed account of The Co-operative's financial performance is presented in the Annual Report and Accounts 2011 [www.co-operative.co.uk/corporate/corporatepublications](http://www.co-operative.co.uk/corporate/corporatepublications)

## Feedback and queries

If you would like to comment on our sustainability approach or performance we would like to hear from you. Please contact us at: [sustainability.report@co-operative.co.uk](mailto:sustainability.report@co-operative.co.uk)

## Design and production by Flag

**Printed at APS Group**, an ISO 14001 and FSC-certified company. **We like our communications to have an impact on you – but not on the environment.** This document is printed using vegetable oil-based inks on paper which is part recycled, Forest Stewardship Council certified and made in an elemental chlorine-free process. I'm not finished – please recycle me!