

An aerial photograph of a town and surrounding countryside. The town is densely packed with houses and buildings, surrounded by green fields and trees. The sky is bright blue with scattered white clouds. A dark blue rectangular box is overlaid on the top half of the image, containing the title and company name.

# Sustainability Report 2013

The **co-operative**

Here for you for life

# About us

The Co-operative Group is the UK's largest mutual business owned by over 8 million members. We operate 4,500 retail outlets and employ almost 87,000 people. We are a major food retailer, the largest funerals provider in the UK, a general insurance business and a legal services provider.

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

## Our values

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

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

## Our principles

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

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

Revenue:

**£10.5bn**

Underlying segment operating profit:

**£210m**

Gross sales:

**£11.4bn**

Group loss:

**£2.5bn**

We are registered in the UK under the Industrial and Provident Societies Act. We operate only in the UK and our main business support centre is in Manchester.

### Food (69%)

Operates in every postal area throughout the country, selling food and family consumables. Our ambition is to be the largest convenience sector retailer in the UK.

Revenue: £7.24bn  
(2012: £7.44bn)

Employees: 69,482  
Stores: 2,779

### Funerals (3.5%)

The UK's leading funeral services provider running 926 funeral homes across the country, providing individual support, care and reassurance when it matters most.

Revenue: £370m  
(2012: £358m)

Employees: 4,230  
Branches: 926

### General Insurance (4.5%)

Offers a range of home, motor and pet insurance products to customers.

Revenue: £476m  
(2012: 580m)

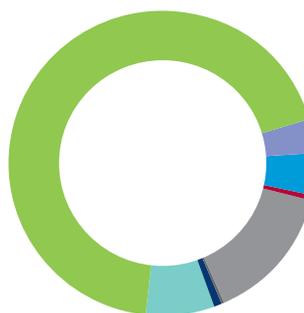
Employees: 1,291  
Sites: 5

### Pharmacy (7.2%)

The third largest pharmacy chain in the UK, providing healthcare products and services.

Revenue: £760m  
(2012: £764m)

Employees: 6,980  
Branches: 782 branches including Outpatient Departments



### Legal Services (0.3%)

Dedicated to widening access to the law, provides advice on legal issues from will writing and family law to personal injury and probate.

Revenue: £33m  
(2012: £33m)

Employees: 560  
Sites: 3

### Electrical (0.8%)

Online electrical store offering free home delivery.

Revenue: £88m  
(2012: £83m)

Employees: 118  
Sites: 3

### Estates (0.3%)

Custodian of a large portfolio of properties across the UK from our retail outlets, to commercial, investment and residential portfolios. Responsible for facilities, energy and risk management across the business.

Revenue: £28m  
(2012: £36m)

### Federal and other (14.4%)

Including sales to other co-operatives (Federal), corporate costs, Sunwin Services and Motor.

# Over a decade of open and honest sustainability reporting

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As we have done for over a decade now, our 2013 Sustainability Report sets out how we are addressing the key sustainability issues for our business and seeking to be among the leading businesses in areas such as supporting the communities in which we operate, responsible retailing, protecting the environment and stakeholder engagement. 2013 was a year unlike any in our history, however, and so even more than other years we encourage readers to consider the context of our sustainability performance alongside our wider economic performance, as set out in our Annual Report<sup>1</sup>.

## What's in our report?

Our report is structured under three broad headings – social responsibility, protecting the environment, and delivering value to our stakeholders – under which we report on 15 subject areas relating to our most material sustainability issues.

This account of our sustainability performance relates to our family of businesses – which operate primarily in the retail, funeral care, legal services and general insurance sectors – as of the end of 2013, following separation of The Co-operative Bank from The Co-operative Group. We present an overview of The Co-operative Bank's sustainability performance in 2013 in a separate review online<sup>2</sup>.

## Putting our performance in context

We set out our performance in 2013 – both good and bad – against targets for each of the issues we address. Where appropriate, we provide four years of comparable data to allow readers to understand our performance over time.

We believe that better sense can be made of how we're doing if performance can be compared to that of our peers. That's why we include relevant performance benchmarks that highlight not just where we lead, but also where we strive for improvements.

The data and claims made in this Report are independently assured by DNV GL (pages 90–91), in line with our commitment to open and honest reporting.

<sup>1</sup> [www.co-operative.coop/corporate/Investors/Publications/Annual-Report-and-Accounts](http://www.co-operative.coop/corporate/Investors/Publications/Annual-Report-and-Accounts)

<sup>2</sup> [www.co-operative.coop/sustainabilityreport/bank](http://www.co-operative.coop/sustainabilityreport/bank)

# Chair's overview

“Society needs a healthy and robust Co-operative Group, that is commercially driven and ethically focused, and we are more determined than ever to deliver on that for all our stakeholders.”



The period covered by this Report has been one of unprecedented turmoil for The Co-operative Group, brought about by a procession of challenges – from the financial crisis that became apparent in 2013, to the governance issues that followed. Aside from other regulatory inquiries now underway, the Group commissioned two reports of its own to establish what went wrong at the Bank and how we should address our governance issues in response. The reports by Sir Christopher Kelly and Lord Myners were presented to our AGM in May 2014 and are providing invaluable guidance for how we should reform our business<sup>1</sup>.

Faced with such an onslaught, many businesses could have folded. Indeed ours nearly did. But our ability to respond to such shocks to the system, as well as the ever-changing environment in which we operate, is testament to our resilience, continued relevance and ability to recognise where, when and how to change.

There has been more attention focused on The Co-operative and the co-operative way of doing business than perhaps at any other time in our history. Of course, much of this has reflected a great deal of anger and disappointment. But there has also been incredible support and recognition for the co-operative approach as a valuable alternative on the high street and as a great British institution.

There has to come a point where the perspective shifts from looking backwards at our problems, to looking forwards to the solutions. The passing of the Governance Reform Motion at the Group Special General Meeting in May and the announcement of the new Group Purpose and Strategy – ‘Championing a better way of doing business for you and your communities’ – signalled that point.

Over the forthcoming weeks and months we will be working closely with our members to translate those principles into a robust governance model and to turn our Purpose into action.

At the same time, I am determined not to lose sight of all the good things that our colleagues, members and customers have continued to deliver on, even in these most extraordinary of times.

Our Sustainability Report has long provided a robust account of our performance and I am proud that this year is no different.

## A renewed sense of purpose

Society needs a healthy and robust Co-operative Group, that is commercially driven and ethically focused, and we are more determined than ever to deliver on that for all our stakeholders.

We have the fundamental principles in place for both our governance reform and our revised Purpose and Strategy. And after the turmoil of the last year, there is a renewed sense of purpose among our members, colleagues and customers.

It is time to look forward.

A handwritten signature in blue ink that reads "Ursula Lidbetter".

Ursula Lidbetter  
Chair  
The Co-operative Group

<sup>1</sup> For further information see: The Co-operative Group Annual Report 2013 ([www.co-operative.coop/corporate/Investors/Annual-Results-2013/](http://www.co-operative.coop/corporate/Investors/Annual-Results-2013/)); [www.thekellyreview.co.uk](http://www.thekellyreview.co.uk); and [www.co-operative.coop/MynersReview](http://www.co-operative.coop/MynersReview).

# Chief Executive's overview

“Our new Purpose reflects that, for The Co-operative Group, how we run our business is more important than merely maximising our profits.”



This Report reflects a period of transition for us as we recover from the crisis of 2013 and begin to rebuild the Group's reputation and commercial performance. Central to our recovery is our renewed commitment to place communities at the heart of our business approach.

Our new Purpose – ‘Championing a better way of doing business for you and your communities’ – reflects that, for The Co-operative Group, how we run our business is more important than merely maximising our profits. It takes us back to our roots, and the very reason why we developed our co-operative approach.

Our Purpose encapsulates our aims to be commercially successful while continuing to implement our commitment to ethical values and sourcing. As with other major businesses, we face a wide range of social and environmental issues, and this Report presents an open and balanced review of how we continued throughout 2013 to respond to them.

## Performance overview

We have continued to reduce our environmental impacts, with a 45% reduction in greenhouse gas emissions and an 18% reduction in transport miles since 2006. Our total waste arisings are down 40% since 2006, and we reused/recycled 72% of our waste in 2013 – with our award-winning programme to backhaul waste from all our food stores set to halve the waste bill from our Food business.

Our responsible retailing commitments have been benefiting communities at home and abroad, as our leading position on Fairtrade products continued, with sales increasing slightly to £140m. Closer to home, we sourced all own-brand eggs, milk, fresh and frozen chicken, turkey, beef, pork and sausage from the UK in 2013.

Our commitment to supporting our communities has seen us invest £15.7m in 2013 – of which the majority reflects not just cash, but the time, effort and contributions of our colleagues and members. This includes helping communities to find robust co-operative solutions to some of the challenges they face, for example, through the work of The Co-operative Enterprise Hub which is covered on page 66.

It is heartening that even amidst the negative publicity, the efforts of our colleagues and members continue to receive due recognition. Our award-winning Charity of the Year programme raised £6m for Carers Trust, benefiting over 20,000 young adult carers in the UK by 2016 (as described on page 9), and 1.5 million young people benefited from our Inspiring Young People programme.

Our Fairbourne Springs bottled water, which supports humanitarian projects in Africa, was recognised at a reception at 10 Downing Street. The award, presented to our Chair by Samantha Cameron, recognised the £5m that our customers and members have helped to raise since 2007.

Of course we have faced challenges, and failed to achieve some of the targets we set ourselves. For example, progress on sourcing sustainable soya has been harder than anticipated.

## A focus on the future

While we continue to deal with the issues we still face, it is only right that we take stock of our progress, and this Report provides a timely update for our stakeholders.

As we move forward, in line with our new strategy we will be focusing our sustainability initiatives on a smaller number of key issues. But do not read into that an intention to limit our ambition. We intend to embrace our radical campaigning heritage and deliver even greater local impact, by working with our members and communities to identify the issues they want us to champion on their behalf.

Our focus is firmly on the future, as we start the journey of putting our Purpose into action and realising our goal of truly being a purpose-led business.

A handwritten signature in dark ink, appearing to read 'Richard Pennycook'. The signature is fluid and cursive, written on a white background.

Richard Pennycook  
Interim Chief Executive  
The Co-operative Group

# Performance overview

As documented in this Report and in our Annual Report<sup>1</sup>, the past 18 months have brought unprecedented financial and governance challenges to The Co-operative. But against this backdrop, we have sought to deliver on our ethical and sustainability targets and commitments.

This Report shows how, over the past year, we have continued to invest in the communities where we operate, to reduce our environmental impact, and to develop our products and services in a socially responsible manner.

We have made good progress on key aspects of our sustainability performance, receiving external recognition for many of our achievements. But of course we still face challenges and have experienced setbacks in some areas. As always, we report on these in an open and honest manner.

An overview of our performance in key areas is shown below, and you can read more detail throughout this Report.



## Best UK community investment

for our Inspiring Young People programme



## Number one

in the world in the 'Best Sustainability Report' category

## Winner

IGD Environmental Sustainability Award 2013 for our waste backhauling initiative



## Best short-term charity partnership

at the Business Charity Awards 2014, for our work with Carers Trust



## Social responsibility

**£15.7m**  
invested

in UK communities in 2013

Sales of Fairtrade products increased to **£140m** benefiting 225,000 people in 2013



**50,000**  
people  
benefited

from sales of our Fairbourne Springs bottled water in 2013. Over £5m donations raised since 2007



**32%**

of food promotions are for healthier products

**1.5 million**  
people

benefited from our Inspiring Young People programme in 2013

**£6m** raised

for our Charity of the Year



**100%**  
own-brand

eggs, milk, fresh and frozen chicken, turkey, beef, pork and sausage is UK-sourced



Our insurance products continue to be

**ethically screened**

<sup>1</sup> [www.co-operative.coop/corporate/Investors/Annual-Results-2013/](http://www.co-operative.coop/corporate/Investors/Annual-Results-2013/)

## Protecting the environment

**45% reduction**  
in direct GHG emissions  
(CO<sub>2</sub>e) since 2006

**£70.7m savings**  
from energy  
efficiency in 2013

**98%**  
of own-brand wood or  
paper products sold  
in The Co-operative  
Food are FSC-certified  
or recycled



**72%**  
of waste reused/  
recycled – on track  
to achieve 100%

**39% reduction**  
in total primary  
packaging since 2006



## Delivering value

In 2013, our business key performance indicators focused on Financial, People, Customer, Membership and Social Responsibility<sup>2</sup>.

**Platinum Plus  
(97%)**  
Business  
in the  
Community  
(BITC) Corporate  
Responsibility Index



**78%** Employee  
engagement score

**8.1 million**  
members

**6.9%** Return on  
capital employed (ROCE)

### Customer satisfaction:

Food: **7.4** (Overall Customer Satisfaction)

Funeralcare: **93.8** (Funeral Excellence score)

General Insurance: **77%** (Overall Customer Satisfaction)

Pharmacy: **93.4%** (Customer Satisfaction Index)

## Looking ahead

As we move forward, our ambition is to make the co-operative way of doing business even more relevant to even more people. Central to our new Purpose is our commitment to campaigning, to ethical values and sourcing, and to delivering and retaining value in our communities. As always, we look to set ourselves challenging targets and report back to our stakeholders on our performance, both good and bad.

Our Group Purpose:

**‘Championing a better way of doing business for you and your communities’**

- **Championing** – it’s part of our heritage, taking a stand, making a noise on a small number of social issues which are relevant to our businesses and our members’ lives
- **Better way of doing business** – we need to be commercially successful, building a sustainable way of doing business that is mutually beneficial, recycling our success into strengthening communities. Continuing our ongoing commitment to ethical values and sourcing
- **For You** – immediate and tangible benefits for our members and customers who are not yet members. Functional benefits – better prices, great quality, right location, excellent customer service; emotional benefit – feels good and feels right
- **Your Communities** – enabling and strengthening communities, being locally relevant and reinforcing reasons why members and customers should be loyal to us

# Expert commentary

“There has been a lot of pain and bewilderment around The Co-operative, but the heart and soul of The Co-operative Group is alive and well... here in these pages, and in the promise for 2014 and beyond.”



## Renewed purpose and inspiration...

To say that 2013 was a difficult year for The Co-operative would be a significant understatement. One shock at The Co-operative Bank seemed to follow another. That made it a disheartening year both for employees and for that huge number of stakeholders who have always held The Co-operative Group in very high esteem – including myself.

All that is not the stuff of this Report. Behind all the headlines, the day-to-day sustainability work was pursued through 2013 with undiminished enthusiasm, not just by the full-time sustainability staff, but by the thousands of Co-operative employees involved in different parts of the programme. In most areas, good progress has been made, which means that the level of investment back into the community (both here in the UK and overseas) remains hugely impressive.

As does its continuing commitment to sustainable energy. 98% of The Co-operative's energy comes from renewable sources, and it remains committed to self-generating 25% of that total by 2017. Greenhouse gas emissions were down another 3% in 2013, making a total reduction of 45% since 2006. Its support for community energy has been outstanding (I should declare an interest here, as Forum for the Future has been a significant beneficiary of that support for a number of years), and it has campaigned effectively to promote a more balanced, progressive energy strategy for the UK.

But it would be foolish to make out that everything has been hunky-dory. A number of targets have been missed, and it's clear that the Group's troubles have affected its overall performance. Just as worryingly, far fewer targets have been set for 2014, and ambition levels have clearly been reduced.

In the circumstances, this is understandable. But it would be unwise for the Group to seek respite in second best on sustainability performance, even temporarily. One of the most encouraging data points in this year's Report is the fact that half a million people became members of The Co-operative last year, increasing the total number of members to 8.1 million – including an additional 43,000 members in the 16–24 age group. This is the future, and this is an organisation whose values still resonate very powerfully with many millions of people.

This is the 17th Sustainability Report from The Co-operative Group, and I have provided a commentary for seven of them. This is by far the hardest I've had to do. There has been a lot of pain and bewilderment around The Co-operative, but the heart and soul of The Co-operative Group is alive and well. It's here in these pages, and in the promise for 2014 and beyond.

And we should all celebrate that: our prospects for a genuinely just and sustainable world would be significantly diminished if The Co-operative was no longer leading from the front with renewed purpose and inspiration.

Jonathon Porritt  
 Founder Director, Forum for the Future  
[www.forumforthefuture.org](http://www.forumforthefuture.org)

# Social responsibility

Social responsibility lies at the heart of the co-operative approach to business. As the UK's largest mutual business, with a retail presence in every UK postal area, sourcing from over 1,500 supplier sites in more than 60 countries, and offering insurance, legal and funeral services across the UK, we have both a responsibility and an opportunity to have a positive social impact. This is why we are investing in and supporting communities across the UK; contributing to international development through our work on fair and ethical trade; taking a responsible approach to the food, financial and other products we sell; and promoting a more equal and inclusive society.

# UK communities

## In this section

- 8 Investment in UK communities
- 11 Employee community engagement
- 12 Inspiring Young People

Concern for community is enshrined in our co-operative principles. As a retailer with a presence in every UK postal area, our community impact is extensive and is supported by our community activities. Like all co-operatives, we are committed to helping people work together and create sustainable enterprises to address challenges in their community.

## Our approach in 2013

Our approach to supporting UK communities is broad-reaching, and reflects the diversity of our family of businesses and our co-operative commitment. 'UK community investment' refers to our donation of money, goods and time – along with donations by employees, customers, members and suppliers that we have facilitated – through which we seek to build more sustainable communities. We incorporate a strong education theme into our community investment programme, in keeping with our co-operative identity and in recognition of the vital role that young people play in our business<sup>1</sup> and communities. And through the work of The Co-operative Enterprise Hub (page 66), we have been helping communities to find robust co-operative solutions to local challenges across the UK.

## Investment in UK communities

**£15.7m**  
**invested**

in UK communities  
in 2013

2012: £17.6m

Our total investment in UK communities in 2013 was £15.7m. This figure includes contributions by employees, customers, members and suppliers that we have facilitated (shown as 'leverage'). Community support for overseas projects and human rights initiatives is excluded from this figure and is reported on pages 15–19.

Leverage decreased in 2013 primarily as a result of the reduced income of The Co-operative Membership Community Fund to £1.8m. This followed the fall in profits and lack of a half-year member dividend payment in November 2013<sup>2</sup> (page 64). However, we made an additional donation of £800,000 to offset the shortfall in Fund contributions (recorded as a cash contribution).

### Breakdown of UK community investment

	Cash	Employee time	Gifts in kind	Management costs	Leverage	Total
2010	9.1m	1.2m	0.2m	0.5m	3.8m	<b>14.8m</b>
2011	8.8m	2.7m	0.3m	0.6m	6.5m	<b>18.9m</b>
2012	7.5m	1.0m <sup>3</sup>	0.3m	0.8m	8.0m	<b>17.6m<sup>4</sup></b>
2013	6.6m	1.3m	0.3m	0.5m	7.0m	<b>15.7m</b>

### Indicator: Value of community investment

#### Target 2013

Ensure that at least 10% of the profits available for distribution is made available for community investment in 2013

#### Progress



At least 10% of profits available for distribution was made available for community investment in 2013

# Almost £6m raised for our Charity of the Year

Funds raised for Charity of the Year	
2009/10 RNID	<b>£3.7m</b>
2011/12 Mencap & ENABLE Scotland	<b>£7.2m</b>
2013/14 Carers Trust	<b>£5.9m<sup>9</sup></b>

### Performance recognition

Business Charity Awards 2014, Best short-term charity partnership for our work with Carers Trust



### Our top UK community programmes (investment over £1m)

Programme	Total contribution 2012 <sup>7</sup>	Total contribution 2013
1 Charity of the Year (below)	£3,742,000	£3,527,000 <sup>8</sup>
2 Inspiring Young People (page 12)	£2,283,000	£2,743,000
3 Co-operative Membership Community Fund (page 10)	£3,224,000	£2,647,000
4 Charitable donations to UK charities <sup>5</sup>	n/a	£1,531,000
5 Co-operative Enterprise Hub (page 66)	£1,579,000	£1,272,000
6 Supporting local community events and activities (non-fundraising) <sup>6</sup>	n/a	£1,121,000
<b>Total</b>	<b>£10,828,000</b>	<b>£12,841,000</b>
<a href="#">Read more online</a>	(62% of total)	(82% of total)

### Charity of the Year

Our Charity of the Year<sup>10</sup> partnership runs on a biennial basis and enables a national charity, selected by our colleagues and members, to benefit from employee fundraising for a dedicated 12-month period. It is our largest employee engagement programme.

In 2013 our partnership with Carers Trust<sup>11</sup> focused on young carers, to align with our Inspiring Young People agenda. We raised almost £6m for the charity, which represented the largest donation ever received by Carers

Trust<sup>12</sup>. The focus of our partnership was not simply on fundraising, but on working alongside young carers to develop a programme of support to specifically meet their needs. As a result of our partnership, over 4,000 young adult carers will benefit from additional advice and support such as respite, education and employment opportunities in 2014, increasing to more than 20,000 by 2016. Alongside fundraising, our employees, members and local communities united to raise awareness and influence change.

### Indicator: Value of community investment

Target 2013	Progress
Seek to raise £5m for Carers Trust in 2013, and translate this into support for 20,000 young adult carers	We raised almost £6m to support 20,000 young adult carers across the UK



### 24-7 campaign: Carers Trust

Our 24-7 campaign highlighted the 24-hour, seven-day-a-week nature of the challenges young adult carers face every day. We invited employees and customers to get involved and the response across our businesses was overwhelming, with £472,000 being raised in one day. Colleagues took part in all types of fundraising activities, from abseiling down our offices (Sarah Williams, left) to walking on hot coals.



Five colleagues<sup>13</sup> were nominated as Fundraiser of the Year at the end of the fundraising partnership. The overall winner, Piers Wrangham (Co-operative Banking Group, left), was presented with his award by HRH The Princess Royal, President, Carers Trust, at the fundraising ball in December 2013.



## Funds and foundations

### Performance recognition

Business Charity Awards 2014, Best financial and professional charity partnership for CLS's work with Remember a Charity



### Target 2013

Make grants to over 2,000 community groups, allocating at least £2m in 2013

### Progress



We provided grants to 2,270 community groups and charities, allocating £2.8m in 2013

### The Co-operative Membership Community Fund

The Community Fund<sup>14</sup> supports voluntary and self-help community organisations by awarding small grants of between £100 and £2,000. The Fund is largely made up of donations from members who donate part or all of their share of profits each year. In 2013 there was a decrease in the total amount donated and the number of awards made. However, there was an increase in the average award value.

### The Co-operative Foundation's Truth about Youth<sup>15</sup>

Established in 2000, The Co-operative Foundation is an independent, charitable trust which supports our Inspiring Young People agenda (page 12). The Foundation developed the Truth about Youth grant-making scheme to challenge and change negative perceptions of young people. The programme was set up in 2009 and seven charities<sup>16</sup> (one in each of our democratic regions) have been working in partnership with the Foundation for five years. Each charity received a grant of £140,000 per year, with a total of £5m being spent on the programme.

In 2013, 2,465 young people directly engaged with this programme, with a further 12,687 being involved in one-off opportunities. 76,663 young people and 44,013 adults have been involved with Truth about Youth since 2009.

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

	2010	2011	2012	2013
Number of requests	4,453	4,507	5,076	4,509
Number of awards	1,691	2,430	2,709	2,270
Total dispersed	£1.7m	£2.7m	£3.2m	£2.8m
Average award	£1,029	£1,109	£1,189	£1,233

### Co-operative Young Members' Board

In 2013 we called for members aged 16–25 to apply to form the first Co-operative Young Members' Board (CYMB). Read more about the CYMB in the Members section of this Report (page 60).



## Employee community engagement

### Performance recognition

12,775 days of employee time invested in community activity compared to an average of 7,339 days in other large businesses<sup>17</sup>

During 2013, 13,966 employees (2012: 12,619) took part in community activities during work time, contributing the equivalent of 12,775 days (2012: 10,558) or 95,810 hours (2012: 79,200). This equates to a donation of time worth £1.3m (2012: £1m).

### Employees involved in community activity

	2010	2011	2012 <sup>18</sup>	2013
Number of employees involved in community activity in work time	8,436	13,397	12,619	13,966
Number of days invested in community activity in work time	12,571	27,760	10,558	12,775
Value of staff time	£1.3m	£2.7m	£1.0m	£1.3m

## Employee volunteering



### Performance recognition

Business Charity Awards 2013, Outstanding Employee winner: Janet Cleverley for inspiring and engaging over 210 colleagues to get involved in community team challenges

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

#### Target 2013

Launch an enhanced employee volunteering policy and aim to double volunteering by the end of 2014 (from 2010)

#### Progress



In 2013, 1,693 employees volunteered through our formal programme, a drop of 14% against the 2010 benchmark (1,983) due to business changes<sup>19</sup>

In 2013 employees supported over 5,100 young people by taking part in long-term volunteering opportunities, such as our Reading Partners, Number Partners and e-mentoring initiatives, and as school governors. Employees also continued to volunteer in their local communities through team challenges. In 2013, 103 team challenges<sup>20</sup> took place (2012: 79) benefiting 78 schools and community organisations across the UK.

### Local community initiatives

During 2013 we trialled new ways of empowering Co-operative Food store employees to better support their local communities. These included providing community training; creating a Community Pioneer role in our stores; making additional community hours and budget available to staff in our stores; and developing an online Community Toolkit.

Across our family of businesses, our stores and branches acted as a focus for more than 12,000 community initiatives. Local employee-led activity ranged from fundraising and providing gifts in-kind, to volunteering for local charities and community groups. The value of this local support was £2.6m<sup>21</sup>.

The Co-operative Booster Fund also offers one-off financial contributions to supplement employees' fundraising activities<sup>22</sup>. In 2013 we awarded £50,500 to employee teams and individuals to support over 150 national and local charities.

Read more about how we have been supporting UK communities through the work of **The Co-operative Enterprise Hub** (page 66).

### Indicator: Value of community investment

#### Target 2013

Stores and branches to act as a focus for 12,000 community initiatives per annum, and continue to offer local community groups the opportunity to occupy a selection of surplus properties from our estate at nominal rent

#### Progress



In 2013 our stores and branches acted as a focus for more than 12,000 community initiatives and our Community Property Project<sup>23</sup> offered over 40 surplus properties for nominal rent

## Inspiring Young People

### Performance recognition

**Business in the Community**  
Inspiring Social Action  
in Young People  
Award 2013 –  
Highly commended<sup>24</sup>



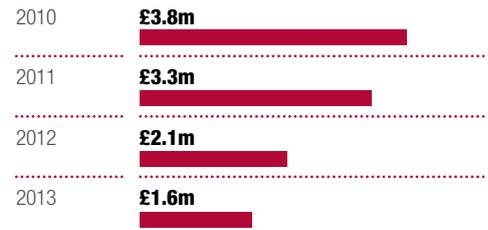
We launched our Inspiring Young People programme in 2010 to help bring about a cultural shift in the way that young people are viewed and treated in the UK. We invest in a diverse range of projects that motivate and inspire young people and give them opportunities to gain skills, knowledge and experience. During 2013 our Inspiring Young People programme was benefiting 1.5 million people. Our 2014 programme target was met two years early when the number of young people benefiting from our activities reached 1.2 million in 2012.

As the Inspiring Young People programme has matured, our efforts have moved from establishing new projects, to a focus on

maintaining and delivering core activities, as reflected in our capital investment.

Our commitment to Inspiring Young People is evident in our work with Co-operative schools and academies, as well as our initiatives outside the traditional learning environment.

### Inspiring Young People programme: cash investment



## Co-operative schools

In 2010 we committed £1m to support the expansion of Co-operative Trust Schools and Co-operative academies<sup>25</sup>. In 2013 we invested £439,000 (2012: £318,000) to improve the

educational outcomes and skills of students, and to give communities a greater say in how their local schools are run.

### Indicator: Support for Co-operative schools and education

Target 2013	Progress	Target 2014
Continue to promote the co-operative model in education, supporting the establishment of Co-operative schools and academies		By the end of 2013 there were six Co-operative Group academies: three secondary academies and three primary academies
		Open a fourth Co-operative primary academy in September 2014

### Performance recognition

**Most improved school in the area** (Ofsted):  
The Co-operative Academy  
Manchester, 2013



## Co-operative Trust Schools

The number of schools operating within the model for Co-operative Trust Schools in England has been growing steadily. We have been providing financial and in-kind support to the new, member-owned Schools Co-operative Society (SCS), which aims to raise the profile and capability of the Co-operative schools sector. By December 2013 the SCS supported 520 Co-operative schools in total (2012: 300).

In Wales, we championed the benefits of co-operative education to the Welsh Government's Co-operative Commission by publishing a policy document and hosting a conference that attracted delegates from across the education sector. This resulted in specific recommendations on co-operative education being included in the Commission's final report.

In Scotland, we supported 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. In 2013 we provided financial support of £90,000 (2012: £19,100), 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 six academies – two of which were opened in September 2013 – and a seventh (primary) academy will open in Leeds in September 2014. 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. [Read more online](#) about our work with Co-operative academies.

In 2013 we created a central Trust to drive forward work with the academies on our behalf. The Trust has appointed a Director of Education to lead on the educational standards within our academies.

## Green Schools Revolution

**Performance recognition**  
Green award winner:  
UK Sponsorship  
Awards for our Green  
Schools Revolution



More than 6,200 schools are now subscribed to our sustainability education programme, Green Schools Revolution. In 2013 we helped colleagues from our food stores to develop closer links with their local schools. We also developed our teaching resources to support learning inside and outside the classroom – creating new resources on Co-operative Enterprise, Ethical Logos and Eco Committees, and extending our school visits programme to offer 40 fully funded school visits to nine sustainability-themed venues across the country.

### Walking Buses

Our Walking Buses initiative encourages children to walk to school together<sup>26</sup>. Since its launch in 2007, we have funded 653 Walking Buses including 39 in 2013. More than 12,000 children and their parents have benefited, saving an estimated 732,564 (2012: 1.19 million<sup>27</sup>) car journeys a year – equivalent to 157 tonnes of carbon dioxide (CO<sub>2</sub>).

### From Farm to Fork

We have been inviting children from primary schools to visit working farms since 2005. In 2013 more than 19,500 (2012: 17,438) pupils benefited from the project and we launched a new From Farm to Fork centre on a pea and arable farm in Louth, in partnership with Lincolnshire Co-operative.

#### Indicator: Support for Co-operative schools and education

Targets 2013	Progress
Increase the number of schools engaged in our Green Schools Revolution to 6,000 by 2014	✓ 6,203 schools had joined the Green Schools Revolution by the end of December 2013
Launch a programme to improve the understanding and teaching of co-operative enterprise in schools by the end of 2013	✓ New co-operative enterprise resources were developed and launched on our Green Schools Revolution website in 2013

## Workplace opportunities

**Performance recognition**  
Top 100 Apprentice  
Employer awarded  
by the National  
Apprenticeship Service



We offer a range of opportunities for young people to gain business skills and experience. We directly employ over 19,000 people aged 16 to 24 across our family of businesses.

### Skills for Work

In 2013 The Co-operative Food ran skills workshops for 825 young people not in employment, education or training (NEET). Workshop topics included behaviours in the workplace, interview skills and customer service. The workshops were run as part of a national campaign, 'Feeding Britain's Future', launched by the food and grocery industry. We plan to continue our involvement in 2014.

We also offer opportunities for young people to gain business skills and experience through placements, internships and apprenticeships.

### Apprenticeships

We launched our Apprenticeship Academy in 2011 to address growing unemployment and lack of training opportunities for young people. Apprentices have the opportunity to study for a nationally recognised qualification while working in one of our businesses and earning a competitive salary. In 2013 we hired 810 apprentices, bringing our total to 2,025<sup>28</sup>.

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

Target 2013	Progress
Progress our Co-operative Apprenticeship Academy and create 2,000 apprenticeships by the end of 2013	✓ We hired 810 apprentices in 2013, bringing our total to 2,025 apprentices <sup>29</sup>



### Performance recognition

North West Award for 'Employer Newcomer of the Year 2013' for our commitment to developing our workforce through Apprenticeships



### Apprenticeships

Hayley Affleck joined our Training Operations team as an apprentice in January 2013, aged 18. As part of her apprenticeship, Hayley also had the opportunity to study for a nationally recognised qualification and has since received A-grades in English, Maths, ICT and Business Administration Level 2 NVQs. Hayley, a former pupil of The Co-operative Academy of Manchester, said of her experience: "I was really, really shy and now I feel confident. I can speak to lots of different people; the Co-op made me the person I am today."

### The Co-operative British Youth Film Academy

Since being established in 2006, The Co-operative British Youth Film Academy (BYFA) has offered thousands of young people<sup>30</sup> opportunities to gain experience in professional film-making. Having spent 2013 reviewing its activities and consolidating learning to date, BYFA will resume work with its members (higher and further education institutions) in 2014.

## The Co-operative StreetGames Young Volunteers

### Performance recognition

Winner: Children and Young People Now Awards 2013, The Youth Volunteering Award: The Co-operative StreetGames Young Volunteers Programme<sup>31</sup>



Our StreetGames Young Volunteers programme develops sports coaching and community leadership skills, using 'doorstep sports' to improve the lives of young people aged 16 to 25, who live in the 20% most deprived communities in England and Wales. In 2013 the programme continued its expansion into Scotland and Northern Ireland, with volunteers in these regions providing over 9,500 volunteering hours to their local communities.

Since 2007, 8,552 young people have joined StreetGames Young Volunteers (2,442 in 2013), donating 30,360 days (or 227,699 hours) of time to their local communities.

The scheme provides 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 2013, our young volunteers had accessed 6,069 accredited qualifications and courses.



# International communities

## In this section

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- 19 Human rights

When undertaken equitably and with respect for human rights, trade has an unparalleled capacity to lift people out of poverty and enhance quality of life across the world. And there is increasing recognition that business will be an essential partner in future efforts to eradicate extreme poverty. With the global population set to reach nine billion by 2050, global food security has been identified as a priority in these efforts, and it will also be crucial for food retailers to ensure consistent supply. As a business sourcing from around 1,500 supplier sites in more than 60 countries, we have both a responsibility and an opportunity to make a major contribution to international development and human rights in communities around the world.

## Our approach in 2013

Fair and ethical trade and support for co-operatives are crucial strands of our strategy as demonstrated by the long-term trading relationships we have developed with co-operatives and producers' associations in our Fairtrade supply chain. And with increasing recognition of the role of smallholder farmers in global food security, we're going 'beyond Fairtrade', investing in these co-operatives to strengthen their capacity and resilience, in turn helping us to secure sustainability of future supply. Through campaigns and voluntary giving schemes, we also help our members, colleagues and customers in communities across the UK to support and engage with communities worldwide.

## Fairtrade

### Performance recognition

Top UK supermarket for Fairtrade retail share relative to size

Supermarket	Overtrade index <sup>1</sup>
The Co-operative	285
Waitrose	196
Sainsbury's	187
Morrisons	94
Marks & Spencer	90
Tesco	67

We have championed the FAIRTRADE Mark since its launch in 1994. The Mark ensures a better deal for disadvantaged producers and workers in developing countries. The UK Fairtrade Foundation estimates that more than eight million people, including farmers, workers and their families across 70 developing countries, benefit from sales of Fairtrade internationally<sup>2</sup>. Of these, an estimated 225,000 people benefited from our sales of Fairtrade products in 2013<sup>3</sup>. [Read more online](#) about Fairtrade products, producers and benefits<sup>4</sup>.

### Sales

The Co-operative Food is the leading UK supermarket for Fairtrade availability with Fairtrade products available in all our stores and the stores into which Co-operative Retail Trading Group goods are supplied. We continue to show the greatest commitment to Fairtrade in the UK

with higher sales of Fairtrade products for the size of our business than any of our competitors<sup>5</sup>.

### Range

We seek to increase the range of Fairtrade products available and, from a baseline of 46% in 2011, we aimed to convert 90% (by sales value) of the products that can be labelled Fairtrade, to Fairtrade, by the end of 2013<sup>6</sup>. In 2013 we reached 82% by converting all our bananas, winter season blueberries and own-brand bunches of standard roses and single stem roses to Fairtrade. We will review our targets on Fairtrade in 2014, with the aim of retaining our leadership position.

In addition to our commitments on Fairtrade leadership, we are also investing in a range of initiatives that take us beyond Fairtrade.

### Indicator: Fairtrade products and sales value

#### Target 2013

Continue to show the greatest commitment to Fairtrade in the UK, remaining second to none in terms of availability and overtrade, and aim that if a primary commodity from the developing world can be Fairtrade, it will be Fairtrade by the end of 2013<sup>7</sup>

#### Progress



In 2013 all own-brand bunches of standard roses and single stem roses were converted to Fairtrade, taking our Fairtrade product range to 82% of products (by sales value) that can be labelled as Fairtrade

### Fairtrade products and sales value

	2010	2011	2012	2013
Total number of Fairtrade products	250	265	258	288 <sup>8</sup>
Number of own-brand Fairtrade products	177	165	159	176
Fairtrade sales value (£)	£103m	£110m	£138m <sup>9</sup>	£140m
Estimated Fairtrade premium value (£)	£2.1m	£2.2m	£3.7m	£3.8m <sup>10</sup>
Proportion of UK supermarket Fairtrade sales (%) <sup>11</sup>	19.4	17.8	17.7	15.4 <sup>12</sup>

## Overseas community involvement



### The impact of Beyond Fairtrade

With five of our Beyond Fairtrade projects now complete, we are beginning to see the longer-term impact of our investment. Our three-year project with COOBANA banana co-operative in Panama came to an end in August 2013. Since the technical training we funded for workers and management, the co-operative has increased its production, thus generating greater Fairtrade premiums, which it is using to provide additional communities with access to water and sanitation, and to expand its banana plantations to secure sustainability of future production.

We are involved with overseas communities through a range of initiatives that support producers and co-operatives 'beyond Fairtrade'. Communities also benefit from funding provided through our affinity products and carbon offset projects, and our ethical trade practices in international supply chains.

### Beyond Fairtrade

With global food security an increasing concern for UK food retailers and manufacturers, our Beyond Fairtrade programme is helping to strengthen the capacity and resistance of the producers of our core Fairtrade categories<sup>13</sup>. This is helping to deliver sustainable and more secure supply chains for our business, as well as benefiting producers and their communities beyond what the Fairtrade premium alone can deliver.

As at 2013, 17 co-operatives and producer associations in Africa, Latin America and the Caribbean are benefiting from our Beyond Fairtrade initiatives (2012: 16), for example, by providing them with better access to markets, capacity to capture more value from their products, and access to basic necessities like clean water and sanitation.

We link our wider global poverty initiatives with our own supply chain where possible. For example, we use donations from sales of our Fairbourne Springs bottled water to fund water projects in our Fairtrade tea and sugar producers' communities in Malawi, and use our carbon offset programme to support tea smallholders supplying into our 99 Fairtrade tea blend (page 43).

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

Target 2013	Progress	Target 2014
Continue to add to the 16 projects and initiatives that have benefited producers since 2009 and take us beyond Fairtrade	We funded a new project in 2013 to support coffee producers belonging to the Oromia Coffee Farmers Co-operative Union in Ethiopia	Continue to add to the 17 projects and initiatives that have benefited producers since 2009 and take us beyond Fairtrade

### Beyond Fairtrade community projects

[Read more online](#) about the following projects and initiatives, which deliver benefits beyond Fairtrade across our core Fairtrade categories.

Fairtrade	Sugar	Tea	Bananas	Blueberries	Coffee	Cocoa	Wine
<b>Donation</b>	£285,000 (2009–12)	£255,000 (2010–12) £125,000 <sup>14</sup> (2009–12)	£260,000 (2010–13) £100,000 (2013–14)	£85,000 <sup>15</sup> (2011–12)	£95,000 (2013–15) £150,000 (2012–15) £130,000 <sup>16</sup> (2013–15)	£90,000 annual contribution in 2013	£210,000 annual contribution in 2013
<b>Producer community</b>	Kasinthula	Satemwa Tea Estate (Malawi) Fintea Growers Co-operative Union (Kenya)	Coobana co-operative (Panama) Banelino co-operative (Dominican Republic)	Apicoop co-operative (Chile)	Oromia Coffee Farmers Co-operative Union (Ethiopia) Fedecocagua co-operative (Guatemala) Aguadas co-operative (Colombia)	Acopagro (Peru), Conacado (Dominican Republic), Kuapa Kokoo (Ghana)	La Riojana (Argentina), Fairhills (South Africa), Merwida (South Africa), Bosman (South Africa), Stellenrust (South Africa)

## Over £5m donations raised

from sales of our Fairbourne Springs bottled water since 2007



Group Chair Ursula Lidbetter with Samantha Cameron at 10 Downing Street

### Reducing carbon emissions

As part of our work to address climate change, we purchase carbon offsets from a portfolio of projects that help avoid or absorb greenhouse gases (page 42). In 2013 we purchased offsets for projects that reduced carbon emissions in developing countries and delivered vital social benefits to local communities, including those in our Fairtrade supply chain.

- **Treadle pumps in India** Around 120,000 people will benefit from provision of 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 15,000 people will benefit from provision of energy-efficient stoves.
- **Water filters in Kenya** An estimated 66,000 people will benefit from provision of biosand water filters, 19,000 of whom are in our Fairtrade tea supply chain (page 43).

### Affinity products

We support The One Foundation – a charity that works with communities in Africa to address pressing humanitarian needs. Every sale of our Fairbourne Springs bottled water generates funding towards clean water projects (page 54), and sales of One Eggs fund livelihoods projects. We raised £750,000 for The One Foundation through these products in 2013, benefiting around 50,000 people. In 2014 our long-standing support for The One Foundation was recognised when we received an honorary award from them, presented by Samantha Cameron (see left).

The Co-operative Pharmacy launched an affinity handwash product with UNICEF in 2011 and 15 pence from every sale is donated towards a project in Togo, to which we pledged £600,000 until 2016. In total 200,000<sup>17</sup> people in 710 villages will benefit from improved sanitation.

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

Targets 2013	Progress	Targets 2014
Continue to support a range of affinity products which raise vital funds for global poverty charities, with initiatives such as our Pharmacy UNICEF handwash product	✓ We continued our partnership with The One Foundation, leveraging £750,000 in 2013 through sales of Fairbourne Springs and One Eggs. Our Pharmacy UNICEF handwash product raised funds for improved sanitation in Togo	Continue to support a range of affinity products which raise vital funds for global poverty charities, with initiatives such as Fairbourne Springs bottled water
Continue to champion the vital role that smallholder farmers and co-operatives can play in feeding the world fairly and sustainably through our Grow Co-operatives campaign	✓ We presented petitions on behalf of 60,000 Co-operative members and 18,000 Fairtrade campaigners to 10 Downing Street (see below)	We will engage our members and customers – particularly young people and community groups – on Fairtrade and co-operatives



### Championing co-operatives Grow co-operatives

Through our Grow Co-operatives campaign we have been calling on the UK Government to provide greater support for smallholder farmers and co-operatives, as a way of helping feed the world fairly and sustainably. Nearly 80,000 members and Oxfam supporters have backed the campaign since 2012 and, together with Oxfam and the Fairtrade Foundation, we presented a petition at 10 Downing Street before the UK-hosted G8 meeting in June 2013. We have seen some encouraging results from our work including:

- the announcement by the Department for International Development of funding to help six million smallholder farmers to grow more food and lift themselves out of poverty;

- acknowledgement in the primary G8 communiqué in 2013 of the important role played by smallholder farmers, especially women, in rural development; and
- the recommendation by the House of Commons International Development Committee to the UK Government that 'supporting the development of farmer organisations, including co-operatives, is vital'.

However, there is still more that can be done to unlock the full potential of smallholder farmers. This is why we are supporting Fairtrade Foundation research to further explore the issues facing smallholder farmers and co-operatives, including farmer experiences of UK investment in smallholder agriculture, and women's participation in producer co-operatives<sup>18</sup>.

## lendwithcare.org



### Extending lendwithcare.org to Pakistan

In 2013 the lendwithcare.org scheme was extended to offer Islamic or Shari'ah-compliant interest-free loans to entrepreneurs in Pakistan. Kosar Bibi, who runs a specialised embroidery business, used her loan to buy fabric on which she sews sequins in ornate patterns. Buying the fabric in bulk at a cheaper price means she can increase her profit and ensure that her children stay in school.

In 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<sup>19</sup> directly to entrepreneurs in the developing world. Once repaid, the lender can choose to recycle the loan or withdraw the money. By the end of 2013, we had facilitated over 100,000 loans to entrepreneurs in the developing world. Latest research suggests that 70% of lendwithcare.org lenders are Co-operative members, customers or employees.

Loans are delivered through local microfinance institutions (MFIs) with fair interest rates and excellent loan repayment rates<sup>20</sup>. In 2013 lendwithcare.org partnered with MFIs in three new countries – Pakistan, Zambia and Malawi – adding to those in the Philippines, Benin, Togo, Cambodia and Ecuador.

The benefits of lendwithcare.org go beyond the immediate loan recipients. For example, as their business grows, some entrepreneurs have employed local labour, with around 1,200 jobs being created as a result of lendwithcare.org loans by the end of 2013.

### Loans made by lendwithcare.org (by end 2013)

Number of lenders	15,068
Number of loans	105,500
Total value of loans (£)	£3,774,000
Number of fully funded entrepreneurs	6,689
Proportion of loans made to women <sup>21</sup> (%)	71%

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

#### Target 2013

Grow our partnership with lendwithcare.org further, facilitating 100,000 loans to entrepreneurs in the developing world by the end of 2013

#### Progress



Over 100,000 loans have been facilitated through our three-year partnership with CARE International to support lendwithcare.org

## Work in international supply chains: Ethical trade

Through our sourcing practices and work with suppliers, we aim to ensure fair treatment of workers in our international supply chains. We work closely with our suppliers to ensure that our strict ethical and environmental standards are maintained. Information on our ethical trade monitoring programme and training with suppliers and employees is included in the Supplier section (page 78). In addition to our UK activities, we carried out supplier training in the following key sourcing countries in 2013:

- We ran interactive training sessions with produce suppliers in **Spain and Italy**, many of whom had no previous ethical trade training, to enable them to gain a deeper understanding of issues including the Ethical Trading Initiative (ETI) Base Code of labour practice and local legislation, temporary and migrant labour, and improving health and safety.

- We initiated and continue to support a supplier Ethical Trade Forum in **Egypt** alongside two other retailers. Forum members met in 2013 to discuss developments in auditing and a local anti-corruption initiative.
- We continue to engage in a wide range of collaborative initiatives with ETI members in **Thailand, Morocco, Peru and South Africa**. Highlights from 2013 include a large-scale event in Peru bringing together trade union, NGO, supplier and government delegates to discuss opportunities for improving working conditions in the horticulture sector.

[Read more online](#) about our supplier training and capacity building activities in 2013.

# Human rights

A growing number of businesses accept responsibility for protecting human rights in their supply chain, but there are very few that take the stand we do. We believe trade can bring positive change, but also recognise that in exceptional circumstances the benefits of trade may be undermined. Our Human Rights and Trade Policy<sup>22</sup>, 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.



One such condition is where there is a broad international consensus that the status of a settlement is illegal. There are only two examples of such settlements: the Israeli settlements in the Palestinian Occupied Territories and the Moroccan settlements in Western Sahara. Our policy is not to source any produce<sup>23</sup> or own-brand product from the Israeli or Moroccan settlements. As of 2012 we do not source from any supplier of produce known to be sourcing from the Israeli settlements.

In February 2013 we completed the process of removing the very small amount of settlement produce present as ingredients<sup>24</sup> in all our own-brand products. In 2013 we identified two suppliers as operating within illegal Israeli settlements and are in the process of delisting them. We remain committed to sourcing produce from Israel, and continue to use Israeli suppliers that do not source from the settlements. To date, our position has not led to a significant reduction in our overall trade with Israeli businesses.

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

Target 2013	Progress	Target 2014
Continue to champion our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement	 We continue to implement our Human Rights and Trade Policy and in 2013 two further companies were identified for delisting from our supply chain	Continue to champion our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement

# Responsible retailing

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#### Our own-brand products

The Co-operative Food has 3,400 own-brand products, which account for 44% of sales by value. These fall into three main ranges – The Co-operative Loved by Us, Truly Irresistible and Simply Value – along with sub-brands across these ranges, such as Wholefoods and Free From.

As a major community retailer, operating primarily across the food, pharmacy, funeral and general insurance sectors, we have a significant impact on the health and wellbeing of our customers, and on animal welfare, through the food, financial and other products and services we sell. The average UK diet contains higher levels of salt, fat and sugar than recommended government guidelines. More than 25% of UK adults are clinically obese, and by 2050 this is expected to increase to over 50%<sup>1</sup>. Promoting a healthy diet and lifestyle will be essential to reverse this trend<sup>2</sup>, and we have a vital role to play in offering healthy, affordable food and improving the health of the communities we serve.

Around 900 million chickens and 10 million pigs are reared for meat every year in the UK<sup>3</sup>. To meet this level of production, most modern farms operate intensive systems. Heightened awareness of animal welfare issues, together with stricter public policy developments<sup>4</sup>, are driving higher standards of animal welfare.

And in the personal insurance sector, where trust is key, consumers are looking for fair and ethical alternatives to the financial products on the high street.

## Our approach in 2013

Responsible retailing is a key strategic priority and we focus on ensuring that a range of healthier and higher welfare choices are available to customers across a range of budgets. Our strategy includes reducing salt, saturated fat and sugar in key products, and labelling our products in a way that enables customers to make informed choices. We are committed to sourcing our products in line with our high standards, with a preference for UK farmers, and to marketing them in a way that encourages a healthier attitude to food and drink, and healthier lifestyle habits for our employees and customers.

Our animal welfare strategy aims to improve baseline production standards for the most intensively farmed animals: pigs and poultry. We do this primarily through developing our own-brand Higher Welfare standards and through sales of RSPCA Welfare Freedom Food standard products. We continue to lead on the issue of animal testing of cosmetic and household products. Our commitment to Fairtrade remains a core element of our approach to responsible retailing (page 15).

In a challenging personal insurance market, The Co-operative Insurance aims to grow by targeting customers attracted to co-operative values of ethics, trust and fairness.

## Diet and health

### Public Health Responsibility Deal

We have been a signatory to the Government's Public Health Responsibility Deal<sup>5</sup> since its launch in 2011 and support the following high-level commitments:

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

The Responsibility Deal also sets out supporting pledges, detailing specific actions. We are signed up to seven of the relevant alcohol pledges<sup>6</sup>, six out of seven food pledges relevant to our business, three of the five physical activity pledges, and four of the 10 health at work pledges. In 2013 we signed up to two new pledges on Calorie Reduction and Front of Pack Nutrition Labelling. [Read more online](#) about these pledges and our progress against them.

## Nutritional content

We believe that healthier options should be accessible to everyone. Our own-brand healthier range products are no more expensive than our standard equivalent lines<sup>7</sup>, and the nutritional content of our Simply Value products are at least as good as standard equivalent lines<sup>8</sup>.

Our own-brand healthier range products are specifically formulated to meet strict nutritional

and calorie criteria. In 2013 we relaunched our healthier range to provide customers with affordable products focusing on a healthier lifestyle, while maintaining taste and quality. With the relaunch, we have begun to extend beyond our existing reduced fat, sugar or calorie products with a range that focuses on positive health benefits, such as containing a source of fibre, omega 3 or 5-a-day.

### Indicator: Nutritional content

Targets 2013	Progress	Targets 2014
Ensure that our own-brand healthier range products are no more expensive than standard equivalent lines	✓ 100% of our own-brand healthier range products are no more expensive than standard equivalent lines	Ensure that our own-brand healthier range products are no more expensive than standard equivalent lines
Ensure that the nutritional content of Simply Value products is at least as good as standard equivalent lines	✓ 100% of Simply Value products have a nutritional content at least as good as standard equivalent lines	Ensure that the nutritional content of Simply Value products is at least as good as standard equivalent lines

### Reducing calories in family meals

In 2013 we selected three of the most popular family favourites – spaghetti bolognese, macaroni cheese and chicken tikka masala – to feature in a money-off coupon-at-till campaign to incentivise customers to reduce their calorie intake. The meals chosen could be made healthier by swapping a few key ingredients to lower calorie alternatives. The campaign removed approximately 5.7 million calories from the UK diet over three weeks.



### Reducing salt, saturated fat and sugar

The average UK diet contains higher levels of salt, fat and sugar than government guidelines, contributing to obesity, high blood pressure and diabetes<sup>9</sup>.

Salt reduction<sup>10</sup> continues to be a key priority in the product improvement process of our own-brand ranges as we progress towards a 6g salt per person per day public health goal. By March 2013 we had met the 2012 Department of Health (DH) salt reduction targets<sup>11</sup> for 96% of relevant products and 58 of the 68 relevant categories (85%). Progress against targets for some products has been challenging across the industry, as new technical solutions are needed to replace salt in some product ranges and we continue to work collaboratively to develop these. All new and reformulated products comply with DH 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.

High levels of dietary saturated fat can lead to high cholesterol and increase the risk of heart disease, and there is increasing concern that too much sugar is linked to a heightened risk of obesity and type 2 diabetes. We continue to reduce sugar and saturated fat from our own-brand products and in 2014 we will develop a new strategy to help our customers reduce their sugar consumption.

### Calorie reduction

In 2013 the introduction of calorie targets and maximums for key product ranges has resulted in a greater selection and number of sandwiches and ready meals providing less than 500kcal per pack. 40% of sandwiches in our lunchtime meal deal offer were from our healthier product range in 2013 with no more than 350 calories per pack. In addition to reducing calories in our existing products, we have been trialling innovative ways to help our customers try healthier alternatives to classic family meals (see case study left).

### Indicator: Nutritional content

Target 2013	Progress	Target 2014
Continue to target salt, saturated fat and sugar reductions in key products, whilst maintaining food safety and product quality	✓ We continued to reduce salt, saturated fat and sugar in almost all of our reformulated products. All our new products complied with existing salt targets	Continue to target salt, saturated fat and sugar reductions in key products, whilst maintaining food safety and product quality

## Nutritional labelling

### Performance recognition

First UK retailer to include calorie information on own-brand alcohol labels since 2002

We have introduced a series of labelling innovations to help consumers understand the nutritional make-up of food products. In 2010 we launched an **integrated labelling** scheme that combines both traffic-light labelling and Guideline Daily Amount (GDA) information. These integrated labels help customers see whether the food has high, medium or low amounts of fat, saturated fat, salt and sugars, and understand how it contributes to their recommended daily intake.

In 2013 we developed a new look for our front-of-pack labelling based on new Department of Health guidelines<sup>12</sup> and began rolling this out on all packs of our own-brand products. We aim to have completed this rebrand by the end of 2014.

We put integrated traffic-light labelling on all relevant<sup>13</sup> own-brand products, corporate website and magazine recipes and in-store

Espresso café bar products. This enables customers to better consider healthier choices in out-of-home environments.

As part of our commitment to helping customers make informed choices, we aim to ensure that at least 30% of our own-brand food products that carry traffic-light labelling will be healthy. In 2013, 40% of own-brand food products carrying traffic-light labelling were healthy (2012: 38%).

Since 2009 we have made it easier for customers to make healthier choices by adding **Green Dot labelling** to identify all own-brand products that meet certain healthy nutritional criteria, such as high fibre, rich in omega 3 and low saturated fat<sup>14</sup>. Green Dot is a market-leading graphical way of presenting the nutritional benefits of products consistently across our product ranges, and has been replicated by other retailers.

### Indicator: Clear and transparent labelling

Target 2013	Progress	Target 2014
Ensure at least 30% of own-brand food products that carry traffic-light labelling are healthy <sup>15</sup>	 40% of own-brand food products that carry traffic-light labelling were healthy	Ensure at least 30% of own-brand food products that carry traffic-light labelling are healthy

## Promoting healthier lifestyles

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

### Healthier promotions

In 2013, 32% of promotions were for healthier products, against a target of 30% (2012: 33%)<sup>16</sup>.

We are a national partner of the Department of Health's Change4Life campaign, which encourages people to make changes to their diet and activity levels to reduce preventable illness.

[More information online.](#)



### Young people

We do not merchandise confectionary at the till point in our large stores. In our smaller, convenience stores we offer a range of products, including healthier options<sup>17</sup>, at the till point. We do not include any confectionary directly aimed at children via its packaging or marketing.

We ban the use of children's cartoon characters on the packaging of own-brand products which are high in fat, salt and sugar<sup>18</sup>.

### Indicator: Responsible promotions, marketing and information

Target 2013	Progress	Target 2014
A minimum of 30% of food promotions will be for healthy offerings	 32% of food promotions in 2013 were for healthy offerings	A minimum of 30% of food promotions will be for healthy offerings



### Tackling alcohol abuse

Following consultation with the UK's leading specialist drug and alcohol treatment charity, Addaction, we no longer sell cider in the larger three-litre size, due to the association of these larger bottle sizes with alcohol abuse. Alan Hopley from Addaction stated, "We have welcomed the opportunity to work with such a responsible retailer and to support such targeted action to reduce the harm caused by hazardous drinking."

In 2013 we launched Lunch Swaps<sup>19</sup>, a web-based interactive game to help customers identify healthier lunchbox items. The game promotes healthier food options consistent with Children's Food Trust<sup>20</sup> guidelines for primary-school-aged children.

We also inform young people about food and healthier lifestyles through our community initiatives, such as From Farm to Fork, in which we invite primary school children to visit farms to learn about the origins of their food and interest them in fresh, healthy ingredients (page 13).

### Fruit and vegetables

We seek to encourage customers to increase their consumption of fruit and vegetables through actions such as Green Dot labelling and 5-a-day messages across digital and printed media channels<sup>21</sup>. In 2013 we continued to explore new ways to make it easier for people to choose a wider range of fruit and vegetables, and encourage longer-term behavioural change. For example, following a successful trial in 2012, we continued our smart couponing scheme into 2013, targeting members with a low weekly spend on fruit and vegetables. This has been supported by direct mail coupons and promotions on fresh fruit and vegetables.

### Alcohol

We are committed to selling alcohol responsibly and have signed up to seven of the eight relevant alcohol pledges in the Responsibility Deal<sup>22</sup>, including those on alcohol labelling, awareness of alcohol units and unit reduction. [More information online.](#)

In 2013 as part of our public commitment to reduce the number of alcohol units sold in the UK, we worked with our suppliers to reduce the alcohol content of our own-brand cider from 5.3% ABV<sup>23</sup> to 5.0%. This has resulted in a potential reduction of 2.6m units sold each year<sup>24</sup>.

In 2013 we supported the UK alcohol awareness charity, Drinkaware, with funding of £250,000. All our own-brand products and external communications relating to alcohol carry Drinkaware messaging. The in-kind value of our support for Drinkaware's Campaign for Smarter Drinking was over £380,000 in 2013.

We support community action to tackle negative impacts of alcohol misuse through local initiatives such as Community Alcohol Partnerships (CAP), Pubwatch and Nightsafe schemes. We are involved in 40 CAP schemes (2012: 32) and in 2014 we aim to become involved in at least 10 more.

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

Targets 2013	Progress	Targets 2014
Encourage members to increase their consumption of fruit and vegetables <sup>25</sup> through targeted incentives such as money-off coupons	 We continued our smart coupon scheme for fruit and vegetables in 2013	Encourage members to increase their consumption of fruit and vegetables through targeted incentives such as money-off coupons
Support our customers to drink responsibly, by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products	 We supported Drinkaware campaigns and lowered alcohol in own-brand cider	Support our customers to drink responsibly, by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products

### Physical activity

We have signed up to three out of five Physical Activity pledges in the Responsibility Deal, including raising awareness of physical activity guidelines and encouraging employees to cycle or walk to work through our Green Travel initiatives. In line with our Individual pledge, we continue to use our presence in local communities to encourage physical activity through initiatives such as our multi-sport programme, which provided free sports coaching to over 5,400 children in 2013.

### Health at work

We have signed up to four Health at Work pledges as part of the Responsibility Deal, and in 2014 we intend to use a series of health campaigns to support our colleagues to live a healthier lifestyle.

### Pharmacy services

The Co-operative Pharmacy provides a range of dispensing, and health and lifestyle services and advice for UK communities, such as how to stop smoking and how to make more use of their pharmacy for health advice. [Read more online.](#)

Indicator: **Healthier lifestyles**

Target 2014

We will support our colleagues to live a healthier lifestyle through a series of health campaigns

## Animal welfare

**Performance recognition**

Second highest ranked UK Food Retailer for Animal Welfare 2013 Business Benchmark on Farm Animal Welfare<sup>26</sup>



Basic animal welfare<sup>27</sup> in the UK is assured via farm assurance standards, sometimes signified by a Red Tractor Mark or Quality Standard Mark. Our own-brand Higher Welfare standard and the RSPCA Freedom Food Welfare standards exceed these, for example requiring higher minimum space requirements and more natural daylight, which allows animals to exhibit more normal behaviours. All livestock reared for our own-brand products must be stunned prior to slaughter. [Read more online](#) about the different animal welfare standards.

about the provenance of their food. In 2013 we established new farming groups for beef, chicken, pork and lamb, in addition to our dedicated Dairy Group (page 81), allowing us to work better with our suppliers, reduce our supply chain environmental impacts and improve animal welfare.

### Our farming groups

We support British farmers, and recognise the difficulties they face. We also know that our customers and members look to us for clarity

Suppliers in our dedicated farming groups maintain species-specific welfare requirements, and independent audits are used to monitor beef, chicken, pork and lamb farmers against a set of key welfare indicators. Farming group members share industry best practice and receive training on methods for improving welfare. A proportion of the premium that contracted Dairy Group farmers receive from us is allocated to veterinary costs. Read more in the Supplier section (page 78).

## 60 minutes or less

transportation time for the majority of animals

Red Tractor baseline standard recommended maximum: 8 hours

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

Target 2013

Progress

Target 2014

Improve animal welfare standards for dairy cows, together with environmental impacts by developing a dedicated supply chain for milk that benefits contracted farmers with a premium, and access to green electricity and energy efficiency surveys



Since the introduction of The Co-operative Dairy Group, emissions have reduced by 64 grams CO<sub>2</sub>e per litre. We have also introduced a further five farming groups for our chicken, standard and premium pork, beef and lamb

We will source 50% of our meat and poultry from our farming groups, to drive improvements in the five areas of our farming group 'pillar' model – animal welfare, co-operative engagement, environmental impact, sustainability, and ethical and training issues

**Performance recognition**

Overall winner in MWD Milk Quality Awards: The Co-operative Dairy Group member<sup>28</sup>

**Assurance and impact measurement**

All farms supplying us with meat or poultry products may be subject to announced and unannounced audits by us or an appointed audit body. We use independent third-party auditors to check compliance with national standards and all our own-brand Higher Welfare standard meat and poultry<sup>29</sup>. [Read more online](#) about our assurance process in 2013.

We believe that in addition to monitoring 'inputs' such as stocking densities, we should look at the impact these farming methods have on key measures of animal welfare. We are introducing more impact measures to enable us to identify better ways of improving farm animal welfare.

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

Target 2013	Progress	Target 2014
Measure and report the impact of our own-brand Higher Welfare standards on animal welfare by 2015	 <p>In 2013 we introduced impact measures for all our own-brand Higher Welfare standards and began collecting data to begin publicly reporting these results. We continue to work with suppliers in our farming groups to improve on welfare impacts</p>	Measure and report the impact of our farming group animal welfare standards by 2015

**Higher welfare products<sup>30</sup>**

We believe that all customers, no matter what their budget, should be able to enjoy meat, poultry and fish knowing it has come from animals reared to a high standard of welfare. This is why we are making higher welfare options available for a variety of budgets, with a focus on the most intensively farmed animals.

All our own-brand meat and poultry products are produced, as a minimum, to Red Tractor Farm

Assurance Scheme standards, or equivalent where sourced outside the UK.

In 2013 sales of products from animals reared to higher welfare standards totalled £270m (2012: £296m), with 466 higher welfare lines available in food stores (2012: 393)<sup>31</sup>. Sales of these products decreased in 2013, as a result of customers trading down from premium-range products and changes to product specification and availability of these ranges.

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

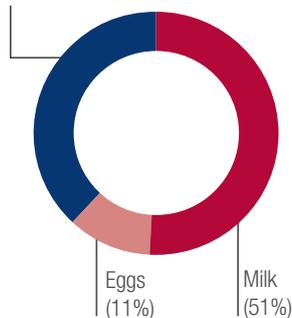
Target 2013	Progress	Target 2014
Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free range	 <p>Higher baseline animal welfare standards are met across a range of own-brand products, and all shell eggs and egg ingredients in own-brand products are at least free range</p>	Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free range

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

	2010	2011	2012	2013
Own-brand Higher Welfare <sup>32</sup>	£111m	£154m	£185m	£157m
RSPCA Welfare Freedom Food	£63m	£74m	£81m	£83m
Other higher welfare	£30m	£23m	£30m	£30m
<b>Total</b>	<b>£204m</b>	<b>£251m</b>	<b>£296m</b>	<b>£270m</b>

**Eggs and milk****Own-brand dairy: Proportion of sales by product type, 2013**

Cheese, butter, cream, yoghurts and desserts (38%)



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

In 2013, 97% of our own-brand shell egg sales were RSPCA Welfare Freedom Food accredited (2012: 98%), requiring lower outdoor stocking densities than conventional free-range standards, and the rest were certified organic.

In 2013, 96% of own-brand fresh milk was assured under the National Dairy Farm Assured Scheme (2012: 96%). The remainder was certified as organic by the Soil Association.

The Co-operative Dairy Group, the farming group dedicated to supplying the equivalent of approximately 85% of our own-brand assured milk, maintains welfare standards, compliance with our grazing policy<sup>33</sup>, and audited monitoring of key herd health impacts. [Read more online](#) about welfare standards for eggs and milk.

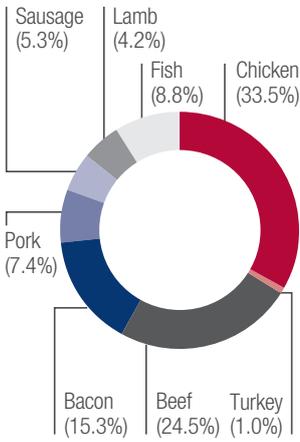
**Own-brand eggs and milk: Proportion of sales by welfare standard, 2013**

	% of sales that are own-brand	Welfare standard		
		National Dairy Farm Assured Scheme	RSPCA Welfare Freedom Food Free-range	Organic
Eggs	84%		97%	3%
Milk	83%	96%		4%

**Fresh poultry, meat and fish<sup>34</sup>****Own-brand fresh poultry, meat and fish: Proportion of sales by welfare standard, 2013**

	% of sales that are own-brand	Welfare standard				
		Base-level Farm Assurance standard	Own-brand Higher Welfare standard <sup>35</sup>	RSPCA Welfare Freedom Food	RSPCA Welfare Freedom Food Free-range	Wild caught
Chicken	99%		96%	4%		
Turkey	75%		99%		1%	
Beef	100%	100%				
Bacon	88%	92%		8%		
Pork	93%		97%	3%		
Sausage	49%	32%		68%		
Lamb	100%	96%		4%		
Fish	85%			44%		56%

**Own-brand fresh poultry, meat and fish: Proportion of sales by product type, 2013**



**Poultry** All our own-brand fresh chicken and turkey is produced, as a minimum, to our own poultry welfare standards. In 2014 we increased the stocking density of our fresh standard chicken from 30kg/m<sup>2</sup> to 34kg/m<sup>2</sup>. This move helps us to meet demand for British chicken and lower the price of key fresh standard chicken products, while keeping our own-brand welfare standards for chicken above those of UK farm assurance standards. We will continue to monitor welfare outcomes from farms in our Chicken Farming Group. Our premium fresh chicken is RSPCA Welfare Freedom Food free-range accredited. For Christmas 2013 we sourced all our premium fresh turkey products from RSPCA Welfare Freedom Food free-range traditional Bronze breed turkeys. [Read more online](#) about poultry welfare standards.

**Pig meat** In 2013 we removed Elmwood pig standards for all our pork and pork sausages. All our fresh pork was converted to outdoor bred standards. All our pork sausages are produced, as a minimum, to Red Tractor Farm Assurance standards and all our own-brand bacon is produced, as a minimum, to UK-equivalent farm assurance standards.

The ingredients for all premium pork, bacon and pork sausage products continue to be produced

to RSPCA Welfare Freedom Food standards from outdoor-reared, traditional Hampshire breed pigs. [Read more online](#) about pig welfare standards.

**Beef** All our own-brand fresh beef is assured to UK conventional farm assurance standards. Animals are either reared outdoors on grass pasture with access to shelter during harsh weather, or on grass pasture during summer and in open-sided barns on silage during the winter.

**Lamb** Our own-brand lamb is sourced on a seasonal basis from the UK (42%) and New Zealand (58%) to UK farm assurance scheme standards or equivalent<sup>36</sup>. All fresh lamb is reared outdoors on grass pasture with access to shelter during harsh weather.

**Fish** In 2013 all our own-brand fresh salmon products, including smoked salmon, were sourced according to RSPCA Welfare Freedom Food standards, which exceed those of conventional farm assurance, stipulating lower stocking densities, higher water quality and lower fasting times prior to slaughter. The Co-operative Food's Responsible Fish Sourcing Policy (page 48) requires that all farmed fish are stunned using an approved method prior to slaughter. The remainder of own-brand fresh fish is wild-caught. [Read more online](#) about standards for farmed salmon.

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

Target 2013	Progress	Target 2014
Continue to pursue higher welfare standards across our meat and fish	<p>In 2013 we removed our own-brand higher welfare standard for pig meat, converting all our fresh standard pork to outdoor bred standards and our standard pork sausages to Red Tractor</p>	Continue to pursue higher welfare standards across our meat and fish

**Frozen<sup>37</sup> and prepared products<sup>38</sup>**

Frozen meat, poultry and fish sales, including frozen prepared products, comprise 2% of our total fresh and frozen sales. In 2013 all our own-brand frozen beef, pork, pork sausage and lamb were UK farm assurance standard or international equivalent, while all own-brand frozen chicken and turkey were sourced according to our own-brand Higher Welfare standards.

All own-brand frozen and prepared farmed fish products are RSPCA Welfare Freedom Food certified. Beef and lamb ingredients for all own-brand fresh premium prepared products are sourced from traditional breeds (Hereford and Scottish-reared Aberdeen Angus breed cattle or Cambrian breed sheep, respectively).

## Animal testing of toiletry<sup>39</sup> and household<sup>40</sup> products

Worldwide, countless animals are routinely used to test the ingredients that go into toiletries and household products. In 2013 an EU-wide ban was introduced on the sale and import of cosmetic products and ingredients tested on animals after March 2013.

None of our own-brand toiletry or household products or their ingredients have been tested on animals since 1985 and 1997 respectively. All own-brand products continue to carry Cruelty Free International's (CFI) 'rabbit and stars' logo<sup>41</sup>, providing independent assurance that the products and their ingredients have not been tested on animals.

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

	2010	2011	2012	2013
Household products	21.4	21.7	21.0	21.1
Toiletries	5.5	5.2	6.4	5.6
<b>Total</b>	<b>26.9</b>	<b>26.9</b>	<b>27.4</b>	<b>26.7</b>

In 2013 our own-brand toiletry products and key own-brand household and laundry products were available in all stores.



### Indicator: Sales of accredited toiletry and household products

Target 2013	Progress	Target 2014
Continue to take a lead on the issue of animal testing of cosmetic and household products	<p>All own-brand toiletry and household products are accredited to Cruelty Free International's Humane Cosmetics and Humane Household Products Standards, operating to strict, fixed cut-off dates</p>	Continue to take a lead on the issue of animal testing of cosmetic and household products

## Food origin, safety and quality

### UK sourcing



Consumers are concerned about where their food comes from and how it has been produced. Local sourcing can have positive impacts, such as supporting local communities to meet demand for seasonal and locally sourced products, reducing food miles, and strengthening relationships with suppliers. We are committed to offering our customers UK-sourced meat and the highest-quality fresh, British, seasonal produce and we provide clear labelling on country of origin.

In 2013 all our own-brand eggs, milk, fresh and frozen chicken, turkey, beef, pork, sausage, and premium bacon was UK-sourced. In July

2013 we changed the source of all our own-brand standard bacon from the UK to the Netherlands. Our own-brand fresh and frozen lamb is sourced on a seasonal basis from the UK (42%) and New Zealand (58%). Where possible, in Scotland, Wales and Northern Ireland we only sell beef, chicken and milk sourced from the respective country.

In 2013 we converted 100% of meat<sup>42</sup> and poultry used in our food-to-go, chilled ready meals, chilled pizzas and chilled pie ranges to being sourced from the UK.

## Food safety and quality control

The safety, integrity and quality of our products is extremely important to us. Increasingly tight margins and highly complex retail supply chains have together increased the potential risk of food fraud – such as substituting lower-quality ingredients. In response, we are actively working with suppliers to simplify our supply chains and strengthen our risk management, traceability and quality assurance processes.

All own-brand suppliers are certified against British Retail Consortium (BRC) Global Food Safety or BRC Consumer Products standards (or equivalents), and we work with our suppliers to ensure all products are compliant with relevant legislation and our own standards, which often exceed regulatory requirements. A dedicated team of trained technical managers conducts audits of supplier sites, supported by several analytical

techniques to monitor the quality and integrity of our own-brand products. Supplier performance is recorded and monitored through our supplier management system, which delivers effective, timely management of product data and technical information, supporting our suppliers to meet our own-brand quality requirements.

### Food additives

We introduced our Additives Policy in 1985 and since then we have removed a number of additives from our own-brand products in light of new research and guidance. In 2013 we removed our ban on the use of the colour E120 (cochineal/carminic acid/carmines) in our own-brand products. We restricted its use in 2000 as a precautionary measure, but subsequent research has shown no link to child hyperactivity. No new additives were identified for removal in 2013.

## Financial products and services

### Co-operative Insurance

#### Performance recognition

#### 'Best buy' status:

The Co-operative Insurance home and motor policies<sup>45</sup> awarded by the Ethical Consumer Research Association in 2013

We have been providing Co-operative Insurance products and services to customers for over 100 years, and have a long tradition of factoring ethical considerations into our investments and product development. The Co-operative Insurance<sup>43</sup> provides personal Home and Motor insurance<sup>44</sup>, and in 2013 provided cover to over 1.3 million customers.

#### Insurance screening of finance

#### Indicator: Ethical screening of insurance investments

Since 2011 The Co-operative Insurance's investment in fixed-income bonds underpinning car and motor premiums has been guided by The Co-operative Bank's Ethical Policy<sup>46</sup>. We ensure Ethical Policy compliance primarily through initial screening of any potential new

bond by the dedicated Responsible Investment team within Royal London Asset Management (CIS) which continues to provide asset management services to CISGIL<sup>47</sup>. Any potentially problematic investments are referred to our Group Ethical Policy Unit for assessment and final recommendation.

In 2013 The Co-operative Insurance took an investment decision to hold cash and add to the existing corporate bond portfolio, rather than seeking out new investment opportunities. As a result there were no referrals to the Ethical Policy Unit in 2013.

The Co-operative Insurance will be revising its Ethical Policy in 2014, to ensure it remains relevant and applies specifically to CISGIL investment activities.

**Which?**  
**Recommended**  
**Motor Insurance Provider:**  
The Co-operative Insurance

## First UK insurer

to launch an Eco-Motor Insurance policy in 2006

### Motor insurance for young drivers

The Co-operative Insurance motor insurance for drivers aged 17–24 and their parents, links drivers' premiums to safer driving and encourages a responsible attitude to driving. Using Smartbox technology, we collect driving data for use when reviewing premiums, as well as using four parameters to assess how a car is driven to calculate a safe driving score. Drivers can earn Safer Driving Discounts, in addition to No Claims Discounts and their premiums can increase if vehicles are not driven within safe driving parameters.

### Carbon offset insurance

In 2013 offsetting continued as a standard feature of our ecoinsurance car insurance policies (page 42).

### Reducing carbon footprint of suppliers

The Co-operative Insurance has a number of initiatives in place with home and motor suppliers and claims fulfilment partners to help them to measure their carbon footprint and reduce the environmental impact of their activities. For instance, our building repair network is exploring new ways of drying properties using emerging technologies such as thermal drying.

## Reclaim Fund

The Reclaim Fund Ltd makes it possible for money in dormant bank and building society accounts to be used to help good causes<sup>48</sup>. It was established in 2011 to distribute surplus money from nine participating UK banks and building societies, for the benefit of causes across the UK. In 2013 The Fund accepted £86.9m (2012: £173.7m) of dormant account money and paid

£66m (2012: £50m) to the Big Lottery Fund for reinvestment in UK communities – with a total of £194m paid to the Big Lottery Fund since 2011. Enough funds are retained to meet any future reclaims so customers will always be able to access money held in accounts they may have forgotten about.

# Promoting equality

## In this section

- 31 Inclusive products and services
- 33 Diversity

Equality, social inclusion and diversity have significant benefits for society, for the communities where we operate, for business and for the economy<sup>1</sup>. Yet research suggests profound social inequalities are entrenched in the UK<sup>2</sup>, with factors such as discrimination, prejudice, unemployment, low income, poor skills and disability preventing individuals from accessing many of society's opportunities, and preventing us from benefiting from individual diversity. Guided by our values and principles, and by members and customers, we've been working to build a fairer society and address inequality for over 150 years, and to carrying out our business in a socially inclusive manner.

## Our approach in 2013

Our approach to promoting equality and a more inclusive society has several strands. We aim to serve as many communities as possible – by establishing a physical presence throughout the UK and by providing accessible products and services that meet individual needs. We aim to build a diverse workforce that is representative of those communities, guided by our employee, Board and membership diversity policies. We are an active member of professional bodies that promote diversity and inclusion in the workplace<sup>3</sup>. And we aim to promote social inclusion and equality through our work and involvement with UK communities (page 8) and communities around the world (page 15).

## Inclusive products and services

**25%**  
of food stores operated by major food retailers<sup>4</sup> in deprived areas are The Co-operative Food (2012: 30%)

The Co-operative Food aims to be the number one convenience retailer in the UK. We operate 2,779 food stores and have a food store in every postal area in the UK. We also have a pharmacy in 77% of postal areas, and our Funeralcare business has a presence in 86% of postal areas.

We aim to serve the whole community and many of our stores and branches are located in deprived areas, as identified by the Government, allowing us to provide a more socially inclusive service (see table below).

**Proportion of The Co-operative outlets in deprived areas<sup>5</sup>**

	2010	2011	2012	2013
The Co-operative Food	17%	18%	19%	19%
The Co-operative Pharmacy	28%	30%	30%	29%
The Co-operative Funeralcare	36%	29% <sup>6</sup>	31%	27% <sup>7</sup>
Post Offices <sup>8</sup>	18%	18%	16%	19%

### Indicator: Access to products and services

Target 2013	Progress	Target 2014
We will continue to be socially inclusive, maintaining a physical presence in every postal area in the UK	 We operate a food store in every UK postal area	We will continue to be socially inclusive, maintaining a physical presence in every postal area in the UK

## Food

Our food business offers a **free home delivery service** from 329 food stores (2012: 330). The service is helpful in rural areas, areas with low car ownership, and for those who have difficulty transporting their shopping home.

In 2013 we supported a new **social supermarket** initiative, which was opened by Company Shop. The social supermarket<sup>9</sup>, which is also supported by other major retailers, sells discounted-price food to people who have been shown to be particularly at risk of food poverty.

We also continue to redistribute surplus food from our distribution depots to communities suffering from food poverty, through **Fareshare** (page 45).

## Pharmacy

Our pharmacy business offers a range of socially inclusive services to the diverse communities we serve. For example:

- We offer a prescription delivery service at 97% of our branches, an online pharmacy store and a free, managed, repeat prescription service.
- 84 branches are in areas with a large Muslim population, and provide patients fasting during Ramadan with advice on managing medicines and stopping smoking.
- 103 branches offer the Meningococcal vaccination<sup>10</sup> to customers making a pilgrimage to Mecca, in partnership with the Muslim Council of Britain and Novartis.
- Our substance misuse service provides access to supervised consumption, needle exchange and recovery services. Unlike many of our competitors, we do not require a signed contract before providing this service.

## Funeralcare

Our Funeralcare business operates over 900 funeral homes, crematoria and woodland burial grounds and carries out around 100,000 funerals each year. We support the needs of different cultural and faith groups through the range of services we offer. In 2013, in Bradford, we launched our first funeral home offering services specifically for Muslims, including specialised memorial products and wash and dress facilities. We have been actively engaging local communities to understand different cultural requirements, and have employed and trained a member of the Muslim community to become a Funeral Director. [Read more online](#) about other inclusive services.

## The Co-operative Legal Services

The Co-operative Legal Services believes that access to legal services is a cornerstone of social justice, and is committed to making the law as unintimidating and accessible as possible. One way we do this is through transparent pricing and fixed fees for services. We also have contracts across the UK to provide legal aid, to help those who otherwise could not afford legal advice.

We are also extending our reach by forming partnerships with other service delivery bodies. For example, through an innovative partnership with Citizens Advice Bureau, we are testing the provision of a national telephone service for those experiencing relationship and family problems. We are also providing support to vulnerable individuals who have been the victims of domestic violence, through a partnership with the National Centre for Domestic Violence, and we are extending our Bereavement Support Service to customers of several large financial services providers.

### Supporting independent living

It can be difficult for people with mobility difficulties to find the right equipment to help them be more physically independent. Moreover, the experience of buying such equipment can be impersonal and business-like, with insufficient emphasis placed on customer service. In 2013 we piloted a new business, Independent Living, which aims to provide a more personal and accessible shopping experience.

[Read more online](#) about Independent Living.



## Diversity

### Performance recognition

Third in Stonewall's Top 100 Employers Workplace Equality Index. The first retailer to enter the Top 10 (2012: 11th)

Stonewall 'Star Performer Network Group'. Respect was one of 65 networks to be recognised

We aim to build a diverse workforce and an inclusive membership structure (page 61) that are representative of the communities we serve. We monitor employee diversity data – including gender<sup>11</sup>, age, sexual orientation,

disability and ethnicity – using data voluntarily provided by employees. We currently hold diversity data for up to 40% of employees across our family of businesses.

### Indicator: Workforce composition (diversity)

Targets 2013	Progress
Roll out targeted data collection, to include an additional 23% of employees (compared to 2011 census)	✘ We intended to hold an employee census during 2013, but this was postponed due to changing operational priorities
Train all recruiting managers to recognise and counter unconscious bias during 2013	✘ In 2013 we provided unconscious bias diversity awareness training to managers who undertook recruitment training during the year. However, some managers completed the training prior to the unconscious bias module being introduced

### Gender

We are a signatory to the Government's 'Think Act Report' initiative<sup>12</sup>, which encourages businesses to embrace gender equality at work by considering issues such as recruitment and retention. We remain committed to monitoring and reviewing equal pay across the business.

Our employee network, Aspire, is led by and for female colleagues. It provides career advice, mentoring, personal development and access to senior managers. In 2013 Aspire had approximately 470 members and ran 26 skills training events.

In 2013 we implemented Pearls – a networking and development programme for women in senior management<sup>13</sup>. Pearls focuses on building confidence, capabilities and contacts with business leaders, to help aspiring female leaders further their potential. In 2013 we extended development opportunities to middle and lower management through a mentoring scheme in which female managers are mentored by senior managers, providing them with the opportunity to expand networks and share ideas. Approximately 100 colleagues were mentored through this scheme in 2013.



### Indicator: Workforce composition (gender)

Target 2013	Progress
Implement a development programme to support senior women within the Group, launching in 2013	✔ We implemented Pearls, a networking and development programme for women in senior management



**Championing equality**

**Equal marriage**

We were the only business in the UK to support equal marriage proposals that were debated in the House of Commons, through our submission as part of the consultation process. In January 2013 a vote was passed in the House of Commons in support of the motion for Equal Marriage. The Marriage (Same Sex Couples) Act was brought into force in March 2014.

**Performance recognition**

Business of the Year at the Lesbian and Gay Foundation's Homo Hero Awards 2013 for the third year running



Re-accredited as a Two Ticks employer, recognising our commitment to recruiting and developing people with a disability



**LGBT**

Our Lesbian, Gay, Bisexual and Transgender (LGBT) employee network, Respect, had around 850 members in 2013. Respect supports the professional development of its members across the business through networking events, and helps to raise awareness of LGBT issues. We supported 14 LGBT Pride events in 2013.

**Age**

In 2013 we launched a three-year project to identify the health and wellbeing needs of an ageing workforce, and understand how both employee health and business productivity can be optimised. An internal report will be published at the end of the project to help formulate best policy and practice to support our employees.

Also, since 2006 we have not enforced a retirement age, because we believe in maximising the opportunity of our people to fulfil their potential and contribute to our business success.

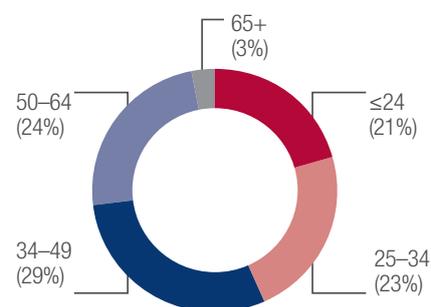
**Ethnicity**

Within the Group, 3.55% of managers and 2.55% of employees identify themselves as belonging to an ethnic minority group. In 2013 we formed an employee network to support race, ethnicity and cultural heritage (REACH) in the workplace. REACH is still being established and is currently working with the business to encourage a wider dialogue between colleagues from different backgrounds.

**Disability**

Within the Group, 0.95% of managers and 1.68% of employees identify themselves as having a disability. In 2013 we invited national mental health charity MIND to deliver a training session to help HR professionals recognise and understand the symptoms, causes, treatment and support options for a range of mental health conditions.

Proportion of employees in each age band



Proportion of female, ethnic minority and disabled employees and managers<sup>14</sup>

	Employees	Managers
Female	59%	44%
Ethnic minority	2.55%	3.55%
Disabled	1.68%	0.95%

# Protecting the environment

Like all businesses, we are reliant on a range of natural resources to carry out our operations and produce the food and other products we sell. We recognise that there are limits to these resources and that, as a sustainable business, we need to operate within those limits. And in line with our co-operative values and principles, we also have an obligation to protect the environment on which we all depend. This is why we are working to combat climate change; taking a sustainable approach to waste management; and minimising our use of resources across our business, guided by our sustainable development policy.

# Climate change

## In this section

- 36 Direct greenhouse gas emissions
- 37 Energy consumption
- 40 Refrigerant emissions
- 40 Transport-related emissions
- 42 Indirect emissions
- 42 Carbon offsetting

Climate change is widely regarded as humanity's greatest challenge<sup>1</sup>. If left unchecked, global atmospheric temperature is forecast to rise between 1.1°C and 4.8°C by the end of this century<sup>2</sup>, severely disrupting our economic and ecological systems<sup>3</sup>. The UN Intergovernmental Panel on Climate Change's 2013 report states that warming of the climate system is unequivocal, and it is *extremely likely* that human influence has been the dominant cause of observed warming since the mid-20th century<sup>4</sup>.

Operations across our businesses lead to emissions of greenhouse gases (GHGs), predominantly carbon dioxide (CO<sub>2</sub>) and hydrofluorocarbons (HFCs), with the most significant of these being from our food business. We are also responsible for significant indirect emissions across our global supply chains, as well as being exposed to the impacts of climate change globally.

## Our approach in 2013

We recognised the need to act on climate change long before most businesses<sup>5</sup> and have reported our climate impacts since 2005. Our overall strategy for addressing climate change involves reducing energy consumption and increasing energy efficiency, generating and using renewable energy, carbon offsetting, and lobbying to influence public policy.

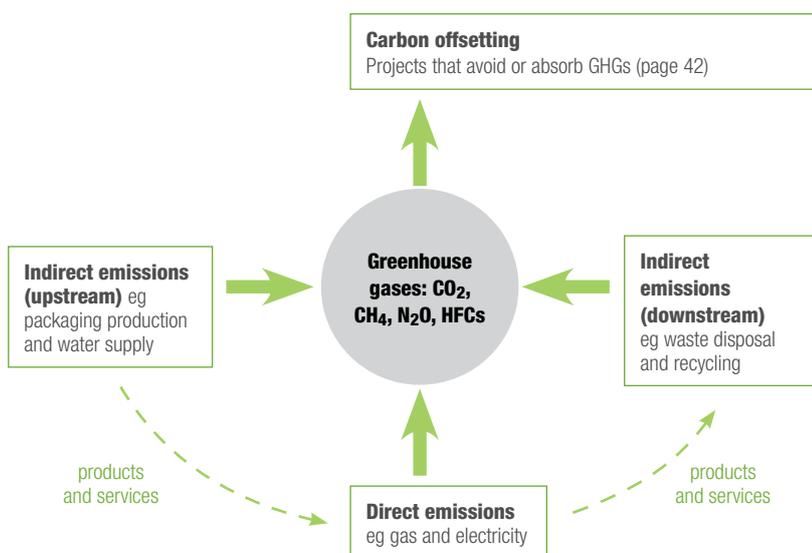
## Direct greenhouse gas emissions

**45% reduction**  
in direct GHG emissions (CO<sub>2</sub>e) since 2006  
3% in 2013

Our direct greenhouse gas (GHG) emissions<sup>6</sup> encompass energy consumption (electricity, gas, diesel, gas oil), refrigerant leakages in our food business, all business travel (air, rail and road), and fertiliser consumption<sup>7</sup>. We include electricity from renewables in our direct

emissions (treating it as grid average electricity<sup>8</sup>). We measure direct GHG emissions in carbon dioxide equivalent (CO<sub>2</sub>e), and update our carbon footprint calculations annually to reflect the latest government guidance<sup>9</sup>.

### Scope of our emissions reporting



### Direct GHG emissions (tonnes CO<sub>2</sub>e)<sup>10</sup> <sup>11</sup>

2006 baseline	<b>1,307,887</b>
2010	<b>889,931</b>
2011	<b>780,548</b>
2012	<b>738,738</b>
2013	<b>715,722</b>
<b>Decrease 2012–2013</b>	<b>3%</b>
<b>Decrease 2006–2013</b>	<b>45%</b>

Climate change | Waste and packaging | Biodiversity | Water and chemicals

**Direct greenhouse emissions by source, 2013 (tCO<sub>2</sub>e)**

(tCO <sub>2</sub> e)	2006 <sup>12</sup>	2013	GHG reduction
Energy	802,170	444,101	45%
Transport	202,199	145,717	28%
Refrigerants	297,043	120,752	59%
Fertiliser	6,475	5,152	20%
<b>Total</b>	<b>1,307,887</b>	<b>715,722</b>	<b>45%</b>

The majority of our emissions are from energy consumption, with the next most significant contributors to our carbon footprint being fuel consumed by our transport fleet and refrigerant leakages in food stores<sup>13</sup>. Since 2006 our direct energy-related emissions have reduced by 45%, refrigerant leakage emissions by 59% and our transport-related emissions by 28%.

**Indirect emissions** Like other major retailers, we do not yet have a complete accounting system to monitor our indirect emissions. We recognise that these are likely to be significantly larger than our direct emissions and are working to develop accounting systems (page 42).

**Indicator: Direct GHG emissions (tonnes CO<sub>2</sub>e<sup>14</sup>)**

Targets 2013	Progress	Targets 2014
Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006	⊖ During 2013 we reduced direct GHG emissions from operations by 3% compared with 2012 and by 45% compared with 2006	Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006
Achieve a BREEAM 'outstanding' rating 'in use' for our new business support centre	⊖ The building design achieved a rating of BREEAM 'outstanding', and over 3,000 employees transferred into the new building in 2013	Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will work towards a BREEAM 'outstanding' rating 'in use'

## Energy consumption

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

# 41% reduction

in energy consumption (MWh) since 2006

2.5% in 2013

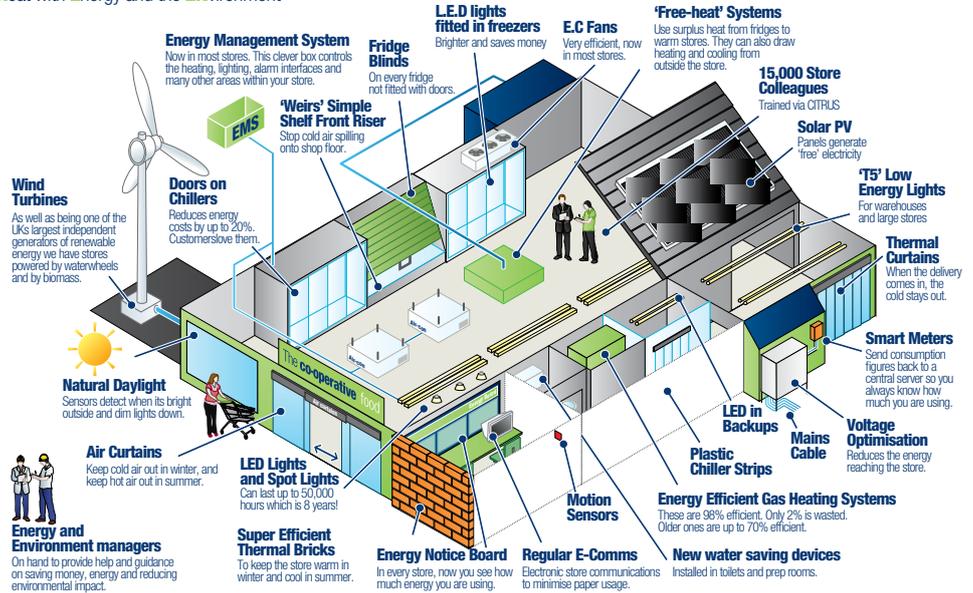
Our biggest source of direct GHG emissions is from the energy used in our buildings (62%), and reducing energy consumption is a priority for reducing our carbon footprint. Our strategy focuses mainly on food stores, food distribution and our support centre operations, which account for over 80% of total energy use. Actions include:

- Encouraging staff behaviour change and better housekeeping. In 2013 we continued to roll out an online environmental training programme, reaching over 35,500 store staff since 2012. The programme focuses on energy management, waste reduction and awareness of environmental initiatives.
- Achieving greater energy efficiency in stores through our standard ongoing refit programme.
- Investing £6m in our food store retrofit programme in 2013, prioritising our most energy-intensive stores. We carried out 110 energy efficiency projects including replacing fluorescent lighting with energy-efficient LEDs, upgrading refrigeration units and increasing the total number of stores with doors on fridges to 298 (2012: 107), potentially saving 20% of the energy used by each store. We plan to extend this to 2,000 stores by 2020 (see our Green Store 'model' diagram on page 38).

**£70.7m**  
savings from energy  
efficiency in 2013

**The Co-operative Green Store ‘model’**

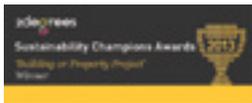
GReat with Energy and the ENvironment



**Performance recognition**

Winner: 2Degrees  
Sustainability Champions  
– Building or Property  
Project Award

For our business support  
centre, 1 Angel Square



We reduced our energy consumption by 2.5% in 2013, achieved primarily through a 3% reduction in electricity usage<sup>15</sup>. This equates to a £70.7m cost saving compared to 2006 consumption. Our energy-related GHG emissions have fallen by 45% compared with 2006.

In 2013 over 3,000 employees moved into our new business support centre in Manchester, which achieved the Building Research

Establishment Environmental Assessment Method (BREEAM) ‘outstanding’ rating at design stage and scored the highest ever number of BREEAM points at the time, making it one of the most sustainable office buildings in the world<sup>16</sup>. 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.

**GHG emissions from energy consumption (tonnes CO<sub>2</sub>e)<sup>17</sup>**

**Energy consumption (MWh)<sup>18</sup>**

Year	GHG emissions (tonnes CO <sub>2</sub> e) <sup>17</sup>	Energy consumption (MWh) <sup>18</sup>
2006 baseline	802,170	1,908,322
2010	578,693	1,340,722
2011	482,873	1,190,164
2012	471,484	1,158,364
2013	444,101	1,129,903
<b>Change 2012-2013</b>	<b>5.8% Decrease</b>	<b>2.5% Decrease</b>
<b>Change 2006-2013</b>	<b>45% Decrease</b>	<b>41% Decrease</b>

## Supporting Renewable Energy

# 98%

of our electricity from renewable sources

2012: 98%

### Indicator: GHG emissions and support for climate change initiatives

Targets 2013	Progress	Targets 2014
Generate the equivalent of 25% of our electricity needs from renewable sources by 2017	 Output from our renewable energy installations in 2013 represented approximately 7.5% of our electricity requirements. Projects currently in operation or with planning approval will deliver over 20% of our requirements	Generate the equivalent of 25% of our electricity needs from renewable sources by 2017
Continue our Clean Energy Revolution campaign which seeks to end the use of unconventional fossil fuels and inspire community energy growth	 During 2012 we actively campaigned for co-operative and community-owned renewables. The two-year campaign against the extraction of shale gas ended in early 2013	Continue to support community energy campaigning

### Net energy-related GHG emissions (tonnes CO<sub>2</sub>e)<sup>19</sup>

2006 baseline	448,824 
2010	53,717 
2011	46,059 
2012	48,870 
2013	48,822

In 2013, 98% of all the electricity we used (905GWh) came from renewable sources, mainly wind and hydro technologies. This makes us one of the largest purchasers of green electricity in the world<sup>20</sup>. We also negotiate green energy contracts (283GWh) on behalf of 16 independent co-operative societies.

Continued use of renewable electricity across our businesses has led to an 89% decrease in our net energy-related GHG emissions (where energy from renewables is counted as zero carbon) since 2006.

We aim to generate 25% of our electricity needs from our own renewable energy projects by 2017. In 2013 output from our on-site renewable energy installations was 68GWh (2012: 48GWh), meeting over 7% of electricity requirements. We have the following renewable energy projects:

- The £5.5m Solar Tower project in Manchester with over 7,000 photovoltaic panels.
- An eight-turbine wind farm on Co-operative Farms' land at Coldham, Cambridgeshire.
- A seven-turbine extension to Coldham (Whitemill wind farm).
- A ten-turbine wind farm on third-party-owned land in Biggleswade, Bedfordshire, which began generation in 2013.
- Purchasing the electricity generated from two micro-hydro projects supported by The Co-operative Enterprise Hub (page 66) – Torrs Hydro in Derbyshire and Settle Hydro in North Yorkshire.

We have also secured planning permission for a 14-turbine wind farm in East Yorkshire and two 2.0MW anaerobic digestion plants.

In total, energy projects we have facilitated will generate an estimated 200GWh a year, equivalent to over 20% of our electricity requirements, or enough electricity to power 41,000 homes.

We are also supporting micro-generation technologies, for example on our own buildings and through support provided by The Co-operative Enterprise Hub (page 66) and our Community Energy Challenge (below).

### Supporting community renewable energy

Community-owned renewable energy can not only help the UK meet its climate change ambitions, but also empowers communities to take control of their energy future.

In 2013, five of the winners of our 2012 Community Energy Challenge competition received support from the Centre for Sustainable Energy to help them progress with their own renewable energy projects. These include hydro-electric schemes in Wales, wind turbines in Scotland, and an innovative scheme combining solar panels and noise reduction barriers along the M40 motorway.

The Co-operative Enterprise Hub (page 66) also provides community energy projects with free access to expert renewable energy support in areas such as planning, law, insurance, technical services and financial planning, supporting 22 renewable energy co-operatives since 2012.

### Performance recognition

Winner, ENDS Green Economy Award for Sustainability Partnership of the Year for our work with the Community Energy Coalition



## Refrigerant emissions

**59% reduction**  
in refrigerant gas emissions (CO<sub>2</sub>e) since 2006

9% increase in 2013

### The Co-operative: refrigerant gas emissions (tonnes CO<sub>2</sub>e)<sup>21</sup>

2006 baseline	297,043	▼
2010	134,994	▼
2011	139,719	▼
2012	110,884	▼
2013	120,752	▼
<b>Increase 2012–2013</b>	<b>9%</b>	
<b>Decrease 2006–2013</b>	<b>59%</b>	

### Indicator: Refrigerant gas leaks (tonnes CO<sub>2</sub>e)

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 hydrochlorofluorocarbons (HCFCs) and hydrofluorocarbons (HFCs) – have a very high global warming potential<sup>22</sup>.

HCFCs are being phased out with legislation due to their ozone-depleting properties. Only 1.2% of our food stores and distribution centres now rely on cooling equipment containing HCFCs<sup>23</sup>, and we have introduced a reclaim and recycle system to maintain remaining equipment.

Although HFCs have substituted HCFCs in many refrigeration systems, they still have a high global warming potential. We are working to ensure that all new installations will be HFC-free<sup>24</sup> from 2015, and we will phase out HFCs across all our stores by 2030.

To enable this transition we are developing a range of innovative technologies, the priority being hydrocarbon fridge packs combined with glycol that are HFC-free and recover waste heat for use around the store. We also extended the installation of doors on refrigeration units (page 37).

There was a slight increase in emissions from refrigerant leaks in 2013 (9%), due to changes in maintenance procedures (leading to improved accounting systems), longer store operating hours and plant replacement, which in the longer-term will reap greater savings.

### Performance recognition

Recognised as one of four green cooling leaders in reducing the impact of refrigeration, annual Environmental Investigation Agency (EIA) survey, 2013



## Transport-related emissions

**28% reduction**  
in transport-related CO<sub>2</sub>e emissions since 2006

3.6% in 2013

**18% fewer miles**  
than 2006 (32m miles)

2.6% decrease in 2013

### Indicator: Total mileage and GHG emissions (tonnes CO<sub>2</sub>e)

#### Transport<sup>25</sup> GHG emissions (tonnes CO<sub>2</sub>e)

	Business travel	Distribution travel <sup>26</sup>	Total <sup>27</sup>
2006 baseline	15,314	186,885	202,199
2010	9,369	160,854	170,223
2011	9,542	143,046	152,588
2012	8,614	142,473	151,087
2013	7,654	138,063	145,717
<b>Decrease 2012–2013</b>	<b>11.1%</b>	<b>3.1%</b>	<b>3.6%</b>
<b>Decrease 2006–2013</b>	<b>50%</b>	<b>26%</b>	<b>28%</b>

Distribution and business travel accounts for 20% of our direct carbon footprint. In 2013 we reduced transport-related CO<sub>2</sub>e emissions by 3.6% (28% since 2006) and mileage by 2.6% (18% since 2006).

#### Total mileage ('000 miles)

2006 baseline	<b>176,439</b>
2010	<b>159,538</b>
2011	<b>149,595</b>
2012	<b>148,008</b>
2013	<b>144,200</b>
<b>Decrease 2012–2013</b>	<b>2.6%</b>
<b>Decrease 2006–2013</b>	<b>18%</b>

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. We have exceeded this commitment for the fourth year in a row<sup>28</sup>.



## Indirect emissions

We are working to develop a better understanding of our indirect GHG emissions both in our supply chain and from the use and disposal of our products and services. For example, in 2013 our work to measure indirect emissions included:

- working in partnership with over 220 dairy farms in our dedicated milk supply chain, The Co-operative Dairy Group (CDG), to carry out annual carbon assessments and actions to reduce the climate impacts of our milk production<sup>32</sup> (page 81); and
- quantifying the emissions from production of product packaging and disposal of operational waste.

We estimate that the gross indirect emissions that we currently measure total 1 million tonnes CO<sub>2</sub>e. Total indirect emissions are likely to be far larger than this, and we will continue to develop our accounting systems. [Read more online](#) about our indirect emission calculations.

We also continued to promote our employee energy-saving advice website, operating under licence from the Energy Saving Trust, which helps employees save money while reducing their personal carbon footprint. To date, our employees have committed to save almost £300,000 and avoid 1,034 tonnes of carbon dioxide emissions by undertaking actions from the site.

### Indicator: Greenhouse gas emissions (tonnes CO<sub>2</sub>e)

Target 2013	Progress
Continue to provide an environmental advice centre to help our employees reduce their environmental impact	 Since its launch in 2012, eSteps, our online energy-saving advice centre, now has over 1,450 users

## Carbon offsetting

We purchase carbon offsets from a rigorously selected portfolio of projects that avoid or absorb GHGs through energy efficiency, renewable energy, forest maintenance and reforestation in developing countries, and are verified to international standards<sup>33</sup>.

In 2013 we continued to assess the feasibility of sourcing carbon offset credits through projects that are co-operatively operated in the developing world, preferably in our Fairtrade supply chain. We identified one such project which has now been included in the 2013 carbon offset portfolio (page 43).

In 2013 we purchased a total of 111,422 tonnes of CO<sub>2</sub> offset including:

- The Co-operative Insurance offset 20% of a typical car's CO<sub>2</sub> emissions for all ecoinsurance motor policies.

### Carbon offset (tonnes CO<sub>2</sub>)

	Operations	Customer products and services	Total
2011	23,597	191,793	215,390
2012	24,894	92,195	117,089
2013	14,519	96,903	111,422

- The Co-operative Funeralcare continued to offset all its remaining emissions<sup>34</sup>, after becoming the first UK-wide carbon neutral funeral director in 2011.
- The Co-operative Pharmacy maintained its carbon neutral status after becoming the first UK pharmacy to do so in 2012.
- The Group offset emissions from all business flights for the seventh year running.

### Indicator: Carbon offset: products and operations

Target 2013	Progress	Target 2014
We will convert the carbon offset solutions of Co-operative Bank, Funeralcare and Pharmacy to a portfolio including international co-operative projects by 2014	 We expanded the project portfolio in 2013 to include an international co-operative project	We will continue to source carbon offsets from a portfolio including international co-operative projects

## Projects supported through offsetting

In 2013 we purchased verified offsets through ClimateCare from the following projects<sup>35</sup>:

- **Energy-efficient cooking stoves in Cambodia** – using 4,000 stoves reduces the amount of wood needed for cooking, and will save 6,000 tonnes of CO<sub>2</sub> over one year.
- **Treadle pumps in India** – using 24,000 manual treadle pumps in place of diesel-powered pumps to irrigate fields outside the monsoon season will save 12,000 tonnes of CO<sub>2</sub> over one year.
- **Energy-efficient water purification in Kenya** – see case study below.
- **Reducing emissions from deforestation and degradation (REDD) in Kenya** – community engagement, education and alternative employment to reduce deforestation pressures from logging, agriculture and unsustainable charcoal-making, offsetting 12,000 tonnes of CO<sub>2</sub> in 2013.
- **Reforestation in the Kibale Forest National Park, Uganda** – over 370 hectares of new rainforest planted since 2000; activity in 2013 will offset 12,000 tonnes of CO<sub>2</sub> over two years.
- **Renewable energy in India** – a 28MW wind farm in the state of Tamil Nadu, supplying clean energy to India's coal-power-dominated national grid; our 2013 offsets will save over 56,900 tonnes of CO<sub>2</sub> over two years.



### Co-operative carbon offset project in Fairtrade supply chain

In 2013 we established a revolutionary new carbon offset project, which is co-operatively governed and operates in the communities that supply The Co-operative Food with Fairtrade certified tea in southern Kenya.

The project builds on the AquaClara project that we have supported since 2011, which distributes biosand water filters to households in northern Kenya to replace the traditional method of water purification – burning wood to boil water.

Following investigations with our offset provider ClimateCare, and consultation with the local communities, the project expansion was agreed and began operating in 2013. The project

realises a range of benefits beyond the carbon saved from avoiding wood-burning, including:

- reducing illness and healthcare costs, due to filters being more effective at purifying water than boiling, and reduced indoor air pollution from less wood burning;
- saving households money, as they need less fuel wood; and
- reducing the demand for unsustainably harvested fuel wood.

The use of 9,500 water filters will save emissions of 22,560 tonnes of CO<sub>2</sub> over three years – 6,460 tonnes of which are from the expansion into our Fairtrade tea supply chain, and will directly benefit around 65,000 people.

### Championing community renewables

#### Clean Energy Revolution

We are campaigning for a dramatic increase in the number of communities co-operatively controlling and benefiting from their own renewable energy projects.

#### Community Energy Coalition

Working with Forum for the Future, we led the formation of the Community Energy Coalition (CEC) – a group of 35 civil society and community energy organisations, which has committed to use its collective

influence to improve public policy and mobilise the public to get involved. Coalition activities in 2013 include:

- Organising Community Energy Fortnight during which over 30 events took place, one of which was attended by Energy Minister Greg Barker MP. We presented a petition supporting community energy, signed by 58,000 Co-operative members, to the Secretary of State (SofS) for Energy and Climate Change, Ed Davey MP.
- Writing to MPs and giving evidence to the Select Committee on Energy and Climate Change calling for amendments to the Energy Bill to exempt community schemes from the new and complex 'contracts for difference' regime<sup>36</sup>. The Bill was successfully amended in July 2013.

- Holding a roundtable with the SofS for Energy and Climate Change, to launch the Government's consultation process for its Community Energy Strategy, which had been instigated largely in response to our campaign. The Co-operative and CEC produced joint policy recommendations, held meetings with ministers and civil servants, and made a submission to DECC's call for evidence.

In January 2014 DECC launched its strategy to expand community energy in the UK. The strategy includes many of our campaign objectives<sup>37</sup>.

#### Early Day Motion

We mobilised members and customers to contact their MP in support of Early Day Motion 684 (Community Energy). By April 2013 it had been signed by 115 MPs from nine political parties, making it among the top 20 most supported EDMs from over 1,340.

# Waste and packaging

## In this section

- 44 Total waste and packaging
- 46 Reusing and recycling waste
- 47 Waste disposal

Around 27 million tonnes of UK household waste is produced each year<sup>1</sup>, of which 4.9 million tonnes is packaging from the retail sector. Food waste is a national and global concern, with approximately 15 million tonnes of food and drink discarded annually in the UK<sup>2</sup>. Most of this food could have been consumed and, although there has been progress in reducing this total<sup>3</sup>, it represents a waste of resources, energy and money. Packaging plays a vital role in ensuring products reach consumers in good condition and in reducing food waste across the supply chain<sup>4</sup>.

We produce waste across our family of businesses, with the majority of our waste coming from The Co-operative Food and its stores. Our business support centre in Manchester is the main generator of office waste.

## Our approach in 2013

Waste is one of our key environmental areas of focus, and we follow the well-established waste hierarchy of reduce, reuse and recycle. We are optimising packaging to ensure maximum protection of products with minimum waste, while continuing to reduce packaging weight where possible and ensuring high recyclability. We are a signatory to the Courtauld Commitment, a voluntary agreement to improve resource efficiency and reduce the carbon and wider environmental impact of packaging and the grocery sector<sup>5</sup>.

## Total waste and packaging

### Indicator: Total waste arisings<sup>6</sup>

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

2006 baseline	<b>287,388</b>
2010	<b>211,951</b>
2011	<b>204,688</b>
2012	<b>178,508</b>
2013	<b>176,622</b>

	Total waste arising (tonnes)	Waste reused/recycled (tonnes)	General waste disposed (tonnes)
2006 baseline	158,176	90,175	68,001
2010	116,394	70,339 <sup>7</sup>	46,055
2011 <sup>8</sup>	102,212 <span style="color: green;">▲</span>	59,058 <span style="color: red;">▼</span> <sup>9</sup>	43,154
2012 <sup>10</sup>	100,551 <span style="color: green;">▲</span>	59,185 <span style="color: green;">▲</span>	41,366
2013 <sup>11</sup>	94,577	67,880 <sup>12</sup>	26,697 <sup>13</sup>
<b>Reduction since 2012</b>	6%	(15%)	35%
<b>Reduction since 2006</b>	40%	25%	61%

**61%**  
reduction  
in total waste disposed  
since 2006

**Total waste** We generated 94,577 tonnes total waste arisings and disposed of 26,697 tonnes general waste<sup>14</sup> in 2013 – reductions of 6% and 35% respectively compared to 2012, and 40% and 61% compared to 2006.

**Total primary packaging** We have reduced our total primary packaging<sup>15</sup> for own-brand and branded products by 1% since 2012, and 39% since 2006. (Primary packaging is packaging that the consumer takes home; it does not include packaging used in transport or merchandising.)

## Reducing packaging and food waste

### Projected annual savings from redesigning our packaging in 2013



**648 tonnes glass**  
Reducing weight of own-brand wine



**37 tonnes plastic**  
Removing trays from cream cake packaging

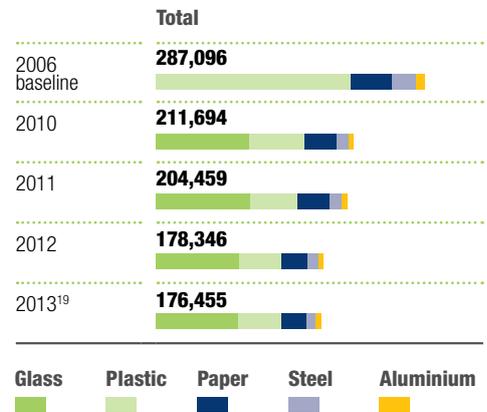


**80 tonnes glass**  
Reducing weight of whisky bottles

### Own-brand packaging

Reducing our own-brand packaging, while also ensuring this does not increase other environmental impacts such as product wastage, is a priority for us<sup>16</sup>. We also aim to reduce raw material use by maximising the recyclability and recycled content of packaging. In 2013 we achieved a 5% reduction in the weight of own-brand packaging compared to 2012<sup>17</sup>. We also became a signatory to the industry-wide Courtauld Commitment 3 initiative<sup>18</sup> and will continue to work to optimise packaging, increase recycled content, improve recyclability and reduce food waste. [Read more information online](#) for a breakdown of primary packaging by material.

### Primary packaging by material (tonnes)



### Indicator: Packaging reductions

Target 2013	Progress	Target 2014
Maintain at least a 15% reduction in the carbon impact of The Co-operative Food's own-brand packaging by the end of 2013 compared to 2009	Between 2009 and 2012, The Co-operative Food achieved a 32% reduction in the carbon impact of own-brand packaging <sup>20</sup>	We will continue to work to increase recycled content, improve recyclability and reduce food waste

### Redesigning wine bottles

Building on previous wine bottle lightweighting work, in 2013 we reduced the weight of bottles across 20 of our own-brand wines, resulting in annual savings of 648 tonnes of glass from our supply chain. The new, slightly shorter, bottles are now being produced following trials to ensure maintenance of bottle integrity, assess customer attitudes towards the bottle shapes, and modify conveyors for the lighter-weight glass.

### Food waste

Food waste has negative environmental and social impacts. There is currently no consistent method for measuring and reporting the amount of food wasted by supermarkets, but we are engaged in an industry-wide process to agree a standardised approach within the food retail sector. We help customers reduce food waste through a range of activities. In 2013 these included:

- Printing storage instructions for fruit and vegetables on fresh produce bags, holding Watch Your Waste membership events, and providing tips for using leftovers in our

customer magazine – as part of our support for WRAP's Love Food Hate Waste campaign<sup>21</sup>.

- Selling compostable carrier bags as a way of encouraging food waste recycling.
- 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. In 2013 we redistributed an estimated 119 tonnes (2012: 51 tonnes) of food via Fareshare from six distribution centres.

### Indicator: Food waste reduction

Target 2013	Progress	Targets 2014
Expand our work with charities such as Fareshare on food waste	We expanded our work with Fareshare in 2013, distributing 119 tonnes of food from six distribution centres	Expand our work with charities such as Fareshare on food waste

### Reducing food waste

By analysing product sales across our food retail stores, we identified a number of product lines that were underselling and generating significant waste in certain stores. We removed over 100,000 of these underperforming store/product combinations from the stores' ordering system in 2013, saving 1,093 tonnes of food waste, equating to £12.8m in cost savings.

Work with the industry and the British Retail Consortium to develop a standard method for measuring and reporting the food waste generated within food retail

As part of the IGD's Working on Waste project, we will raise awareness of how household food waste can be reduced

## 1 billion+ carrier bags saved

annually since 2009



### Carrier bags

We have reduced the number of single-use carrier bags given out to customers by 63% compared to 2006, saving over one billion bags each year since 2009. However, we distributed 2% more carrier bags in 2013 than in 2012, broadly following the trend of increased bag use nationally<sup>22</sup>. We have missed our single-use carrier bag reduction target and will be carrying it forward. However, it may be superseded

by carrier bag charging legislation which is expected to significantly reduce carrier bag use across the UK in the next two years<sup>23</sup>.

In 2013 we sold compostable carrier bags, strong enough to carry bulky items home, but which can then be used as a food waste caddy liner – encouraging recycling of food waste and also reducing the number of carrier bags sent to landfill. The bags will be available in 600 Co-operative Food stores<sup>24</sup> in 2014.

#### Indicator: Packaging reductions

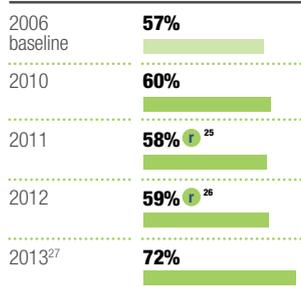
Target 2013	Progress	Target 2014
Reduce the number of carrier bags used by The Co-operative Food by 75% by the end of 2013 compared with 2006	✘ In 2013 the number of carrier bags used by The Co-operative Food increased by 2% compared to 2012, resulting in a 63% reduction compared to 2006	Reduce the number of carrier bags used by The Co-operative Food by 75%

## Reusing and recycling waste

## 72% waste reused/recycled

2012: 59%

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



In addition to our waste reduction initiatives, in 2013 we also reduced or recycled the equivalent of 72% of total waste we produced (2012: 59%)<sup>28</sup>.

### Cardboard and polythene

Cardboard and polythene made up 67% (45,300 tonnes) of the waste we reused/recycled in 2013 (2012: 48,700 tonnes <sup>29</sup>). We saved an estimated 12,400 tonnes of cardboard in 2013 (2012: 13,400 tonnes) by using reusable plastic crates for transporting and displaying fresh produce and meat products<sup>29</sup>.

### Packaging regulations

Under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007<sup>30</sup>, we were required to recover a total of 86,485 tonnes of waste packaging across six material categories:

paper (12,202 tonnes), glass (41,641 tonnes), aluminium (1,717 tonnes), steel (4,717 tonnes), plastic (12,775 tonnes) and wood (6 tonnes), plus a balanced recycling and recovery obligation of 13,427 tonnes<sup>31</sup>. We met our recycling obligations by purchasing Packaging Recovery Notes, which prove that the packaging material has been recycled on our behalf.

### Recycling batteries

In line with our responsibilities under the Waste Batteries and Accumulators Regulations 2009, we provide a battery bin in every food store to recycle customers' waste portable batteries, of any brand and size. In 2013 we collected 30 tonnes of batteries for recycling (2013: 28 tonnes). As The Co-operative Food only sells a small number of batteries it is not required to join a Battery Compliance Scheme.

## Over £2m savings

on the waste bill for our Food business each year

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

Target 2013	Progress	Target 2014
Ensure that the vast majority of our operational waste is diverted away from landfill by the end of 2013	✔ In 2013, 72% of waste was reused/recycled	Having rolled out waste back-hauling across nearly 2,800 food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste

**Performance recognition**

Winner: IGD Environmental Sustainability Award 2013. Awarded for our Waste Backhauling initiative



**Backhauling**

In 2013 we completed our project to introduce backhauling of waste from our 2,800 food stores. The backhauling system involves in-store segregating of waste into four streams, which are then collected by our logistics service following a delivery, and returned to distribution depots, with the following benefits:

- All stores now send virtually zero waste to landfill as a result of increased recycling rates, which also means we save the cost of landfill taxes.

- We will save 225,000 skip collections every year by collecting waste from just 11 depots instead of almost 2,800 stores. Only full containers will be collected, minimising 'waste miles' and haulage costs.
- We are turning our waste into a valuable resource, by diverting unusable food waste from landfill to anaerobic digesters.
- We have successfully halved the waste bill for our Food business from over £5m a year to around £2m.

**Recycling electricals**

As both a producer and a distributor of electrical and electronic equipment, we are responsible for paying for the environmentally sound disposal of Waste Electrical and Electronic Equipment (WEEE)<sup>32</sup>. We are a member of the Valpak producer compliance scheme<sup>33</sup> and the Distributor Takeback Scheme.

The WEEE generated by our business activities is taken back for recovery, reuse or recycling by our suppliers. In 2013 we recycled 3,310 tonnes

of WEEE (2012: 3,054 tonnes<sup>34</sup>), including 3,281 tonnes (50,484 items) of electrical equipment taken back at its end of life from The Co-operative Electrical customers through the Distributor Takeback Scheme. Our Manchester support centre also passed 29 tonnes of IT equipment (2012: 35 tonnes<sup>35</sup>) to our asset management contractor for reuse.

[Read more online](#) about our other recycled waste and recycling facilities.

**Waste disposal**

**Waste disposed as a proportion of total waste**

2006 baseline	43%
2010	40%
2011	42%
2012	41%
2013 <sup>36</sup>	28%

**Indicator: Proportion of waste disposed**

In 2013 we disposed of 26,197 tonnes of waste to landfill, around 28% of our total waste. We also incinerated 268 tonnes of waste from our food business, and produced 232 tonnes of clinical and hazardous waste which was either autoclaved (sterilised), rendered, or incinerated<sup>39</sup>.

**Degradable packaging**

The Co-operative Food started working to make packaging more degradable in 2002 when we introduced Britain's first degradable plastic carrier bag. However, research<sup>40</sup> has since 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 our fresh produce packaging. These now carry the 'recycle with carrier bags' label to promote reuse and recycling instead.

**Waste disposed to landfill, 2013**

	Tonnes
The Co-operative Food	21,636 <sup>41</sup>
The Co-operative Farms	1,636
The Co-operative Pharmacy	1,361 <sup>42</sup>
The Co-operative Funeralcare	1,243 <sup>43</sup>
Manchester support centre	197
Other businesses	124 <sup>44</sup>

# Biodiversity

## In this section

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Society relies on healthy and diverse ecosystems for a range of services that enable us to produce food, to access clean water and make consumer goods. Failure to adequately value and sustainably manage biological resources is a major cost to society<sup>1</sup>. There has been a 30% decline in global biodiversity since 1970<sup>2</sup> and 60% of species in the UK have declined in the last 50 years<sup>3</sup> – all of which is impacting on fisheries, pollination of produce and crops, and pest control. Many products we sell across our family of businesses rely on these ecosystem services. Moreover, our operations can have a significant impact on biodiversity – not least in our food chain and on the land we farm.

## Our approach in 2013

Our approach to conserving biodiversity focuses on the following areas: working towards market-leading commitments for sustainable procurement of fish, palm oil, soya and timber products; carefully managing farmland to maintain its ecosystem services; initiating community biodiversity projects to address specific biodiversity concerns across the UK; and campaigning for strong nature conservation legislation.

### Performance recognition

ENDS Green Economy Award 2013:  
Ecological Achievement  
Awarded for our approach to  
conserving biodiversity



### Performance recognition

Guardian Sustainable Business  
Award 2013: Biodiversity

Awarded for our sustainable commodity sourcing, our careful land management, community biodiversity projects and our campaigns calling for tougher nature legislation

## Sustainable procurement

### Marine stewardship

# 62%

of own-brand wild fish  
and seafood from  
MSC-certified fisheries

2012: 55%

Over-exploitation of fisheries is a global concern, with 87% of the world's fisheries fully or over-exploited<sup>4</sup>. Our aim is to maintain our position as one of the UK's most responsible retailers of fish. We are guided in this by our Responsible Fish Sourcing Policy<sup>5</sup> which requires us to examine individual products based on fishery location and catch method, species' resilience to fishing, fishery by-catch estimates and scientific stock

assessments. In 2013 the proportion of our wild fish and seafood range from Marine Stewardship Council (MSC)-certified fisheries increased to 62% (2012: 55%). We significantly reduced the number of our products containing seafood which the Marine Conservation Society (MCS) rates as 4 due to concerns over sustainability, from 11 to 2<sup>6</sup>. We have not sold any products identified by the MCS as 'Fish to Avoid' since 2008.

### Indicator: Marine Conservation Society's Supermarket Survey ranking

Target 2013	Progress	Target 2014
Maintain our position as one of the UK's most responsible retailers of fish <sup>7</sup>	Awarded Silver in the 2013 MCS Supermarket Survey, and awarded a Sustainability Initiative Star	Maintain our position as one of the UK's most responsible retailers of fish

**Performance recognition**

Second in the Marine Conservation Society Supermarket Survey 2013.

We received a Silver award and were awarded a Sustainability Initiative Star



We are committed to the following standards for our popular seafood products<sup>8</sup>:

- **Salmon** 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. All our fresh and smoked own-brand salmon is Freedom Food certified.
- **Tuna** 100% of our own-brand tuna products are pole and line caught, a selective way of catching tuna which avoids the by-catch issues associated with other fishing methods.
- **Cod** All own-brand cod is sourced from MSC-certified fisheries.
- **Haddock** All own-brand haddock is sourced from MSC-certified fisheries.
- **Prawns** All own-brand warm-water prawns are sourced from well-established Global Aquaculture Alliance (GAA) certified farms, or farms with organic certification.

**MCS Supermarket Survey**

We were ranked second – attaining a Silver award in the biennial sustainable seafood ranking exercise. We were praised for the high proportion of own-brand seafood we sell that is certified to recognised standards or rated 3 or better by the MCS's Good Fish Guide. Our investment in improving the sustainability of the fisheries and farms we source from also earned us a Sustainability Initiative Star. The survey recommended extending our policy to cover the branded products we sell, improving our labelling, and increasing efforts to avoid illegally captured fish.

We are a member of the Sustainable Seafood Coalition (SSC), working towards a sustainable future for fish and seafood<sup>9</sup>.

**Performance recognition**

Maintained our Graduate Status of the WWF-UK Forest & Trade Network in 2013.

This requires transparent reporting of paper and timber sourcing and a strong commitment to improving the sustainability of these sources



**Forest stewardship**

Forests are fundamental to life on earth, providing habitats to over half of the planet's terrestrial species<sup>10</sup>, playing a key role in combating climate change<sup>11</sup>, and supporting the livelihoods of 1.4 billion people<sup>12</sup>. We are committed to sourcing our wood and paper products from sustainable sources.

Our aim is that all own-brand wood products produced from virgin materials sold by The Co-operative Food have Forest Stewardship Council® (FSC) certification, as this is the most respected standard of sustainably harvested forestry products.

**Indicator: FSC-certified products sold**

Target 2013	Progress	Target 2014
Aim to be the UK's leading retailer on forest protection for our wood and paper products <sup>13</sup>	<p>We've maintained our market-leading sourcing policies. 98% of The Co-operative Food's own-brand wood and paper products are FSC-certified or recycled</p>	Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products

98%

of own-brand wood or paper products sold in The Co-operative Food are FSC-certified or recycled<sup>14</sup>

2006: 50%, 2010: 99%

Our food business purchased 34,006m<sup>3</sup> of wood and paper products in 2013 (2012: 35,082m<sup>3</sup>), all of which were of known origin with credible evidence that they were harvested legally. 93% (2012: 94%) of wood and paper products sold was FSC-certified, including barbecue charcoal, wooden kitchenware, bagged growing media and household paper. Of the remaining products, 2% came from recycled post-consumer waste, 3% from recycled pre-consumer waste, and 2% from known, legal source virgin material,

such as that certified by the Programme for Endorsement of Forest Certification Scheme (PEFC). Our own-brand greaseproof paper is PEFC-certified, and our target is to achieve FSC certification for our greaseproof paper once a viable source is available (probably in 2014).

Of the 96,000 coffins and caskets manufactured by our Funeralcare business in 2013, 95% (2012: 94%) were FSC-certified. The remaining 5% were manufactured from legally sourced, non-certified solid wood.

## Sustainable palm oil

### Performance recognition

11/12 in WWF's 2013 Palm Oil Buyer's Scorecard.

The scorecard assesses progress towards achieving a sustainable palm oil supply chain<sup>15</sup> in The Co-operative Food



Palm oil is used in many foods and cleaning products. Palm oil production is one of the primary causes of global deforestation<sup>16</sup>, is the primary cause of biodiversity loss in Southeast Asia<sup>17</sup> and is a significant and rapidly growing source of CO<sub>2</sub><sup>18</sup>.

The Co-operative Food works with the Roundtable on Sustainable Palm Oil (RSPO) to improve the sustainability of palm oil production. In 2013 we used 3,891 tonnes (2012: 4,862 tonnes) of palm oil in 589 (2012: 616) own-brand food products. All the palm oil in these products was certified as sustainable under one of the RSPO certification schemes<sup>19</sup> – 2,174 tonnes representing 56% (2012: 49%) was obtained through segregated, traceable or identity-preserved Certified Sustainable Palm

Oil (CSPO) sources, and for the remaining 44% (2012: 40%) we purchased GreenPalm Certificates, which guarantee a price premium for CSPO producers, helping to support the sustainable development of the industry.

We also sold 165 cleaning and cosmetic products containing palm oil, with 24 tonnes of segregated sustainable palm oil and 385 tonnes of palm oil from uncertified sources. In previous years we failed to account for non-food products containing palm oil. In 2014 all palm oil in food and non-food products will be certified as sustainable under one of the RSPO certification schemes. We aim to use segregated CSPO for all our own-brand requirements by 2015.

### Indicator: Use of sustainable palm oil in own-brand products

Target 2013	Progress	Target 2015
Ensure palm oil used in all own-brand products remains sustainable, and comes from a segregated Certified Sustainable Palm Oil (CSPO) source by 2015	 34% of our palm oil is from segregated CSPO sources (2012: 41% <sup>20</sup> ), 17% is from certified mass balance sources, and 40% is covered by GreenPalm Certificates. 9% of our palm oil use is from uncertified sources	Ensure palm oil used in all own-brand products is sustainable, and comes from a segregated CSPO source by 2015

## Responsible soya

Soya is a high-protein, low-fat and low-cost bean, which makes it a versatile and common ingredient in many foods as well as being a major foodstuff for livestock and poultry<sup>21</sup>. In 2012 over half of all soya was produced in South America<sup>22</sup> where its production is linked to deforestation of the Amazon and destruction of other ecosystems<sup>23</sup>.

Monitoring the soya used in our own-brand products is challenging as it has so many uses across the food chain. However, our most significant use by far is in animal feed used to rear livestock for our meat products. In 2013 we used 58,537 tonnes of soya meal in the production of our own-brand fresh chicken, fresh pork, beef

and lamb. In 2013 none of this was certified as sustainable by the Roundtable on Responsible Soya (RTRS) or an equivalent standard. The responsible soya market is relatively young and, due to a lower than expected increase in demand, it has not developed as we anticipated when we set our responsible soya target in 2011. To date, little responsibly certified soya has been used in UK animal feed and, given the time needed to develop a responsible supply chain, we will not meet our target to source all soya used as animal feed responsibly by 2015.

We are currently reassessing the expected development of the responsible soya market and in 2014 will commit to a new, practical but challenging target.

### Indicator: Use of responsible soya in own-brand products

Target 2013	Progress
Source our soya responsibly by 2015	 We are reassessing the expected development of the responsible soya market and will commit to a new target in 2014

## Preserving peatlands

Peat is the major constituent of most horticultural growing media in the UK. But removing peat from peat bogs threatens wildlife habitats and releases large amounts of carbon to the atmosphere<sup>24</sup>.

As part of our goal to help preserve peatlands, we are phasing out peat from our products. In 2013, 27% (2012: 22%) of the growing media in products we sold was peat<sup>25</sup>. Of the bagged growing media sold, 16% was peat<sup>26</sup> (2012: 11%).

We support the Government's target to completely phase peat out of the amateur gardener market by 2020. We use green waste from plant baskets and composted flower cuttings in growing media instead of peat, and are carrying out research into other ways of incorporating green waste into our composts.

### Indicator: Reduction in use of peat in own-brand growing media

Target 2013	Progress	Target 2014
All bagged own-brand growing media will contain no more than 20% peat	 16% of our bagged growing media was peat	All bagged own-brand growing media will contain no more than 20% peat

## Land stewardship

Farming practices can have a significant impact on the environment. In 2013 we managed our land in ways that help protect biodiversity and,

through our Habitat Heroes programme, have been working to maintain and enhance habitats for iconic UK species.

### Indicator: Land under Environmental Stewardship agreements

Target 2013	Progress
Secure the future of priority species through our Habitat Heroes initiative	 Initiatives were progressed to improve habitats for priority species across Co-operative Farms' sites. <a href="#">Read more online</a> about Habitat Heroes

The Co-operative Farms managed<sup>27</sup> a total of 18,172 hectares (2012: 18,657 hectares) of land in 2013, of which 10,641 hectares was intensively cultivated by The Co-operative Farms. 684 hectares (2012: 620 hectares) were either less intensively cultivated or left fallow.

All our farms are audited annually to ensure compliance with environmental legislation and to identify areas for environmental improvement. In 2013, 91% (2012: 89%) of our eligible intensively farmed land was managed in accordance with the Natural England 'Entry Level' Environmental Stewardship Scheme, with the Stoughton Estate having a 'Higher Level' Stewardship Scheme in place<sup>28</sup>. All our farms are compliant with the Good Agricultural and Environmental Condition standards and the Statutory Management Requirements of the Single Farm payment scheme, ensuring a base level of protection for soils, habitats and

landscape features. The dairy farms in The Co-operative Dairy Group (page 81) are also required to be in an environmental stewardship scheme.

Measures such as establishing and maintaining grass margins, grassy field corners and other wildlife areas within intensively cultivated land accounted for 396 hectares in 2013<sup>29</sup> (2012: 400 hectares), providing improved nesting sites for birds and ideal habitats for insects and small mammals.

### The badger cull

The Government conducted a badger cull in two trial areas in the south-west of England in 2013, with the aim of controlling the spread of bovine tuberculosis. None of the land managed by The Co-operative Farms or farmed as part of the Co-operative Dairy Group was situated within the trial cull zones.

## Biodiversity initiatives

### Championing the environment

#### Marine Conservation Zone consultation

In March 2013 we submitted a response to the Defra consultation on England's Marine Conservation Zones (MCZs). We highlighted the social, economic and environmental need for creating an ecologically coherent marine protected network in English waters, and called for the designation of all 127 recommended MCZs as soon as possible. In November 2013, 27 MCZs were designated in English inshore and offshore waters. In February 2014 Defra announced that a further 37 will be considered in 2015.

An important pillar of our approach to conserving biodiversity involves initiating community biodiversity projects across the UK, supported by our community funds and foundations. Initiatives range from improving the sustainability of food production, to educating our members about UK wildlife. You can read more about our work in 2013 below.

### Plan Bee

Plan Bee aims to highlight the decline of the honeybee population and other 'at risk' pollinators, such as bumblebees, butterflies and moths. [Read more online.](#)

#### Indicator: Biodiversity initiatives

Target 2013	Progress	Target 2014
Continue our Plan Bee campaign, which seeks to address the decline of pollinators		Complete our pollinator patches project  Complete our Bee Roads project

### Great Eggcase Hunts: Helping protect endangered sharks

[Read more online](#) about the Great Eggcase Hunts that our members – along with the Shark Trust – took part in, to help us understand more about the population and habits of endangered shark species.



### Welsh Wildlife Heroes

We are using money raised through The Co-operative Food and Pharmacy stores from the Welsh carrier bag levy to support a range of environmental projects in Wales. Under the banner 'Welsh Wildlife Heroes', we have formed a three-year partnership with the Wildlife Trusts Wales to support local nature conservation projects and fund strategic environmental improvement projects. [Read more online](#) about the projects we have funded so far – including our work to protect pine martens.

### Coast-to-Coast Bee Roads

The UK has lost 97% of its wildflower meadows since the 1930s, which means that much of our landscape now provides little food or shelter for species which play a vital role in our food system. We have been working with the conservation charity Buglife, landowners, gardeners and schools to create a network of Bee Roads – flower-rich pollinator corridors stretching across northern England. By sowing flowers such as field knapweed, birds foot trefoil and red clover in strategically placed meadows in Lancashire, Cumbria and Greater Manchester, and linking these to existing networks in Yorkshire, we will be helping pollinators such as honeybees, bumblebees and butterflies to spread across our agricultural and urban landscapes.



# Water and chemicals

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The sustainable and responsible use of resources and inputs such as water and chemicals are a key issue for society, and a material concern to us as a food retailer. Water is critical for human development and environmental sustainability, and the right to water and sanitation is recognised as a basic human right<sup>1</sup>. Water stress – where demand exceeds supply – is a serious problem in the UK<sup>2</sup> and the situation is likely to worsen with climate change. Chemicals such as pesticides and fertilisers are vital for protecting growing crops and maximising yield. However, their use can have unintended consequences for human health and the environment.

## Our approach in 2013

We are a large, but non-intensive user of water across our estate of around 4,800 properties and on the 18,172 hectares of land we manage through The Co-operative Farms. We also consume water indirectly through production of the food we sell<sup>3</sup>. Our strategy for water focuses on reducing direct water consumption as this is where we have greatest control. We are building a full picture of our water use to do this, and are also working with suppliers to reduce water use across our supply chain. We prioritise the safe use of chemicals in the manufacture and supply of own-brand food and household products, and in the operations of The Co-operative Farms, as set out in our market-leading supplier policies on pesticides, agronomy and chemicals for priority action. We practise integrated crop and pest management and sound environmental stewardship on all our farms.

## Water

### Water consumption

## 7% reduction in water consumption

across our estate since 2010

### Co-operative estates

We have been working to build a clearer picture of water use across our business, to help us better manage and reduce our direct water consumption. We continued to improve our water accounting systems in 2013, and now have metered water bill data for 3,959 locations (2012: 3,818). This has enabled us to set a new target to reduce water consumption across our operations by 30% by 2016, using 2010 as a baseline year.

We have reduced total estimated water consumption across our estate<sup>4</sup> by 7% since 2010. Our estimated average consumption per

site remained static in 2013, although there was a 5% increase in consumption overall due to an increase in the number of sites<sup>5</sup>. Our water reduction initiatives currently focus on our food stores, as they account for 62% of our total water use. In 2013 we invested nearly £80,000 in our water programme, fitting 308 water management systems and 3,777 WC flush controls across 1,909 food stores. Additionally, by identifying and repairing supply leaks and faulty equipment at five locations, we could further reduce water consumption by over 18,000m<sup>3</sup> each year.

#### Indicator: Water consumption across our estate

Target 2013	Progress	Targets 2014
Improve our water consumption accounting and reporting	 We now report metered water consumption across 3,959 locations in our estate (increased from 3,818 locations in 2012)	Further improve our water consumption accounting and reporting
		Reduce water consumption across our operations by 30% by 2016, based on 2010

**Estimated water consumption: The Co-operative Estates<sup>6</sup>**

	2010 baseline	2011	2012	2013
Average water consumption per site (m <sup>3</sup> )	387	308	314	316
Total water consumption (million m <sup>3</sup> )	1.63	1.34	1.44	1.51

**The Co-operative Farms<sup>7</sup>**

Average water consumption per site (m <sup>3</sup> )	43	27	7	29
Total water consumption (million m <sup>3</sup> )	0.7	0.5	0.1	0.5

**The Co-operative Farms**

In 2013 The Co-operative Farms managed 18,172 hectares (2012: 18,657 hectares) of land under a variety of agreements. Of this, we owned or tenanted 11,325 hectares. Rainfall levels significantly affect the amount of water we use for irrigation, and we need considerably more water from rivers and water bodies during drier years, such as 2013<sup>8</sup>. Changes in the crops we grow can also lead to annual fluctuations in water consumption.

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

**The Co-operative Food** We adopted the Institute of Grocery Distribution's (IGD) guide to 'Understanding, Assessing and Managing Water in Grocery Supply Chains'<sup>9</sup> in 2010, and have supplemented this with our own Agronomic Code of Practice, including a specific set of measures on water in agriculture, irrigation and the use of water in processing. These guides are promoted to our major suppliers.

**The Co-operative Farms** Water-reduction initiatives carried out on our farms in 2013 included: using computer models combined with in-field soil measurements to assess the precise needs of potato crops at different stages of growth, to ensure the most efficient use of water; and identifying opportunities to increase water recycling at our packhouse in Carnoustie.

**Community water initiatives**

487,000  
people  
benefited

from our water-related  
community initiatives in 2013

2012: 388,000

**Indicator: Support for overseas water-related community initiatives**

As part of our work with international communities (page 15), we support a number of projects to help improve access to clean water, sanitation and hygiene education. In 2013 a total of 487,000 people (2012: 388,000 people) benefited from our water-related community initiatives.

**Treadle pumps and water filters**

Two of our carbon offset projects (page 43) provide access to clean water. **In India**, around 120,000 people (2012: 20,000 people) will benefit from new treadle pumps, a sustainable alternative to diesel-powered pumps, which provide irrigation water outside the monsoon season. **In Kenya**, around 66,400 people (2012: 107,000) will benefit from new water filters provided in 2013.

**Carbon offset: Support to provide treadle pumps**

	2010	2011	2012	2013
Treadle pumps supported	3,333	3,333	4,000	24,000
Cumulative total pumping capacity of pumps supported (m <sup>3</sup> )	194.7m	211.9m	232.4m	355.9m

**Affinity products**

**Fairbourne Springs** Each sale of The Co-operative's own-brand bottled water, Fairbourne Springs, includes a donation to The One Foundation which generates funding towards clean water projects in Africa (page 17). In 2013 we sold 24,960m<sup>3</sup> of Fairbourne Springs water, resulting in a total donation of £749,000 to fund water-related projects benefiting around 50,000 people.

**Antibacterial handwash** The Co-operative Pharmacy launched an antibacterial handwash in early 2011 in partnership with UNICEF. From every sale, 15 pence is put towards a project in Togo, which will provide basic sanitation for over 200,000 people (page 17).

**Beyond Fairtrade** You can read more about our investment in water-related projects that support Fairtrade producers – including projects in Malawi on the Satemwa Tea Estate and with the Kasinthula Cane Growers Association, and in Panama with the COOBANA Co-operative – on page 16.



**Funding water projects in Africa**

We have raised more than £5 million for clean water projects in Africa since 2007, through sales of The Co-operative Fairbourne Springs water. In one project in Malawi this has been used to fix broken water points across 107 communities in the Blantyre district.

Hilda Seze (left) lives in one of the communities where the water point had been broken for 10 years. Hilda said that now she has clear water again, her children are healthier and she has been able to grow more vegetables to feed her family.

# Chemicals

## Reducing pesticides in food production

Pesticides are used to protect growing crops from pests, weeds and diseases, and to preserve stored produce. However, they can have unintended consequences for human health and the environment<sup>10</sup>.

**The Co-operative Food** has industry-leading pesticide and agronomic policies designed to reduce the use of pesticides in all our own-brand fresh, chilled, frozen and canned produce. To date, a total of 449 pesticides are listed in our Pesticide Policy as banned, prohibited or monitored<sup>11</sup>.

We update our list of banned pesticides on the basis of international conventions that aim to prevent the use of dangerous chemicals worldwide<sup>12</sup>, and adjust our practices accordingly. For example we are currently phasing out alachlor, aldicarb and endosulfan in line with convention reviews in 2011<sup>13</sup> and have moved other pesticides to our 'prohibited' list<sup>14</sup>.

We require our growers to fully explore alternative pest management approaches before resorting to pesticide use. We have a programme of regular compliance auditing across our supply chain<sup>15</sup> and where compliance is breached, we temporarily suspend sourcing 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 stopped using the Co-operative Retail Online Pesticide (CROP) portal for online monitoring and tier-one produce supplier support in 2013, and have been investigating alternatives for 2014.

In 2013 we allowed the use of prohibited pesticides in 123 cases, where the grower demonstrated that no reasonable alternative was available.

**Indicator: Reduced use of pesticides in food production**

Targets 2013	Progress	Targets 2014
Enhance our market-leading Pesticides Policy banning endosulfan, paraquat, alachlor and aldicarb by 2014	⊖ Alachlor was banned in 2012 and aldicarb will be banned in 2014	Enhance our market-leading Pesticides Policy banning endosulfan, paraquat, alachlor and aldicarb by 2014
Relaunch online pesticide monitoring for all suppliers	⬅ Alternative monitoring options are still being investigated	Identify and launch a new supplier pesticide monitoring system

## Pesticide residue testing

We have a pesticide residue testing programme that involves analysing a representative sample of our products<sup>16</sup> each month for 449 residues. In 2013 we detected five pesticide residues (1.5% of all residues detected<sup>17</sup>) at levels that exceeded the Maximum Residue Limit

(MRL)<sup>18</sup> set for the product. We also detected three residues of prohibited pesticides where permission for use had not been granted, and this has been followed up with the suppliers<sup>19</sup>. The decrease in percentage of residue-free produce since 2010 is thought to be a result of increasing the number of different residues we test for (from 90 to 449), as well as increased testing sensitivity.

We have been following up findings from our analysis of historic testing results which highlighted that residues are most likely to occur in mixed salads, strawberries, grapes, apples and cut herbs. We met with our apples supplier in 2013 and agreed the production of a residue reduction plan and targets. We also changed our supplier for cut herbs and will specifically monitor residue levels for this product. Supplier meetings will continue during 2014.

### The Co-operative Food pesticide residue analysis

	2010 <sup>20</sup>	2011	2012	2013
Total number of samples tested	124	206	219	197
Banned pesticides detected	0	2	0	0
Permissions granted for prohibited pesticides	168	173	116	123
Number of residues in excess of Maximum Residue Limits	1	7	1	5
Prohibited pesticides detected without permission	4	12	10	3
Percentage of samples with no residues	49%	35%	37%	32%

### Indicator: Reduced use of pesticides in food production

Target 2013

Establish groups of supplier-based experts to determine routes and targets for residue hotspot reduction during 2013

Progress



One supplier group was established in 2013

Target 2014

Establish further groups of supplier-based experts to determine routes and targets for residue hotspot reduction during 2014

## Chemicals reduction

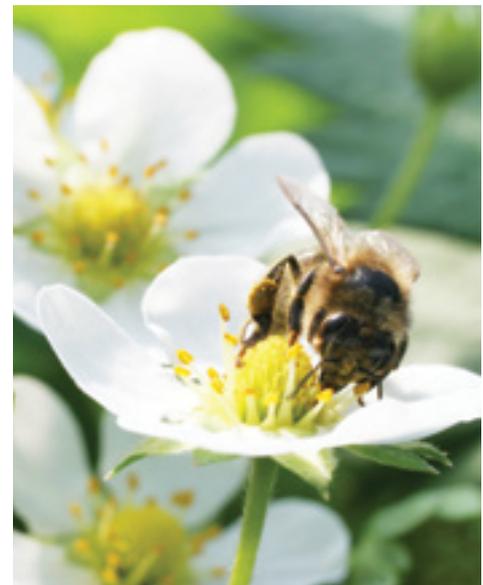
### Championing the environment

#### Neonicotinoid pesticide impact on pollinators

In February 2013, we called on the Department for Food, Environment and Rural Affairs (Defra) to support the European Commission's proposal for a temporary ban on the use of three neonicotinoid pesticides (imidacloprid, clothianidin and thiamethoxam) to allow for research into the impact on both pollinators and agricultural productivity. The ban came into place in December and also covered the neonicotinoid pesticide, fipronil.

The Co-operative Food's Policy on Chemicals for Priority Action identifies 41 chemical types that we have banned or are planning to remove from our non-food own-brand products such as cleaning products. Chemicals listed include those in the Oslo–Paris Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR)<sup>21</sup>. For others, such as bisphenol A and PVC, we base our policy on emerging evidence of damaging impacts, regularly reviewing the list and adding new chemicals as evidence becomes available<sup>22</sup>.

Since their introduction in 2006, approximately 12.3 million membership cards we've distributed have been made from plastic glycol modified polyethylene terephthalate (PETG), a plastic that does not contain or use chlorine in its production.



## REACH regulation

We support the European REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)<sup>23</sup> Regulation and campaigned for its introduction until it came into force in June 2007<sup>24</sup>. In line with the European Chemicals Agency (ECHA), we updated our policy twice in 2013 – it requires that all own-brand products comply with REACH Regulations, and prohibits all Substances of Very High Concern (SVHC) from use in our products and packaging above 0.1% by weight<sup>25</sup>. In line with REACH, we have also committed to:

- notify ECHA if product surveillance testing identifies any products containing 0.1% or more of SVHC. In 2013, none of our products were highlighted as containing over 0.1% SVHC; and
- launch a risk-based due diligence programme<sup>26</sup> to test the safety of our products against the Co-operative Online Resource Environment (CORE) declarations. We agreed a contract with an independent testing facility in 2013 and will start the testing programme in 2014. Non-compliant products will be withdrawn from sale.

We include REACH data in the CORE product information database, which supports the exchange of information with our supply chain.

### Indicator: **Removal of substances of concern**

Target 2013	Progress	Target 2014
Commence product surveillance testing to ensure compliance with REACH regulations and supplier CORE database declarations	 No tests were conducted in 2013. A budget has been allocated for testing of products in 2014	Commence product surveillance testing to ensure compliance with REACH regulations and supplier CORE database declarations

## Chemical input on The Co-operative Farms

### Indicator: **Use of chemical inputs**

To help ensure the safe and informed use of chemical inputs on The Co-operative Farms, all our farm managers receive comprehensive agronomy training, including pesticide and nutrient management.

The BASIS FACTS Certificate is recognised as the UK industry standard qualification for providing nutrient management advice. Currently, 10 of our 19 farm managers and assistant managers hold this qualification and as part of our commitment to responsible farming we aim to increase this number to 12 during 2014.

We also encourage our farm managers to increase their understanding of crop protection management. 11 of our 19 farm managers and assistant managers hold the BASIS Certificate in Crop Protection<sup>27</sup>, and four managers also hold the further BASIS qualification in biodiversity and environmental training for advisers (BETA). We aim to increase these numbers to 13 and seven respectively during 2014.

## Fertiliser use

### Indicator: Use of chemical inputs

#### Co-operative Farms' fertiliser applications (kg/ha)

	2010	2011 <sup>28</sup>	2012	2013
Nitrogen	143	175	161	138 <sup>29</sup>
Phosphate	25	33	40	49
Potash	21	30	36	29

Fertilisers are applied to improve soil nutrient balance for optimal crop yield<sup>30</sup>, but excessive use can pollute water, release greenhouse gases and damage the soil<sup>31</sup>. Even small changes in

the mix of crops grown each year will result in variations in the levels of fertiliser used. Applications are determined using field-level soil samples taken every three to four years, and many of our farms use precision farming techniques to target exactly where in each field fertiliser is required.

You can find [more information online](#) about the use of lime and trace elements.

## Pesticide use

We manage pesticide use with Crop Protection Management Plans (CPMPs)<sup>32</sup> for every farm, and we support national initiatives to promote the responsible use of pesticides including The Pesticides Forum<sup>33</sup> and the Voluntary Initiative<sup>34</sup>.

In line with the Voluntary Initiative, we aim to complete new Integrated Pesticide Management Plans for all the land that we own and farm.

We used less pesticide in 2013, particularly herbicides and fungicides. As with fertiliser inputs, this was mainly due to the extreme wet weather experienced in 2012/13. Inputs were also reduced as a result of:

- growing more spring crops in 2013 than in previous years;
- not applying pesticides to failing crops with low potential yield;
- lower occurrence of disease, which reduced the need for fungicides; and
- a very cold and late spring, which greatly reduced the need for growth regulators.

However, wet weather conditions meant that we increased our use of molluscicides to tackle slugs.

Our farms also used 1,019 litres of spray tank cleaner and 10kg of plant growth promoter, used to increase the resistance of strawberries to stress.

You can find [more information online](#) about our application of pesticides, adjuvants and growth regulators.



#### Reducing pesticides on strawberries

The Co-operative Farms grows over 40 hectares of strawberries each year on our farm in Blairgowrie, Perthshire. Strawberries grown under cover are particularly vulnerable to insects and can need regular spraying to maintain yield. As part of our integrated pest management programme we have been using a range of natural predators to help control infestations. In the 2013 growing season we had great success using predatory mites to control red spider mite, and decreased the use of relevant insecticides by more than 50%<sup>35</sup>. This practice builds on our continued use of parasitic wasps as an effective control for aphids, and we will continue trialing new biological control methods in the coming year.

# Delivering stakeholder value

As a purpose-led business, our members, customers, colleagues and suppliers are central to all that we do and key to our success. We aim to deliver value to stakeholders in a socially and environmentally sustainable way. This is why we are providing members with opportunities and support to engage with our business, and are promoting the co-operative model to help build a more sustainable and diverse economy in the UK and beyond. We are building an inclusive, safe and supportive work environment for colleagues; fostering customer loyalty and satisfaction through our customer service; and working with our suppliers to develop mutually beneficial relationships that deliver improved economic, social and environmental benefits.

Photo: Piccadilly Gardens,  
Manchester, Greater Manchester

# Members

## In this section

- 60 Membership in 2013
- 62 Member engagement

A co-operative is an autonomous group of people, voluntarily coming together to meet their shared economic and social needs and aspirations, through a jointly owned and democratically controlled enterprise<sup>1</sup>. Member involvement sets co-operatives apart from other businesses and enables a focus beyond profits alone. The Co-operative is jointly owned by 8.1 million individual members and around 80 independent co-operative societies<sup>2</sup>.

## Our approach in 2013

Having a strong relationship with members, listening to member opinions and integrating these into our business and sustainability agendas is key to our success. A major independent review of the Group's governance structure was initiated in December 2013, chaired by Lord Paul Myners<sup>3</sup>. The review<sup>4</sup> looked at whether our Group Board structure is fit for purpose, and ways of connecting more effectively with members, their interests, and what they want from membership. Our activities in 2013 are set out below. Following the unanimous support for the Governance Reform Motion at our AGM in May 2014, there will be changes to our membership structures and governance during 2014.

## Membership in 2013

### 8.1 million members

2012: 7.6 million

#### Number of Co-operative Group members (millions)<sup>6</sup>

2010	5.8
2011	7.2
2012	7.6
2013	8.1

#### Our members

In 2013 we met our target of encouraging 500,000 new members to join us, and we now have 8.1 million members, of whom 5.6 million have an 'active' trading status<sup>5</sup>. We will continue to encourage new members in 2014, and to ensure that we understand what our members value and want from their membership. Through our Have Your Say consultation and other reviews, more people than ever have had a direct opportunity to let us know their views (page 88).

We have also been encouraging active involvement of **younger members**. In 2013 we established The Co-operative Young Members'

Board (CYMB) – an advisory panel of 15 young members aged 16–25. The CYMB provides insights into the views, issues and aspirations of young people and is working with the Group Board and senior executives to inform our new long-term Group strategy.

As of 31 December 2013 we had more than 38,800 members (2012: 52,000) under the age of 16. The number of young members between 16 and 24 increased in 2013 to 291,000 (2012: 248,000).



#### Strengthening the involvement of young people: The Co-operative Young Members' Board

**Lois McClure, 20** Vice Chair, Co-operative Young Members' Board. Member Services Department Assistant – The Co-operative

Lois McClure is one of 15 young people who have been appointed to the first ever Co-operative Young Members' Board (CYMB). After successfully seeing off competition from over 300 applicants, Lois went on to be elected as Vice Chair by her fellow Board members, and is helping us engage with a younger customer and member profile.

As an Apprentice in The Co-operative membership team, one of Lois' aims is to act as an advocate for apprenticeships as an alternative to university,

given their role in providing young people with the opportunity to learn while gaining valuable experience in the workplace.

As part of her experience with the CYMB, Lois has had the chance to work with Group Executives and Board members, as well as presenting the CYMB's work on the future of youth engagement with the Society.

"It's important that young people have a voice within business. The Young Members' Board has been set up so The Co-operative can get our input on decisions around the business. And as Vice Chair of the Board I am in a very privileged position to shape the future of one of the biggest co-operatives in the world."

**Indicator: Member democratic participation**

Targets 2013	Progress	Targets 2014
Encourage 500,000 new members to join us each year	✓ Membership was 8.1 million at the end of 2013 (2012: 7.6m)	Encourage new members to join us each year
Encourage a new generation of co-operators through extension of membership to under 16s	✓ We opened our membership to those under the age of 16 in 2012. In 2013 we recruited 15 young members to form The Co-operative Young Members' Board	Engage The Co-operative Young Members' Board in a business strategy project

**Group Board****Principal subsidiary boards**

- Food Board
- Specialist Businesses Board

**Additional Group boards and committees**

- Values and Principles Board
- Audit and Risk Committee
- Remuneration and Appointments Committee
- Chair's Committee

**Other boards and committees**

- 7 regional boards
- 48 area committees
- 7 regional Values and Principles committees

**Governance structure 2013**

In 2013 our governance structure comprised a Group Board<sup>7</sup>, seven regional boards and 48 area committees, including a members' council for Northern Ireland<sup>8</sup>.

In 2013 a new Values and Principles Board had a strategic oversight of the way we manage our co-operative difference and co-operative values and principles<sup>9</sup>.

**Member training and education**

We provide a varied training programme for elected members, who are committed to a minimum of 12 hours of structured learning and development per year, ranging from induction to Certificate or Diploma-level training<sup>10</sup>.

**Elected member diversity**

The Board Diversity Policy, agreed in 2012, sets out targets for our democratically elected bodies to be reflective of the communities they serve. Implementation of the Board Diversity Policy is supported by the membership diversity strategy<sup>11</sup>, which focuses on five key aspects: gender, BAME (Black, Asian, minority ethnic) and refugee, LGBT (Lesbian, Gay, Bisexual and Transgender), disability and carers<sup>12</sup>.

We monitor the composition of our elected bodies against each of these and also by age. We will be reviewing our diversity targets in 2014 in light of findings from the Myners Review, to ensure they continue to meet the aspirations of our diversity programme.

**Indicator: Diversity of elected members**

Targets 2013	Progress
Our Group Board will be a minimum of 40% female by 2018	✗ The proportion of female elected members on the Group Board decreased from 25% to 20% in 2013
By 2016, our Area Committee membership will be consistent with 75% of the proportion of the UK population that are from ethnic minorities	✗ Following 2013 elections, BAME candidates made up 3% of elected members <sup>13</sup> , compared to 11.4% of the UK population <sup>14</sup>
By 2014, our Area Committee membership will be consistent with 50% of the proportion of the UK population that are carers, disabled, and lesbian, gay, bisexual and transgender	✓ Following the 2013 elections <sup>15</sup> : <ul style="list-style-type: none"> <li>– 18% of elected members were known to have caring responsibilities, compared to 10.3% of the UK population</li> <li>– 11.5% of elected members were known to have a disability, compared to 8.5% of the UK population</li> <li>– 4% of elected members were recorded as being gay/lesbian/bisexual or other, compared to 1.8% of the UK population</li> </ul>

### Encouraging an inclusive membership culture

In 2013 we developed and launched a new 'inclusion hub'<sup>16</sup> on our membership website. The hub showcases inclusion initiatives and offers advice and guidance to help promote an inclusive culture within our elected membership bodies. It includes support resources such as a checklist of factors to consider when hosting member events, from wheelchair access to dietary requirements.

### Diversity of elected members (gender and ethnicity)

	2010	2011	2012	2013
Women on The Co-operative Group Board	20%	25%	25%	20%
Female elected members on Area Committees	38%	39%	40%	43%
BAME elected members on Area Committees	2%	2%	3%	3%

### Diversity of elected members (age)

	2011	2012	2013
Under 30	4%	4%	4%
30–49	29%	26%	24%
50–69	57%	58%	57%
70+	8%	10%	13%
Unknown	2%	2%	2%

**Gender** In 2013 the Group Board comprised 20 non-executive, elected directors, four (20%) of whom were women. The overall proportion of female elected members in Area Committees increased from 40% to 43%.

**Ethnicity** Representation of BAME communities within our elected membership remained very low in 2013 and did not reflect the diverse ethnicity of the UK<sup>17</sup>.

**Age** The proportion of elected members under 50 has declined slightly since 2011, and increasing the numbers of elected members under 50 remains a priority.

## Member engagement

### Attendance at regional AGMs and HYGMs

2010	4,640
2011	4,795
2012	4,717
2013	5,036

5,036 members attended

regional members' meetings

2012: 4,717

Members have a range of opportunities to engage with us, such as attending member meetings, voting in area committee elections, getting involved in campaigns or community activities, and using their membership card to generate member rewards. We reviewed our Membership Engagement Strategy and activities in 2014, in light of findings from the review of our member proposition, and our new Purpose and Strategy.

In 2013 we continued to engage members through a wide range of national and regional events, campaigns and projects. We use a variety of channels to communicate with members on issues such as dividend payments and business change<sup>18</sup>, and have increased our use of online channels through targeted membership emails

and social media. There was a 39% increase in hits to the membership website in 2013. We also produced an interactive website to celebrate the 150th anniversary of the Co-operative Wholesale Society, which received over 200,000 hits.

### Members' meetings

Members' meetings are an opportunity for members to come together and discuss community, ethical and wider social issues, to find out how the business is performing nationally and regionally, to ask questions and have a say by tabling motions.

5,036 members attended regional members' meetings in 2013, 7% more than the previous year (2012: 4,717). In addition, online members' meeting pages<sup>19</sup> received 13,100 views from 1 April to 31 December 2013 (2012: 10,900).

### Indicator: Member democratic participation

Target 2013

Progress

Increase attendance at regional members' meetings by 5%



Attendance at regional members' meetings increased by 7% in 2013 to 5,036 (2012: 4,717). Online members' meeting pages received 13,100 views (2012: 10,900)<sup>20</sup>

100%

of membership elections were contested

2012: 88%

237,578 members voting

2012: 222,221

**Contested area committee elections**

2010	81%
2011	88%
2012	88%
2013	100%

**Area committee elections**

Our members can stand for, or vote in, our annual area committee elections. In 2013 elections were contested in all 48 areas (2012: 42 out of 48), meaning that all members could choose between candidates standing in their

local area. A total of 237,578 members voted, up 7% from 222,221 in 2012.

In total, 410 candidates stood for 211 vacancies: 129 (61%) of the 211 successful candidates were sitting members and 82 (39%) were newly elected.

**Indicator: Member democratic participation**

Targets 2013	Progress
Increase proportion of area committee elections that are contested to 90%	✓ 100% of elections (48 out of 48) were contested in 2013 (2012: 88%)
Increase proportion of targeted <sup>21</sup> members voting to 15%	✗ The number of targeted members increased, but the proportion that voted decreased from 13% to 9%

**General Meetings**

Regional Boards and Independent Society members can put motions to our Annual General Meeting (AGM) and the Half Yearly General Meeting (HYGM). Delegated members<sup>22</sup> can also ask questions they wish the business to respond to. An example of a motion put to the HYGM in 2013 is shown opposite. Topics for other motions proposed in 2013 include disposal of major businesses, Executive remuneration, promoting the 'co-operative difference' and food strategy. Although motions approved by the AGM and HYGM are not binding, the Board and/or management consider issues raised, and provide a response on the day and an update at the next general meeting.

**Resolution proposed at the HYGM (November 2013)****Raised by (region)**

South and West

**Motion**

Called for confirmation of the Group's commitment to Fairtrade and requested that Fairtrade products feature prominently and regularly in the promotion plans of The Co-operative Food

**Response**

The Board supported the motion and noted that The Co-operative Food remained wholly committed to Fairtrade, with Fairtrade to feature in Food communications activities throughout 2014

**Ethical campaigns and community activities**

Ed Davey MP being presented with a community energy petition, signed by 58,000 members

In 2013 we engaged members in our campaigns and community activities – such as Clean Energy Revolution (page 43), Plan Bee (page 52) and Grow Co-operatives (page 17) – through a variety of programmes, channels and publications. The Clean Energy Revolution campaign resulted in 58,000 members adding

their name to our successful call for a UK Government Community Energy Strategy (pages 43 and 84). Members attended events around the country as part of Community Energy Fortnight, including visits to co-operatively owned clean energy projects and energy saving workshops.

**Indicator: Member engagement on co-operative and ethical issues**

Target 2013	Progress	Target 2014
Engage members and customers in our social goals and campaigning	✓ We have continued to engage members through a wide range of national and regional events, campaigns and projects, with an increase in online engagement	Engage members and customers in our community and 'championing' activities



### Co-operatives Fortnight

During Co-operatives Fortnight in 2013, we delivered a member engagement campaign to reinforce positive perceptions of co-operatives and encourage members to 'Choose Co-operative'.

Our dedicated website had over 140,000 individual visitors over the fortnight. A membership email promoting local events and a competition for £1,000 of shopping vouchers was circulated to

over 895,000 members. We highlighted products in our Food stores as 'loved' by our customers or 'trusted' because of a particular ethical stance or endorsement. Our regional membership teams developed over 20 engaging events, from conferences and film screenings to family fun days and product tastings (see Lynda MacDermott and Emilie Fellingham, left).

## Member reward

### Indicator: Members using their membership card in one of our businesses<sup>23</sup>

2010	4.6m
2011	5.5m
2012	5.5m
2013	5.6m

We remain committed to rewarding our members for their trade with us, in a way that is sustainable for our business and provides value to members. We continue to monitor the number of members trading with our family of businesses, and developed new ways of rewarding them for that trade in 2013.

The Co-operative membership card is accepted in over 5,000 outlets across the UK<sup>24</sup>. Members use their membership cards to collect points whenever they do business with us. Given the significant losses reported in 2013, we were unable to pay a cash dividend<sup>25</sup>. Instead we rewarded members for their trade with us by issuing money-off vouchers from our Food

business during the pre-Christmas period, providing a helping hand when household budgets are at their most stretched. The voucher scheme proved to be extremely popular, with over 70% of vouchers redeemed, meaning that our members benefited from £12.7m of discounts.

### Reciprocal member rewards

The Co-operative membership card allows Group members to earn member rewards when trading with other participating<sup>26</sup> independent co-operative retail societies, and vice versa, supporting the principle of co-operation among co-operatives. In 2013 over 638,000 individual Group members received rewards, with a total value of over £1.6m.

### Reciprocal member rewards with independent societies

	2011		2012		2013	
	No of members	Value (£)	No of members	Value (£)	No of members	Value (£)
Group members trading in other Societies	603,062	£1,101,146	592,285	£1,355,294	638,735	£1,633,787
Other Society members trading in Group	450,385	£1,131,965	469,643	£823,329	472,056	£39,156 <sup>27</sup>

### Indicator: Dividend payment to members

Targets 2013	Progress	Target 2014
Continue to share our profits with members	⊖ As a result of significant losses in 2013, we were not able to pay a cash dividend to members. However, we rewarded members with money-off vouchers during the Christmas period worth a total of £12.7m <sup>28</sup>	Continue to reward our members for their trade with us
Continue to encourage ethical consumerism through engagement with members and extra share of profit	✓ During Fairtrade Fortnight 2013, we awarded 50 bonus membership points for spending £5 or more on Fairtrade products in The Co-operative Food	

# Co-operatives

## In this section

- 65 Co-operative development and support
- 68 Co-operative financial support

Co-operatives around the world are providing people with the opportunity to work together to create sustainable enterprises that generate jobs, prosperity and solutions to many social and environmental challenges<sup>1</sup>. Globally, co-operatives provide over 100 million jobs – more than all of the world's multinational enterprises put together<sup>2</sup>. In the UK, over 6,000 co-operatives provide employment for over 237,000 people and collectively turnover £37bn<sup>3</sup>. We believe that strong public and co-operative sectors are essential for improving equality and quality of life.

## Our approach in 2013

Like all co-operatives, we are committed to the principle of 'co-operation between co-operatives'. In 2013 we carried out a range of activities to support co-operatives and the co-operative movement, delivered principally through The Co-operative Enterprise Hub. The Hub offers bespoke business support for new and existing co-operatives in all sectors across the UK, helping communities to find robust solutions to local challenges. The Hub also supports other co-operative bodies in their efforts to grow the co-operative economy. We also promote national and international co-operation by working with representative bodies for co-operation (page 85).

## Co-operative development and support

### Almost 400 businesses approved

for co-operative development support by The Co-operative Enterprise Hub in 2013

2013: 519

### Over 1,800 co-operatives supported

by The Co-operative Enterprise Hub since 2009

In 2013 we invested £4m in the growth and development of co-operatives (2012: £4.6m). Our investment is directed through The Co-operative Enterprise Hub (£1.4m) and through our support for key co-operative development bodies (£2.6m) that share our aspirations to grow the co-operative sector and promote the co-operative model.

Our support for co-operative development bodies includes: the International Co-operative Alliance, Euro Coop and Co-operatives UK, The Co-operative Party (page 85), the Association of British Credit Unions (ABCUL) and UK credit unions.

#### Indicator: Support for the growth and development of co-operatives

Targets 2013	Progress
Act as the primary funder of co-operative encouragement bodies, such as The Co-operative College, investing £3m in 2013	 In 2013 we invested £2.6m in support of co-operative encouragement bodies, including The Co-operative College, Co-operatives UK, ABCUL and the ICA
Provide an additional £1m of support to co-operative enterprise in 2013 and maintain a £500,000 Community Shares Fund	 In 2013 we invested £1.4m in the creation and growth of co-operative enterprise, via The Co-operative Enterprise Hub. The Community Shares Fund remained sufficiently capitalised to fulfil demand

#### Performance recognition

The Co-operative Enterprise Hub was awarded the Business Charity Award for Community Impact in 2013



## The Co-operative Enterprise Hub

### Championing community renewables

Throughout 2013 we continued to campaign for energy policy changes that would deliver a comprehensive framework of support for communities that were seeking to co-operatively own, control and benefit from renewable energy projects. Further details are available on page 43.

The Co-operative Enterprise Hub is our programme to promote the co-operative business model in the UK<sup>4</sup>. The Hub aims to support the next generation of co-operators to build sustainable co-operative enterprises and deliver a stronger co-operative economy in the UK. The Hub offers:

1. **Free bespoke business support** for new and existing co-operative enterprises.
2. **Access to finance**, in partnership with The Co-operative Loan Fund and The Co-operative Community Shares Fund.
3. **Free PR support** from a dedicated Co-operative Press Officer.
4. **Funded access to an expert panel for renewable energy** to help community-owned renewable schemes get off the ground.
5. **Special offers** such as Energy Purchasing (utilising the Group's purchasing power and associated economies of scale to provide green electricity to Hub clients at market-leading prices) and The Community Property Project (offering a limited stock of non-trading properties at nominal rent).

### The Co-operative Enterprise Hub

	Number of co-operatives supported				Financial contribution <sup>5</sup>			
	2010	2011	2012	2013	2010	2011	2012	2013
UK co-operative development	254	590	531	397	£522,200	£1,088,000	£1,518,300	£1,145,100
Overseas co-operative development	2	1	1	1	£61,000	£140,200	£154,300	£68,700
Running costs					£173,000	£288,900	£232,900	£166,200
<b>Total</b>	<b>256</b>	<b>591</b>	<b>532</b>	<b>398</b>	<b>£756,200</b>	<b>£1,517,100</b>	<b>£1,905,500</b>	<b>£1,380,000</b>

### Supporting communities to take ownership

The prolonged economic downturn has seen many local enterprises struggling and ultimately closing down. The immediate impact has been loss of jobs, services and amenities. But the closure of a village shop or pub can have profound longer-term implications for community cohesion.

In recent years we have seen a marked increase in the number of communities taking matters into their own hands, and co-operatives are playing a huge role in helping to rescue and, in some cases, resurrect local enterprises and services. Over the last five years there has been a 67% increase in the number of community shops – from 181 in 2008 to 303 in 2012. The Co-operative Enterprise Hub has responded to this trend by establishing The Co-operative Community Shares Fund<sup>6</sup> to help local groups raise local finance.

**Throwing a lifeline to Bristol's ferries** Bristol's iconic yellow and blue ferries have provided trips for over 35 years. When the previous operators went into administration a group of determined locals approached the Hub to help incorporate Bristol Community Ferry Boats as a Community Benefit Society, and launch and publicise a community shares issue. Over 850 people invested in the co-operative, helping raise the £250,000 needed to bring the ferries into community ownership in summer 2013.



### Indicator: Support for the growth and development of co-operatives

Target 2013

Launch a facility enabling small co-operatives to access low-cost, green electricity on the back of The Co-operative's bulk purchase arrangements

Progress



The Co-operative Estates has completed plans to re-launch our energy-buying offer in early 2014 as The Co-operative Power Energy Club, providing low-cost green energy to selected organisations, including co-operatives

Target 2014

Launch The Co-operative Power Energy Club, providing low-cost green energy to selected organisations, including co-operatives

**Performance recognition**

79% of Hub-supported new co-operatives still trading at four years compared to 49% of all businesses trading at four years

# 1,028 days

of free advice and training provided to co-operatives

2012: 1,271

**Championing co-operatives****Supporting community-focused public services**

Public Service Mutuals was able to share its experience and best-practice lessons with 30 youth service leaders from across the UK at a seminar hosted jointly with the Cabinet Office in November 2013. PSM also engaged with the Welsh Co-op and Mutuals Commission, which was set up by the Welsh Government to make recommendations on developing the co-operative and mutual economy in Wales. These discussions built on the recommendations of the written evidence we submitted to the Commission about ensuring that the strengths of a multi-stakeholder approach to mutualisation are fully appreciated.

**Advice and training**

In 2013 most of the Hub's funding supported the delivery of free advice and training to new and existing co-operatives. We received 515 applications for advice and training in the UK, of which 397 (77%) were approved (2012: 75%).

The reduction in the number of organisations applying to the Hub for support coincides with much clearer communication about the type of organisations that are suitable for support.

Hub advisers delivered 1,028 consultancy days, worth £463,000, to a rich diversity of co-operative businesses in all areas of the UK. Support is tailored to an individual co-operative's needs and typically includes business planning, financial, staffing, legal and governance matters.

Over 1,800 organisations have benefited from Hub support since we launched the programme in 2009. 71% of all new enterprises that have completed their Hub advice and training went on to trade, and 90% of these were still trading in 2013. Survival rates for Hub clients are better than for small businesses in general – 79% of Hub

clients are still trading after four years, compared to 49% for businesses more broadly.

Satisfaction with the Hub remains high, with 89% saying that the Hub's support has been beneficial.

**Ensuring high-quality services**

Throughout 2013 we worked hard to ensure that advisers delivering services on behalf of the Hub have the appropriate professional qualifications, skills and experience. We put in place a programme of continuing professional development for Hub advisers, and developed a Register of Approved Advisers for those who meet agreed standards, thus adding a new layer of quality assurance to the Hub offer. A Code of Conduct and a complaints procedure have also been developed to ensure that the behaviours expected of advisers are clearly articulated and that clients have a formal way of raising concerns.

Read more about some of the inspiring co-operatives supported by the Hub, and the impact the programme is having, in the Hub's 2013 Annual Review<sup>7</sup>.

**Public Service Mutualisation**

The Co-operative joint venture partnership – Public Service Mutuals (PSM)<sup>8</sup> – was set up to provide a one-stop shop for those looking to develop mutual solutions to the delivery of public sector services. PSM has quickly established itself as an authority on multi-stakeholder approaches

to mutualisation. In 2013 PSM worked with authorities such as Knowsley and Lambeth to develop mutual models of commissioning and delivering youth services, and was awarded the contract to provide ongoing support to the flagship Young Lambeth Co-operative<sup>9</sup>.

**Indicator: Support for the growth and development of co-operatives**

## Target 2013

Continue to maintain and develop our Public Service Mutuals (PSM) initiative, a one-stop shop offering advice and assistance to those looking to establish alternative ways of delivering public sector services

## Progress



PSM supported a number of high-profile local authority spin-offs and was actively engaged in public policy discussions on public service mutualisation

## UK Co-operative Retail Trading Group (CRTG)

### Indicator: **Collaboration and provision of support**

CRTG<sup>10</sup> was set up in 1993 to centralise the buying power of member co-operative societies in the UK. CRTG is managed by The Co-operative Group on behalf of all CRTG members. It controls buying for retail co-operative societies, including The Co-operative Food, and represents £10.2bn (2012: £9.8bn) of buying power. There are

currently 18 society members of CRTG, with The Co-operative accounting for approximately 70% of share of trade<sup>11</sup>. Sourcing of all products bought on behalf of member societies through the CRTG is guided by the relevant Co-operative Group policies (page 78).

## Co-operative financial support

Accessing finance can be a key barrier to growth for both new and existing co-operative businesses. That is why, as well as promoting and supporting co-operatives through the Hub and other mechanisms, we also 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<sup>12</sup> supports co-operatives throughout the UK with accessible, ethical loan finance. It is funded by The Co-operative with additional contributions from Midcounties, East of England and Chelmsford Star co-operative societies.

The Fund did not suffer any bad debts in 2013 and, due to low loss rates in recent years, it remained sufficiently capitalised for the year and required no further investment from the Hub or the other Co-operative Societies. At the end of 2013, total funds stood at £1.58m (2012: £1.53m), of which £1.03m is supporting the ambitions of 53 co-operatives.

### The Co-operative Community Shares Fund

The Co-operative Community Shares Fund<sup>13</sup> – launched in 2012 by The Co-operative Enterprise Hub and The Co-operative Loan Fund – aims to help communities mount successful community shares offers and raise the money they need to save or create a local asset, such as a pub, cinema or renewable energy scheme. The Fund can support projects even if their share offer falls short, by buying up the remaining equity. Since its launch, the Fund has remained sufficiently capitalised to meet demand, despite sitting below the £500,000 target originally envisaged.

### The Global Development Co-operative Loan Fund (GDC)

In 2013 we continued to provide input into the creation of the GDC. GDC is a global project seeking to provide affordable loans for capital and infrastructure projects, particularly those that will generate positive social impacts and extend the reach of the co-operative model. A number of organisations including The Co-operative provided financial support to the GDC. Progress with the Fund has been slower than expected, hampered by the global economic climate. 2014 will bring a reassessment of the GDC in terms of funding and objectives.

### Indicator: **Provision of financial services for co-operatives**

Target 2013	Progress
Build an international Global Development Co-operative Loan Fund	 Limited progress was made towards building the Fund in 2013, owing to changes in key personnel and the challenging global economic climate

# Employees

## In this section

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Workplace satisfaction and productivity can be enhanced when individuals feel they are part of an inclusive environment, where their contribution is recognised and valued, and where they feel supported and motivated to do their best. Not only are highly engaged staff more likely to find satisfaction and enjoyment in their work, but they are also likely to make more effort, act as advocates for their employer and deliver high levels of customer service.

As one of the UK's largest private employers, with a workforce of almost 87,000, we know that our colleagues are vital to our success and, given recent challenges faced by our business, we need to ensure that they continue to feel a sense of belonging and commitment.

## Our approach in 2013

We aim to be an exemplary employer, as measured through our Employee Engagement score – one of our five business Key Performance Indicators. Our approach to engagement is informed by industry best practice. We take our responsibilities for employee health, safety and wellbeing seriously. We seek to minimise the impacts of organisational change on colleagues, particularly given the business changes and cost-reduction exercise we are going through, and the loyalty our colleagues have shown us during this time.

## Our employees

At the end of 2013, we had a workforce of almost 87,000 colleagues, a decrease from the previous year due largely to organisational change.

### Performance recognition

1 of 62 UK employers certified as a Top Employer by the Corporate Research Foundation Institute

### Total employees

2010	<b>109,614</b>
2011	<b>102,262</b>
2012	<b>98,755</b>
2013 <sup>1</sup>	<b>86,953</b>

### Employee headcount by business, 2013

The Co-operative Food	69,482
The Co-operative Pharmacy	6,980
The Co-operative Funeralcare	4,230
Other specialist businesses <sup>2</sup>	3,587
Corporate functions	2,674

## Employee engagement

Employee engagement is a broad measure of staff commitment and motivation at work. High levels of engagement help us attract and retain talent, deliver our goals and objectives, and help colleagues feel involved in the things that matter to them at work.

In 2013 we started working with a new external partner, Towers Watson, and adopted their measure of Sustainable Engagement. This is calculated using nine survey questions which fall into three categories: employee engagement, energy and enablement<sup>3</sup>.

Our colleague survey, Talkback, received responses from 86% (2012: 83%) of employees in 2013. Our Sustainable Engagement score was 78%<sup>4</sup>, 11 points higher than Towers Watson's UK average benchmark. Although Sustainable Engagement is a new measure for 2013, we continued to track our historic measure of engagement in line with the new scoring method, which shows that engagement increased by seven points on 2012 levels<sup>5</sup>. This provides a strong platform to build on, and we are developing high-level action plans to respond to findings as part of our business planning cycle. Managers receive survey results, and share and discuss them in teams to plan improvement actions.

## 78%

Our 2013 Sustainable Engagement score

11 points higher than Towers Watson's UK average benchmark

**Indicator: Employee engagement index score**

Targets 2013	Progress	Target 2014
Increase the Group employee engagement score to 71	 We exceeded our target, with a seven point increase in our engagement score <sup>6</sup>	
Continue to build a fairer and more inclusive workplace, evidencing by 2016 that 85% of staff agree that their manager treats everyone fairly and that colleagues treat each other with respect – with engagement levels of core diversity groups not being significantly different from the norm	 In 2013, 80% of colleagues agreed that their manager treats everyone fairly, and 86% of colleagues agree that colleagues treat each other with respect. We continue to review the engagement levels of core diversity groups, and will build this into the monitoring of employee engagement	Continue to build a fairer and more inclusive workplace, evidencing by 2016 that 85% of staff agree that their manager treats everyone fairly and that colleagues treat each other with respect – with engagement levels of core diversity groups not being significantly different from the norm



Her Majesty the Queen, with colleagues, at the official opening of our business support centre

## Employee communications

The Group Executive made a concerted effort to reach out to all colleagues in a direct and timely way in 2013, engaging with colleagues about key events and developments, our strategy and future direction. We intend to continue this ongoing dialogue to allow colleagues the opportunity to contribute their ideas and to understand colleagues' views better.

By January 2014 the Executive had spoken in person with nearly 2,000 colleagues across the Group, and 450 colleagues took part in more than 100 hours of focus groups with members of the Executive. We post regular updates on the intranet from the Group Executive, and communicate with colleagues through channels such as magazines and social media.

## Business change

### Project Orion

In October 2013 we launched Project Orion, our Group-wide cost reduction programme. In 2013 the project focused on streamlining activity, reducing expenditure and controlling costs across all parts of the business, from back-office support functions to front-line customer operations. This has taken place by, for example, reducing the number of external consultants working for the Group and improving our in-house capabilities; scrutinising recruitment requests; challenging the rationale for major project proposals; scaling back events and advising colleagues on smarter communication mechanisms.

By the start of January 2014 the business had identified its first £100m of savings. We received hundreds of suggestions from colleagues about local cost-reduction initiatives that were quickly and simply implemented, as well as more strategic Group-wide ideas including energy-saving initiatives and processes to prioritise and manage projects better.

The second phase of Orion will concentrate on re-shaping our business, particularly our management structures, to ensure that we are aligned with our new Purpose and Strategy (page 87).

## Employee relations

Effective relationships with the recognised trades unions who represent our employees play an important part in our approach to employee relations. Through consultation, trades unions help us to support staff affected by organisational changes, and to ensure that change programmes are managed fairly and consistently.

We encourage employees to become members of one of the trades unions recognised by the Group. The right of employees not to join a trades union is also respected. During 2013 we worked with five trades unions<sup>7</sup> covering the range of employee roles across the business.

## Controllable employee turnover

We seek to retain talent and minimise 'controllable' turnover, which excludes for example redundancies, where possible. In 2013 this remained largely stable.

### Indicator: Controllable employee turnover<sup>8</sup>

The Co-operative Food	19%
The Co-operative Funeralcare	8%
The Co-operative Pharmacy	14%
Other specialist businesses	20%
Corporate functions	6%

## Employee reward

### Chief Executive total pay for the financial year 2013 as a multiple of the lowest pay (full time)<sup>12</sup>

The Co-operative Group	<b>106</b>
Median for other large retailers	<b>131</b>

## Remuneration

Members of the Group Executive are eligible to participate in an annual incentive plan and a long-term incentive plan. For details of Executive remuneration see our Annual Report and Accounts 2013<sup>9</sup>.

We report on the proportion of our staff in different salary bands.

## Benefits

We offer a range of staff benefits, with the same benefits being offered to part-time and full-time staff, and the majority of benefits also being available to temporary employees. [Read more online](#) about the benefits we offer.

In 2013, 90% of colleagues were employee members<sup>10</sup>. Employee members receive a dividend subject to business performance. For the 2012/13 financial year, a maximum of £164<sup>11</sup> was paid to employee members. This was paid in July 2013.

## Contracts

We aim to be an exemplary employer, treating all colleagues fairly and consistently. In most circumstances our colleagues are employed on permanent contracts. However, where work demands are irregular, we occasionally uses zero hours contracts. Around 1.5% of colleagues are employed in this manner. Approximately half of these are in our Funeralcare business, where

irregular hours and flexibility are necessary, and there are many semi-retired staff who prefer the flexibility these contracts offer.

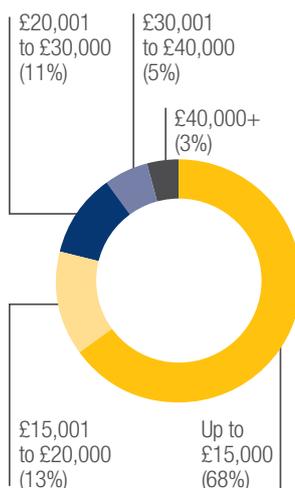
We contributed to the recent government consultation exercise on zero hours contracts<sup>13</sup>, and have reviewed our use of zero hours contracts across the Group with the aim of ensuring full compliance with the recommendations from the consultation, once these are published.

## Pensions

In 2013 the number of employees contributing to the Group's pension scheme, Pace, increased from 18,500 to 55,000<sup>14</sup> following changes to our pension arrangements in 2012 and the Government's introduction of automatic enrolment<sup>15</sup>. The Group automatically enrolled around 40,000 employees who met the criteria in February 2013, and has continued to automatically enrol all employees who join the business and meet the criteria since then.

Our automatic enrolment offer exceeds the minimum required, and we also offer employees who do not meet automatic enrolment criteria the opportunity to join and receive the same level of benefit. Employees who meet the automatic enrolment criteria can 'opt out'<sup>16</sup>; the opt-out rate is consistently less than 10%.

### Proportion of staff in each salary band



**Staff in Pace, the Group's pension scheme, 2013**

	2010	2011	2012	2013
Trading Group	14%	13%	14%	54%
General Insurance <sup>17</sup>	n/a	n/a	n/a	77%
All businesses	19%	18%	18%	54%

**Responsible investment** Pace, operates a Responsible Investment (RI) Policy which provides for the Trustee to instruct investment managers in relation to specific environmental, social and governance issues, to engage with investee companies, and to direct investment managers on the exercise of shareholder voting rights. In 2013 all disclosures stipulated by the RI Policy were made available on the scheme's website. As part of the Trustee's commitment to responsible investment, an ethical fund option is available<sup>18</sup>.

## Health, safety and well-being

### 3.46% absence rate

2013 average UK absence rate: 3.8%

### Health and safety

As part of our work on health and safety in 2013, we continued to develop a comprehensive risk management system. We held two 'Safety weeks' to raise awareness of accidents and fire safety. We also continued a proactive business evaluation of all trading premises, focusing on a range of risks including health and safety.

All businesses were transferred to an electronic system for reporting accidents by April 2013, providing better data capture and more detailed, consistent reporting information.

We continued to see a decrease in the accident rates in 2013<sup>19</sup> and there were no health and safety-related fatalities.

Indicator: **Accident rates**

#### Accidents per 100,000 employees<sup>20</sup> FTE

	2010	2011	2012	2013
Reportable	593.00	509.11	374.82	344.32
Non-reportable	7,035.42	7,118.87	5,831.26	5,803.02

### Absence rates

In 2013 we had an absence rate of 3.46%<sup>22</sup>. The main reasons for absence<sup>23</sup> were 'unspecified or unknown', with the main known absence reason being injury or fracture.

### Occupational healthcare provider

In 2013 we appointed a new occupational healthcare provider, Health Management Ltd, to help us manage and maintain the health and wellbeing of our employees. Their occupational health reports inform our discussions with employees about issues that may be impacting their ability to perform their role. Health Management also provides guidance to help managers support employees who are absent from work, or working with a disability.

### Wellbeing

The Co-operative's Employee Assistance programme, operated by Validium, is a 24-hour service for all colleagues and their immediate family. It offers counselling and support on a range of work and personal issues, with trained counsellors available 365 days a year. In 2013, 1% (2012: 1%) of employees used these services<sup>21</sup>.

In 2013 we launched a three-year project aimed at identifying the health and wellbeing needs of an ageing workforce, to understand how to optimise both employee health and business productivity, with an internal report due to be published at the end of the research period to help formulate best policy and practice to support our employees.

We require employees to undergo an assessment with Health Management so that we can identify how best to support them.

### Whistle-blowing

As part of our Code of Business Conduct, we have a whistle-blowing policy and an independent, impartial service called Speak Up for colleagues and suppliers. All calls are reported annually to our Audit and Risk Committee (page 89).

During 2013, 126<sup>24</sup> (2012: 105) correspondences were received, the majority of which were of a low level of concern. An independent benchmarking exercise shows that overall the Group received fewer calls compared to similar-sized organisations.

## Personal development and training

### Performance recognition

HR Society Strategy and Planning Award for our Funeralcare Apprentice Frameworks



### Performance recognition

Top 100 Apprentice Employer awarded by the National Apprenticeship Service



74th in the Times Top 100

Graduate Employer list 2013

2012: 58th



We offer a range of general and business-specific training across our family of businesses. Training is organised centrally for general topics such as business skills, people management, IT and professional qualifications. In 2013 investment in centrally organised training was affected by the significant changes going on in the business, resulting in us investing £120,000 (2012: £180,000) and providing 878 training places (2012: 1,078).

[Read more online](#) about our business-specific training days.

Our Group Leadership Development Zone, an online portal providing senior managers with access to a range of development resources such as videos and masterclasses, has continued to increase in popularity with 78% of senior managers taking advantage of these development opportunities in 2013.



### Apprenticeships

We launched our Apprenticeship Academy in 2011 to address growing unemployment and lack of training opportunities for young people.

Our Apprentice team also received a 2013 HR Society Award for Workforce Strategy and Planning for the creation of the Funeralcare Apprentice Frameworks, in which almost 400 Apprentices have participated to date.

See the UK Communities section (page 13) for more on our work with young people.

### Graduate and undergraduate programmes

In 2013, 27 graduates joined five of our graduate programmes (Business Management, Finance, HR, Retail Operations and IT). We currently have a total of 46 graduates on our programmes, which offer accelerated development and valuable experience across our business. Our graduate programme was ranked 74 in the Times Top 100 Graduate Employer list 2013. We are currently revising our scheme to make sure it remains best in class and relevant for our changing business.

In 2013 we also offered eight undergraduate placements to enable students to gain valuable experience working in one of our businesses.

# Customers

## In this section

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**13.5 million households** shopped at The Co-operative Food in 2013

Customer satisfaction and loyalty are key to the commercial success of any business. That has never been more true than today – with customers having less brand loyalty<sup>1</sup> and less disposable income<sup>2</sup> since the economic crisis, yet demanding more in terms of product quality, value for money, customer service and ethics. With over 15 million customers across The Co-operative Group and around 13.5 million households using The Co-operative Food in 2013, understanding our customers' experience is vital to helping us make decisions that improve their satisfaction and deliver value to them and our business. This is particularly important to us in light of the damage we have experienced to our brand and reputation over the past year.

## Our approach in 2013

Meeting the needs of our customers is a key aim of our business and our strategic approach is focused on achieving high levels of customer satisfaction and addressing complaints satisfactorily. We track customer satisfaction across our family of businesses, and use customer satisfaction scores as one of our five business Key Performance Indicators. We engage with our customers in a number of different ways in order to deal with their enquiries and any complaints, but also to improve our understanding of their needs and expectations of us. We are reflecting on what we have learned from recent engagement with customers and using this to inform our new Purpose and Strategy, and we recognise the loyalty our customers have shown us through this difficult time.

## Customer satisfaction

Customer satisfaction is tracked across The Co-operative Food, Pharmacy, Funeralcare, Legal Services and General Insurance. We use Overall Satisfaction as a headline measure of satisfaction in our Food and General Insurance businesses, and use the Customer Satisfaction Index (CSI) for Pharmacy and Legal Services. The CSI is a composite measure which incorporates the satisfaction and stated importance of attributes. We also conduct a bespoke satisfaction survey for Funeralcare, using the Funeralcare Excellence Score (FES).

We contact over 5,000 customers every quarter to give us a robust view of customer satisfaction across our businesses. Customer satisfaction studies are conducted by external, independent research agencies, with surveys being tailored to each business. A variety of methodologies are used to capture customer views. For example due to the sensitive nature of Funeralcare, we use postal surveys to track customer satisfaction, while we conduct face-to-face interviews with Pharmacy customers after they have left a branch. Because of the different research methodologies and markets that our businesses operate in, satisfaction scores vary across the Group.

### Indicator: **Customer satisfaction**

Targets 2013	Progress	Targets 2014
Achieve a customer satisfaction score of 7.4 out of 10 for The Co-operative Food	 The Co-operative Food achieved a customer satisfaction score of 7.4 for 2013, with a consistent performance across the year	Achieve a customer satisfaction score of 7.7 out of 10 for The Co-operative Food
Maintain a minimum Customer Satisfaction Index score of 90% for The Co-operative Pharmacy	 The Co-operative Pharmacy Customer Satisfaction Index score was 93.4% in 2013	Achieve a Customer Satisfaction Index score of 90% for The Co-operative Pharmacy

93.8

Funeralcare's highest ever  
Funeral Excellence Score

**The Co-operative Food** We used a new methodology for measuring customer satisfaction in our Food business in 2013, and met our target score of 7.4<sup>3</sup>.

**The Co-operative Pharmacy** Customer Satisfaction Index scores for Pharmacy continued to improve, with particular improvements being shown in value for money of non-prescription items and the appearance of branches. The availability of prescriptions and helpful, professional staff continue to be most important to customers.

**The Co-operative Funeralcare** Customer satisfaction scores for Funeralcare remained extremely high in 2013, with 98.5% (2012:

98.6%) of customers reporting they were either 'very satisfied' or 'fairly satisfied' with their overall experience.

We also use customer service questionnaires to calculate the Funeral Excellence Score (FES), based on the quality of customer service. In 2013 the FES increased to 93.8 (2012: 93.3), Funeralcare's highest ever score.

#### Customer satisfaction

	The Co-operative Pharmacy	The Co-operative Funeralcare
2010	91.3%	98.2%
2011	91.7%	98.5%
2012	93.2%	98.6%
2013	93.4%	98.5%

#### Indicator: Customer satisfaction

Target 2013	Progress	Target 2014
Maintain a Funeral Excellence Score (FES) of at least 91	 The cumulative FES for 2013 was 93.8, an increase on 2012 and above our 2013 target	Maintain a Funeral Excellence Score (FES) of at least 91.5

**The Co-operative Legal Services** In 2013 our Legal Services launched a new customer satisfaction survey for each of the different categories<sup>4</sup> within the business, to help improve our understanding of the customer journey and what is most important to customers. The customer satisfaction score was 89% for quarters two to four of 2013<sup>5</sup>.

**General Insurance** A new joint customer satisfaction survey was rolled out for The Co-operative Banking Group – covering General Insurance customers and retail banking customers of The Co-operative Bank<sup>6</sup> in 2013. General Insurance achieved a customer satisfaction score of 77%.

## Customer relations

Our Customer Care department works with key contacts across our businesses to answer the wide range of customer queries and any complaints received. We also keep customers

updated with news about our business, and answer queries through membership, in-store magazines and, increasingly, social media.

### Customer complaints

The Customer Care department is the first point of contact for escalated complaints from customers who wish to comment on our

products, policies and operations, or to find out about the source of own-brand products. This process generates information that helps us understand and respond to emerging customer issues. Complaints to our central Customer Care department are largely related to our Food business. The Co-operative Banking Group<sup>8</sup> and Pharmacy each operate their own customer contact centres to handle customer queries and complaints.

#### Customer complaints

	2010	2011	2012	2013
Complaints to Customer Care (primarily Food-related)	31,437	29,135 	27,007	25,999
The Co-operative Pharmacy	1,210	970	1,168	1,441
General Insurance <sup>7</sup>	n/a	n/a	n/a	6,923



### The Co-operative Pharmacy

Pharmacy complaints increased by 23% in 2013. Complaints are a vital source of information about patients' experiences of health care and services, and we believe that this increase is in line with the experience of other pharmacy chains. The continued increase since 2011 is most likely being driven by factors such as the ongoing commitment of the NHS to provide an open and honest forum for feedback in the light of the Francis Report<sup>9</sup>, and our own encouragement of customers to provide feedback<sup>10</sup>.

Key feedback in 2013 relates to the regulated NHS services, customer care and product availability. No complaints received by The Co-operative Pharmacy were escalated to external routes<sup>11</sup> in 2013. We have continued to see a rise in positive feedback about Pharmacy colleagues, with a 21% increase year-on-year.

### General Insurance

The total number of complaints for General Insurance was 6,923 in 2013.

General Insurance received 2.2 regulated complaints<sup>12</sup> per thousand live policies, accounts or investment products in the first half of 2013, and 2.32 for the second half.

### Customer Care department (primarily The Co-operative Food)

The number of complaints received by Customer Care continued to decline in 2013. The Customer Care department received 260,970 calls, emails and letters from customers (2012: 301,184), the majority of which related to The Co-operative Food. Customers are increasingly contacting us via social media, with 5,876 people contacting us in this way in 2013 (2012: 1,463).

#### Indicator: Customer complaints

Target 2013

Progress

Ensure complaints (excluding those relating to PPI) received by The Co-operative Banking Group are less than two per 1,000 accounts, policies and portfolios in each half year<sup>13</sup>



General Insurance complaints were 2.2 per 1,000 in the first half of 2013 and 2.32 in the second half



### Helping customers facing flooding

At the end of 2013, the UK experienced a prolonged period of exceptionally poor weather, which caused widespread flooding and damage to property.

The Government announced it would provide a grant to those affected, to allow for flood resilient repairs to property. General Insurance pledged to provide:

- free repairs advice, with experts visiting properties to provide repair recommendations; and

- support teams to help customers apply for the Government grant.

GI is also proactive in its approach to handling customer claims. We constantly monitor the weather to identify hotspots and telephone policyholders in areas at risk to offer support and ensure they know what to do should they need to make a claim.

# Customer engagement

**Performance recognition**

Market Research Society (MRS) Award for Data Collection 2013: The Co-operative Taste Team



In addition to customer satisfaction surveys, we engage with our customers in a variety of ways, to improve insight and encourage them to get involved in issues and campaigns. These include:

- **Consumer panels** The Co-operative Food Consumer panel, **The Taste Team**, consists of over 4,000 employee customers (2012: 2,000) who sample products at home. In 2013 The Taste Team sampled 490 new products (2012: 374), providing 21,720 individual feedback surveys (see box below). A survey of panel members in October 2013 found 97% are satisfied with The Taste Team experience and see it as an opportunity to give something back to the business.

- **Online communities** The Co-operative Group online community, **Up for Discussion**, aims to improve our understanding of consumer attitudes and behaviour. In 2013 there were almost 1,900 people on the community, registering over 14,000 interactions<sup>14</sup>. The Co-operative Food's online community, **Talking Shop**, engages with consumers and provides daily insight into issues relating to the food business (see box below). There are a total of 1,700 members (2012: 1,700), of which around 900 are active<sup>15</sup>. We aim to increase the number of active members to over 1,250 in 2014.
- **Social media** We are increasingly using social media to engage with customers and members, and to get them involved in our campaigns<sup>16</sup>.

Indicator: **Customer engagement**

Target 2013	Progress
Seek to utilise new technology to enhance consumers' abilities to make ethical choices	Throughout Fairtrade Fortnight 2013, till screens in stores were used to promote Fairtrade and encourage customers to make Fairtrade purchases

**Putting employees and customers at the heart of product development: The Taste Team and Talking Shop**

Through our Taste Team and Talking Shop programmes, we are putting our employees and customers at the heart of new product development, with our recent approach winning a data collection award by the Market Research Society (MRS).

The judges said: "The Co-operative has developed a system whereby the customer and the employee has become central to product development – not only in the food category where it was developed but now also across the business."

As ideas take shape and products move on to the development stage

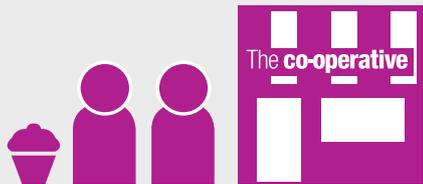
**1** **Talking shop**

The Talking Shop online research community allows us to gauge consumers' initial reactions to new concepts and help refine ideas

**2** **The award-winning Taste Team employee-consumer panel then samples and feeds back on the in-development products**

**3** **Talking Shop**

Talking Shop then offers scope to revisit products closer to launch to explore areas such as packaging design, merchandising, pricing, provenance and reaction to revamped ranges



# Suppliers and supply chains

## In this section

- 78 Ensuring standards in our supply chains
- 79 Working with our suppliers: Ethical trade
- 81 Our supplier practices

Suppliers are a key stakeholder for any retailer – providing both products for sale and critical business services. They also present a challenge and an opportunity in terms of minimising environmental and social impacts along the supply chain, and driving improvements in performance. With around 1,200 key suppliers<sup>1</sup> of goods for resale for our Food business alone, we have a responsibility to ensure we treat our suppliers fairly, while also ensuring they meet our sustainability standards in their own operations.

## Our approach in 2013

We actively engage with our suppliers and take a collaborative approach to supply chain management. A key priority is to ensure that our suppliers meet the high social and environmental standards we set for our own business, such as securing decent working conditions for everyone involved in making or growing our products. We are also further developing our UK farming groups as a way of strengthening relationships with suppliers, improving supply chain transparency and encouraging long-term investment. Our commitment to fair and ethical trade, and our work with Fairtrade producers (pages 15–16) are core elements of our supply chain approach.

## Ensuring standards in our supply chains

Our supplier policies govern our relationships and conduct with suppliers, ensuring that we treat our suppliers fairly. Our policies are referenced throughout this Report, with key policies relating to:

- **Good working conditions** – primarily addressed through our Human Rights and Trade Policy and our Sound Sourcing Code of Conduct (see below).
- **Sustainable procurement** – primarily addressed through our Sustainable Development Policy, our Sustainable Procurement and Supplier Policy (SPSP) (see below), our Food Ethical Policy and our Packaging Policy.

[Read more online](#) about our policies to ensure good working conditions and sustainable procurement.

We have around 1,200 suppliers of goods for resale in our Food business, with whom we have an annual spend over £50,000; and around 1,000 suppliers of goods not for resale across the Group, with whom we have an annual spend over £50,000<sup>2</sup>.

### Sustainable procurement (goods not for resale)

In 2013 our SPSP applied to all procurement activities<sup>3</sup>. Continued compliance with the SPSP is a condition of all key contracts. In 2013, 16 suppliers (2012: 38) (including a security systems supplier and a supplier of business marketing data) and 69 partner and sponsorship companies (2012: 48) were referred for screening against the SPSP.

## Working with our suppliers: Ethical trade

We work closely with our suppliers to ensure that the strict ethical and environmental standards set out in our policies are maintained. We are a member of the Ethical Trading Initiative<sup>4</sup> (ETI) and our Sound Sourcing Code of Conduct (our Code)<sup>5</sup> identifies the labour standards we expect to be applied across suppliers of our own-brand products.

Our approach combines: a robust monitoring programme to help ensure fair treatment of workers in our supply chains around the world; working in partnership and building capacity with suppliers to achieve continuous improvement<sup>6</sup>; and employee training to improve awareness and understanding of our own impacts on workers and communities.

### Indicator: Status of sound sourcing improvement actions

Targets 2013	Progress	Targets 2014
Further develop the systems and training programmes within our Food business by 2014 to understand our impact on workers and their communities	⊖ During 2013, we rolled out our responsible buyer training programme to reach all category trading managers and buyers	Further develop the systems and training programmes within our Food business by 2014 to understand our impact on workers and their communities
Target 800 sites in six countries by the end of 2013, to create better workplaces	⊗ 479 supplier sites attended 44 supplier training events in six countries since 2011, reaching 850 participants. 38% of sites have attended multiple training sessions	Target 800 sites in six countries by the end of 2014, to create better workplaces

## Monitoring compliance



Number of sites and workers on Sedex and location of audits<sup>15</sup>

	Sites	Workers	Sites with an audit in past two years <sup>16</sup>
<b>A</b> Europe	1,107	251,318	284
<b>B</b> Latin America and the Caribbean	124	69,875	35
<b>C</b> North Africa	32	21,106	15
<b>D</b> Sub-Saharan Africa	95	55,141	34
<b>E</b> Western Asia	25	6,890	7
<b>F</b> South Asia	18	4,222	10
<b>G</b> East and Southeast Asia	32	55,799	30
<b>H</b> Oceania	19	31,264	0
<b>I</b> North America	27	10,483	1
<b>Total</b>	<b>1,479</b>	<b>506,098</b>	<b>416</b>

We expect own-brand suppliers to achieve continual improvement in meeting our Code standards, and our Supplier Guide to The Co-operative Food Ethical Trade supports suppliers to meet our requirements. As a condition of trade, we require all our own-brand suppliers<sup>7</sup> to join the Supplier Ethical Data Exchange (Sedex)<sup>8</sup> – a web-based database where suppliers post labour standards information, including self-assessments and site audit reports. By the end of 2013, 1,479 tier-one and tier-two supplier sites<sup>9</sup> had registered on Sedex. 1,447 of these had completed a self-assessment, representing 100% of tier-one sites (2012: 98%).

### Site assessments

Approved third-party bodies carry out supplier site audits<sup>10</sup> to monitor compliance with our sound sourcing criteria. A total of 416 sites<sup>11</sup> have had a site audit<sup>12</sup> in the past two years. Of these, 270 audits were carried out in 2013 (2012: 184), 69% at tier-one sites (2012: 77%) and 31% at tier-two sites (2012: 23%)<sup>13</sup>. 47% of 2013 audits were unannounced or semi-announced (2012: 30%). We identify suppliers for audit using a risk-based approach determined by supplier responses to Sedex self-assessment questionnaires, worker profiles, country of origin and sector<sup>14</sup>. All tier-one suppliers identified as high risk have either had an audit in the past two years or are scheduled for audit in 2014.

**The Co-operative Food: Status of sound sourcing improvement actions identified in 2013 audits<sup>17</sup>****Improvement actions identified in audits:**

Of the 1,730 improvement actions identified in audits (in 2012 and 2013), 1,120 were identified in audits that took place in 2013, of which 68% were major (2012: 68%)<sup>18</sup>.

**Incomplete improvement actions:**

Of the 1,000 incomplete improvement actions that were not resolved by the end of 2013, 750 (75%) are due to be completed in 2014. Of the 250 overdue actions, 106 (42%) have been completed by the supplier and will be verified at the next annual audit. Outstanding issues have been escalated within the business in line with our escalation process.

Improvement actions	Improvement actions identified in audits						
	Resolved		Incomplete (as at 31/12/13)	Status of incomplete actions			
	In 2012	In 2013		Due in 2014		Overdue	
				Tier one	Tier two	Tier one	Tier two
Major	84	364	708	349	178	111	70
Minor	53	229	292	125	98	45	24
Sub-totals	137	593		474	276	156	94
		730	1,000		750		250
<b>Total</b>							<b>1,730 (from 416 audits)</b>
<b>2012 totals</b>							<b>1,605 (from 383 audits)</b>

[Read more online](#) about the breakdown of improvement actions by site location and by Sound Sourcing Code provision.

**Developing joint business plans**

As part of our move to work more collaboratively with our suppliers, we are developing a Joint Business Plan approach to replace our former Supplier Performance Matrix. This approach will enable both us and our suppliers to engage in

more open dialogue, to identify and acknowledge each others' strengths, and identify lessons and areas for improvement. We will continue to use the performance matrix as part of a broader set of metrics, such as key technical measures.

**Supplier capacity building**

The Co-operative Food invests in training programmes to help suppliers manage and improve labour standards. In 2013, 15 supplier events were carried out. These reached 360 delegates who represented 273 sites, amounting to over 2,612 hours of supplier training and engagement (2012: 1,700). Since 2011 our supplier training has reached a total of 479 sites, represented by over 850 participants at 44 events. Although this falls short of our aim to reach 800 sites by the end of 2013, we have targeted our events at a smaller audience to ensure interactivity, and over a third of suppliers have

attended more than one event. We have extended our target to reach 800 sites by 2014 and will maintain our interactive approach.

In 2013 we carried out training with suppliers in the UK, Spain and Italy, and Egypt, as well as taking part in collaborative initiatives to improve working conditions in Thailand, Morocco, Peru and South Africa (page 18). [Read more online](#). Key highlights in the UK include our inaugural Ethical Trade Conference, the launch of the multi-stakeholder Stronger Together initiative<sup>19</sup> to address human trafficking issues, and the establishment of two additional regional ethical trade forums<sup>20</sup>.

**UK sourcing**

We are strong supporters of British farmers and farming, and in 2013 we gave our support to the NFU's 'Back British Farming Charter'. We are committed to increasing our investment in UK sourcing, through which we aim to support local economies and UK farmers, while also responding to increasing consumer concern regarding the provenance of their food.

In September 2013 we reinforced our commitment to UK farmers by converting a number of key product ranges (including food-to-go, chilled ready meals and pies) to 100% British meat, poultry and fish wherever possible (page 28)<sup>21</sup>. We have also been developing and working with UK farming groups across five categories.

## UK farming groups

Through our dedicated farming groups, we have been developing long-term relationships with carefully selected suppliers of beef, lamb, pork, chicken and dairy<sup>22</sup>. Working with farming groups is helping us ensure that suppliers maintain our strict animal welfare policies (page 24), as well as encouraging long-term investment and improvement, strengthening our relationships with farmers, and improving the visibility and complexity of the supply chain. Members of the farming groups are also able to come together to share knowledge and best practice.

Our dedicated agricultural team monitors and supports suppliers in the farming groups through a bespoke farm data management system,

using Key Performance Indicators to help drive continuous improvement. In October 2013 we started a programme of annual audits of all farms in the groups. Farms are rated as Bronze, Silver or Gold according to their performance across five agricultural pillars.

All farms in our farming groups must be rated at least Bronze, which requires meeting<sup>23</sup> the first two pillars: 'Health, welfare and quality' and 'Co-operative brand'. The other three pillars ('Sustainability', 'Environmental impact', and 'Ethical and training') determine whether a farm is classed as Silver or Gold. We expect farms to progress through the pillars to become Silver or Gold farms, for which they receive further incentives.



### The Co-operative Dairy Group

We set up our first farming group, The Co-operative Dairy Group (CDG), in 2011. CDG is a long-term dedicated supply chain of over 200 British dairy farmers, supplying the equivalent of around 85% of our own-brand assured milk. Farmers in the group adhere to certain requirements such as not exporting male dairy calves, complying with our grazing policy, and reporting and monitoring key herd health indicators, such as mastitis, mobility and body condition. CDG farmers meet regularly to share good practice, with discussions covering issues such as herd efficiency, welfare and carbon footprints.

During 2013 we increased the price paid for milk to dairy farmers in the CDG from 30.50 pence per litre in January to 33.15 pence per litre in December. We continually monitor and review the price we pay for milk, which fluctuates according to market conditions, to ensure we provide a competitive package of benefits, inclusive of price<sup>24</sup>. A proportion of the premium that we pay contracted farmers is allocated to veterinary costs to improve welfare<sup>25</sup>.

## Our supplier practices

We work to ensure that our own supplier management processes, including purchasing practices and supplier payment, do not undermine efforts to meet our standards on sound sourcing and sustainable procurement.

### Improving core business practices

We are developing better systems and training programmes to promote awareness and understanding of the impacts of our Food business on workers and communities. In 2013 we rolled out our new interactive training programme on responsible buying to reach all category trading managers and buyers. In 2014 we will deliver refresher training sessions and roll out the programme to supply chain and product development teams.

**Supplier payment** We negotiate payment terms with each of our suppliers individually, and endeavour to pay them in accordance with their specific payment terms. As at 4 January 2014, trade creditors expressed as number of days outstanding was 44 days (2012: 39 days)<sup>26</sup>.

**Supply chain challenges** The provenance of our products is very important both to us as a business and to our customers. Like many retailers, we have reviewed and improved our supply chain management procedures since the emergence of issues such as the 'horsemeat scandal' in 2013. See page 29 for more information on our food safety and assurance processes, and [read more online](#) about our response to the discovery of horsemeat in some beef products across the industry, which affected many large food retailers including us.

# Economic impact

## In this section

82 Corporation tax

82 Value added



As a co-operative, we operate for the benefit of our members. The ability to do this depends on our financial success and stability. In 2013 we failed in a fundamental responsibility of any co-operative – to create value for our members. We reported a £2.5bn loss in April 2014, as a consequence of which we have had no profit to share with members.

The detail and extent of our financial situation is set out in full detail in the Group's 2013 Annual Report<sup>1</sup>, and has been reported extensively in the press and media. As in previous years, we present the headline financial performance data here, including our underlying profit and return on capital employed (ROCE). ROCE measures how well we generated profit from the capital invested in the business. A summary of our position on payment of tax to government and our distribution of economic value added is also shown below.

### Indicator: Return on capital employed (ROCE)

In 2013 we achieved a Group ROCE of 6.9% (2012: 8.6%).

### Headline financial performance: The Co-operative Group

	2012	2013
Revenue	£11bn	£10.5bn
Underlying segment operating profit <sup>2</sup>	£297m	£210m
Comprehensive loss	£(0.5)bn	£(2.5)bn
Net debt	£1.7bn	£1.4bn

## Corporation tax

### Indicator: Tax paid to government

Our Tax Strategy defines our approach to tax compliance, planning and risk management. In accordance with this strategy, we will not undertake tax planning transactions that have no commercial purpose other than the avoidance of tax.

Our 2013 tax payments and credits are detailed in the Group's Annual Report<sup>3</sup>. In 2013 the

accounts include a £45m credit (2012: £18m) in respect of tax on continuing businesses, at an effective tax rate of 16% (2012: 28%) compared to a standard blended rate of tax of 23.25% (2012: 24.5%). The Group does not expect to pay any corporation tax in respect of 2013 as a result of the loss arising in this period.

## Value added

### Indicator: Distribution of economic value added<sup>4</sup>

	2010 <sup>5</sup>	2011 <sup>6</sup>	2012 <sup>7</sup>	2013
Employee wages and pension benefits	£1,404m	£1,366m	£1,445m	£1,401m
Payments to government	£225m	£252m	£244m	£172m
Distribution to members	£94m	£132m	£94m	£62m <sup>8</sup>
Paid to the community	£12m	£14m	£18m <sup>9</sup>	£16m <sup>10</sup>
Paid to providers of capital	£81m	£82m	£107m	£101m
Set aside for capital maintenance and future growth	£507m	£363m	£295m	£310m
<b>Total</b>	<b>£2,323m</b>	<b>£2,209m</b>	<b>£2,203m</b>	<b>£2,062m</b>

Economic value added is the contribution of commercial organisations to national wealth and the benefits they deliver to stakeholders<sup>11</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 2013 we contributed £2.1bn to national wealth (2012: £2.2bn).

# Public policy

## In this section

83 Public policy engagement

Proposals for progressive ethical and sustainability legislation can be blocked or delayed because of resistance by some businesses and trade associations. As former United Nations Secretary General Kofi Annan said, "Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy". This issue of the role of business in policy making received increased attention at the UN Climate Change Conference (COP19) in 2013, with the launch of new guidelines for 'responsible corporate engagement in climate policy'<sup>1</sup>.

## Our approach in 2013

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 being open about this activity and its outcomes, and to making a full annual disclosure relating to membership and financial support for trade associations, national and international co-operation, and political parties.

## Public policy engagement

We prioritised a number of campaign areas in 2013 and continued to report on our public policy engagement.

The target to finalise a new strategy for public policy engagement was abandoned in 2013<sup>2</sup>, as organisational reviews and changing priorities led to the Working Group and strategy being cancelled.

For reporting purposes, 'engagement' is restricted to instances where we have pressed a point of difference or where we have lent weight to a significant positive initiative on those issues already identified as material for broader disclosure in this Sustainability Report. Disclosure encompasses active lobbying with, and of, trade and business associations, as well as direct lobbying of government at UK, EU and devolved levels.

### Indicator: Impact of public policy interventions

Targets 2013	Progress	Target 2014
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	 Our campaign priorities in 2013 were community-owned renewable energy and reversing pollinator decline	We will champion priority issues on behalf of members and stakeholders, 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	 We made no progress on the further development of a strategic political engagement policy in 2013, due to organisational reviews and changing priorities	

**Public policy engagement on sustainability in 2013**

Issue	Audience		Page
<b>Climate change</b>			
Community energy	Secretary of State (SofS) for Energy and Climate Change, Department for Energy and Climate Change (DECC), MPs, and House of Commons Energy and Climate Change Select Committee	Formed a civil society coalition to call on the Government to dramatically increase the number of community-owned renewable energy projects. In support of this we: produced policy recommendations for the DECC Community Energy Strategy and Energy Bill; held two Community Energy roundtables with the SofS; presented the SofS with a petition signed by 58,000 members; mobilised members and customers to contact their MP in support of our recommendations and Early Day Motion 684 (community energy), which 114 MPs signed during the 2012/13 parliamentary session; wrote to MPs ahead of an Energy Bill reading; made a submission to DECC's call for evidence on community energy; and made a submission and gave oral evidence to the Select Committee on Energy and Climate Change inquiry into local energy. The Energy Bill was amended in July 2013 and a robust Community Energy Strategy launched in January 2014.	43
Energy efficiency	Secretary of State for Energy and Climate Change	Co-signed a letter in support of more action on electricity efficiency	
<b>Chemicals</b>			
Neonicotinoid pesticides	Department for Environment, Food and Rural Affairs (Defra)	Wrote to Defra requesting support for the European Commission's proposal for a temporary ban on the use of three pesticides, to allow for research into their impact. The ban came into force in December 2013.	56
<b>Biodiversity</b>			
Marine Conservation Zones (MCZs)	Defra	Submitted response to consultation on England's MCZs in support of an ecologically coherent network of protected areas and the designation of all 127 recommended MCZs. In November 2013, 27 MCZs were designated in English waters. In February 2014 Defra announced that a further 37 will be considered in 2015.	52
<b>Diversity</b>			
Equal marriage	Government Equalities Office	Submitted consultation response in support of Equal Marriage. In January 2013 the House of Commons voted in support of the motion for its introduction. The Marriage (Same Sex Couples) Act was brought into force in March 2014.	34
<b>Supporting co-operatives</b>			
Supporting community-focused public services	Welsh Government Co-operative and Mutuals Commission	Submitted written evidence to the Welsh Co-operative and Mutuals Commission on developing the co-operative and mutual economy in Wales.	67
<b>Sustainability management</b>			
Corporate responsibility	Department for Business, Innovation and Skills (BIS)	Submitted response to BIS consultation on corporate responsibility, welcoming Government's intention to create a framework for action on corporate responsibility.	89

## Representation and promotion of co-operatives

We actively promote national and international co-operation by working with representative bodies such as the International Co-operative Alliance (ICA), Euro Coop and Co-operatives UK. Details of the financial support we provided to these organisations in 2013 are shown below.

### ICA

We actively support the work of the International Co-operative Alliance<sup>3</sup>, the world's largest non-governmental organisation representing and supporting co-operatives and mutuals. In 2013 we contributed £189,000, which included our membership fees and funding for the post of the ICA Global President, Dame Pauline Green.

### Euro Coop

In 2013 we continued to play an active role in Euro Coop<sup>4</sup> – the pan-European community of consumer co-operatives, which exists to promote members' interests by engaging with EU

institutions on legislative matters affecting their businesses. We held the Presidency of and had a Board seat on Euro Coop throughout 2013, and we are an active participant in its working groups on Co-operative Identity, Sustainability Policy and Food Policy.

### Co-operatives UK

Our aspirations for co-operative development are closely aligned with those of Co-operatives UK<sup>5</sup> – the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. Each year, we report on our performance against the Co-operatives UK Co-operative, Environmental and Social Performance Indicators<sup>6</sup>. In 2013 six representatives of The Co-operative served on the Co-operatives UK Board. Co-operatives UK was a key stakeholder in the development of The Co-operative Enterprise Hub, and sat on the Hub's National Advisory Group.

## Trade association membership and political donations

In line with our commitment to transparency in respect of public policy, we disclose all our principal memberships, subscription fees and donations to trade and business associations that engage in public policy activities, together with our involvement in other organisations that seek to influence public policy or business practices.

### Political donations<sup>8</sup>

Members approved a motion at the Half Yearly Meeting in November 2012 to permit political expenditure, including donations to political parties, up to a maximum of £1.185m for 2013. Actual donations in 2013 amounted to just over £810,000 (2012: £880,000).

We have a long tradition of supporting the Co-operative Party. The Party works to raise awareness of the benefits of co-operative and mutual models, and to influence governments towards support for more co-operative action.

In 2013 an annual donation of £579,446 (2012: £563,000) was made to the Co-operative Party by way of contribution to the operating costs. This was not contingent on any of the Party's policy objectives or campaigns<sup>9</sup>. In addition, £200,000 (2012: £242,000) was paid in grants to Co-operative Party Councils. Additional donations (including in-kind contributions) totalling £28,150 (2012: £28,500) were made to the Party to support activities, such as its party conference.

In 2013 donations were made to support Labour Party events, or organisations with Labour links, particularly at a local level, with a value of no more than £4,000 (2012: £11,550).

### Trade and business association membership fees and donations, 2013 (over £50,000)<sup>7</sup>

Name	Fees/donation (£)
Co-operatives UK	£971,167
National Association of Funeral Directors	£179,322
British Retail Consortium (BRC)	£175,719
Law Society	£150,438
Co-operative Employers Association	£106,000
Association of British Insurers (ABI)	£89,039
International Co-operative Alliance	£86,585
Confederation of British Industry (CBI)	£80,000
Company Chemists Association	£70,377
Forum for the Future	£70,000
European Community of Consumer Co-operatives (Euro Coop)	£67,105
IGD Services (Institute of Grocery Distribution)	£56,650
<b>Sub-total (over £50,000)</b>	<b>£2,102,402</b>
<b>Total (Read more online)</b>	<b>£2,356,523</b>

# Managing sustainability

The events of 2013, not least the financial and governance issues described by our Chair and CEO at the start of this Report (pages 2–3), have had implications for the way we approached and managed sustainability in 2013 and how we will do so in the future. However, our new Purpose (page 5) reinforces the fact that sustainability continues to sit at the heart of our approach to business, is firmly rooted in our co-operative values and principles, and is embedded in our sustainability policies and operating plans.

In 2013 we had five business Key Performance Indicators which reflected our co-operative values and principles (page i). These included our performance in the Business in the Community (BITC) Corporate Responsibility (CR) Index, which we used as an indicator of the degree to which we are viewed as a leading champion of corporate responsibility in the UK.

## BITC CR Index

	Score	Rank
2010	98%	Platinum+
2011	98%	Platinum+
2012	98%	Platinum+
2013	97%	Platinum Big Tick

### Performance recognition

Highest rank in the BITC CR Index. The Index challenges businesses to demonstrate the degree to which CR is embedded in business strategy



### Performance recognition

Queen's Award for Enterprise in Sustainable Development. Runs for five years and recognises progress made since we achieved the award in 2007 and again in 2012



## Our sustainability strategy 2013

Our Ethical Plan<sup>1</sup> provided the framework for our sustainability activities in 2013. The Plan set out our sustainability priorities and targets for eight key areas, which are detailed throughout this Report, along with a summary of our progress. The Ethical Plan was developed with input from elected members, via our Regional Values and Principles Committees, and since its launch in 2011 has been reviewed and updated annually.

In 2013 a project was initiated to review the Group's Purpose and Strategy, including a review of our membership proposition, community engagement, and Social Goals strategy (page 87). As such, the established approach to Social Goals and sustainability management was paused, pending the outcome of the review. During that period, we continued to work to the commitments set out in our Plan, and report on our targets and progress in 2013 in line with these commitments.

### Our sustainability policies

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

During 2013 a suite of supporting policies and strategies provided further guidance for different areas and activities of the business, including<sup>2</sup>:

- The Co-operative Food member-mandated Ethical Policy setting out its commitments to responsible retailing.
- The Co-operative Pharmacy and The Co-operative Funeralcare ethical strategies, developed by management and approved by the Group V&P Committee.

Other policies and codes of conduct including our Sound Sourcing Code of Conduct, Sustainable Procurement and Supplier Policy, and Human Rights and Trade Policy are detailed in the relevant sections throughout this Report.

## Putting our Purpose into practice



## Social Goals strategy review

As part of the Purpose project, in early 2014 a review of our Social Goals strategy was initiated. The Social Goals strategy review was conducted in partnership with Forum for the Future, and included a review of current activities, alongside consultation with a range of key stakeholders.

We have set out a path for co-creating (with members and key stakeholders) campaigns and activities around a small number of priority issues, as well as establishing processes to embed this work in our core business practices. We have also clarified our commitment to getting the fundamentals of being a 'good business' right, and ensuring our sustainability practices – such as supply chain management and sound sourcing, minimising the environmental impact of our operations, employee and stakeholder relations, and sustainability management and reporting practices – continue to meet our member and wider stakeholder expectations.

## Sustainability principles

### Our stakeholders

#### Members

8.1 million members

#### Customers

13.5 million households shopped at the Co-operative Food in 2013

#### Employees

Almost 87,000 colleagues

#### Suppliers

Around 1,200 suppliers of goods for resale in our food business, with whom we have an annual spend of over £50,000

#### The Co-operative Movement

Co-operatives provide over 100 million jobs globally

#### Wider society

Includes the communities where we operate, local and national government, NGOs, industry organisations, multi-stakeholder groups, charities and expert organisations

Our sustainability management and reporting is aligned with the principles of materiality, inclusivity and responsiveness, in accordance with the AA1000 AccountAbility Principles Standard (2008)<sup>3</sup>.

### Materiality

Businesses are faced with a wide range of issues they could address and report on. Our materiality decision-making process ensures that we focus on the issues that matter most to our stakeholders and our business. These are the issues that reflect our significant social, environmental and economic impacts, and that influence our stakeholders' assessment and decision making.

We consider a number of internal and external factors to identify whether particular issues are material for us, and use a range of mechanisms to determine their significance. These include considering issues raised by **our members** (eg through the democratic process and our membership engagement strategy) and **other stakeholders** (eg through customer participation in ethical policy formulation, and employee and customer surveys), as well as considering **business and society interests**

(as expressed through our business strategies and risk management processes, societal norms and emerging issues, external reporting standards and benchmarks, etc).

Rather than simply mapping these onto a materiality matrix – which in our experience is not always effective when dealing with the daily reality of evaluating and responding to ethical and sustainability challenges – our approach is to detail these various inputs and then set out the material importance of each issue in the relevant Report sections (see case study, page 88).

We then prioritise and report on our material issues under the three overarching headings of social responsibility, protecting the environment and delivering value to our stakeholders. Within each of those, we set out our material issues in 15 thematic areas.

### Inclusiveness and responsiveness

Engagement with stakeholders is key to achieving an accountable and strategic response to sustainability. Throughout this Report we provide examples of our two-way engagement with our six key stakeholder groups (see box left), and our responses to the issues raised.

### Lads' mags: Materiality decision-making in action

In July 2013, in response to growing member and customer concern about the exposure of children to overtly sexual images on the front covers of lads' mags in store, we requested that publishers of Front, Loaded, Nuts, Zoo and the Sport provide them in sealed modesty bags. Following the publishers' decision not to comply with this request, we removed these titles from sale in our stores in September 2013.

2013 and 2014 have been notable for the extensive involvement of a wide range of stakeholders in determining the material issues for our business, given the issues we have been facing. These have ranged from formal independent reviews such as the Kelly and Myners reviews (page 2), through to our Purpose and

Strategy work and our Have Your Say consultation, in which over 180,000 people (the majority of whom were members) took the time to tell us what is important to them, their families and their communities, providing their views on a wide range of topics, from how we source our products, to our work in the community.

#### Indicator: Sustainability governance and management

Target 2013	Progress	Target 2014
Continue to set new standards for openness and honesty globally	 <p>We won the Best Report at the Ethical Corporation Awards, and the Relevance and Materiality Award at the global 2013 Corporate Register Reporting Awards</p>	Continue to set new standards for openness and honesty globally

## Governance and management

2014 will see changes to our overall governance structures in light of the findings of the independent reviews into our governance<sup>4</sup> and other independent enquiries into our operations.

### Values and Principles Board

In 2013 a new Group Values and Principles (V&P) Board took on the responsibilities of the former V&P Committee<sup>5</sup> along with other responsibilities including those of the former Board Diversity Strategy Committee.

The first V&P Board meeting took place in October 2013, with subsequent meetings taking place quarterly<sup>6</sup>.

### Management

A Social Goals department of 25 employees<sup>7</sup> is responsible for the day-to-day management of sustainability performance across the business. The Head of Membership and Social Goals reports to the Director of External Policy, who reports to the Chief External Affairs Officer on 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 Trading Director of Food Retail.

We anticipate changes to our sustainability management structure and processes in 2014 in light of the Social Goals strategy review.

### Sustainability performance and Executive remuneration

Members of the Group Executive participate in a long-term incentive plan (LTIP), using targets over a three-year period. The 2011–13 and 2012–14 LTIP (both of which cover performance in 2013) include a corporate responsibility metric, which is determined by the Group's performance in the Business in the Community (BITC) Corporate Responsibility (CR) Index. A redesigned LTIP was adopted for 2013–15 based on specific, business-focused performance targets that do not include performance in the BITC CR Index. Going forward, consideration will be given to LTIP measures that support investment in the community as part of the new Group Purpose. Further details can be found in the Group's Remuneration Report 2013<sup>9</sup>.

#### Indicator: Sustainability governance and management

Target 2013	Progress
The remuneration of senior staff is influenced by the degree to which The Co-operative is viewed as a leading champion of corporate social responsibility in the UK	 <p>In 2013 remuneration of the Management Executive was linked to performance in the Business in the Community (BITC) Corporate Responsibility Index through the 2011–13 and 2012–14 LTIPs. However, although performance against the BITC target was met, the Remuneration and Appointments Committee used its discretion to reduce the payments under the 2011–13 LTIP to zero, in light of recent events<sup>10</sup></p>

## Risk management<sup>11</sup>

The Group Board has overall responsibility for risk management across all businesses. We provide a statement on the main risks and uncertainties we face, including specific risks to financial services and risks linked to sustainability and ethics, including ethical sourcing, and brand and reputation in our Annual Report and Accounts<sup>12</sup>.

Each business and function area has a risk register that identifies the likelihood and impact of risks within their area and the actions being taken to manage them. Risk assessments are updated on a quarterly basis and consolidated for the Group Risk Management Committee (chaired by the Group Chief Executive), which provides quarterly reports to the Group Audit and Risk Committee<sup>13</sup>. The Group Audit and Risk Committee met eight times during 2013, four more than scheduled as dedicated meetings were held to focus on two major areas for the Group.

## Accounting and reporting

### Performance recognition

Winner: Ethical Corporation Awards 2013 'Best Sustainability Report'



Winner: Relevance and Materiality category at the Global Corporate Register Reporting Awards 2014



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<sup>14</sup>, achieving application level A+. [Read more online](#) about the G3.1 indicators we have reported against.

### Assurance

We appointed DNV GL to independently assure key performance data and claims made within this Report and to evaluate our adherence to the AA1000<sup>15</sup> principles (type 2 assurance). DNV GL 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 90.

### Championing corporate responsibility

#### Government CR framework

In 2013 we responded to the Department of Business, Innovation and Skills (BIS) consultation on corporate responsibility (CR). The consultation formed part of BIS's process to develop a framework for action on CR, including setting out the UK's vision and priorities on CR and the actions needed from government, business and wider society. We welcomed the Government's intention to create a framework for action, and reiterated our belief that responsible business has a key role to play in society.

#### Integrated reporting

In 2013 we responded to the International Integrated Reporting Council's (IIRC) consultation on integrated reporting. We welcomed IIRC's focus on integrated thinking and decision-making. However, we also called for better guidance to help businesses articulate their range of impacts and creation of value, for example through a more quantitative rather than a purely principles-based approach to reporting. We also highlighted the need to ensure its relevance for businesses such as co-operatives and other organisations that are not investor-led.

# Independent assurance statement



## Scope and objectives

We have undertaken independent assurance of The Co-operative Group (The Co-operative) Sustainability Report 2013 (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 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 of The Co-operative's stakeholders in a balanced way.

We were not involved in the preparation of any part of the Report. However, having reviewed and provided feedback on drafts of the Report, in a number of instances changes were made to the final version.

We have had one other contract with The Co-operative in the past year to provide a Tomorrows Value Rating benchmark report. This is the eighth 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 Rachell Evans, Richard Evans, Adrian Henriques, Mark Line, Priti Nigam, David Keddie and Anne Euler.

## 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 supporting evidence for key claims in the Report, including working at the business support centre in Manchester.
- Review of the processes for gathering and consolidating data using the GRI Quality of Information Principles and, for selected samples, checking the data consolidation.

## 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.

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

2013 was a hard year for The Co-operative given the difficulties arising from The Co-operative Bank's performance and challenges to The Co-operative's governance. This necessitated a root and branch review of its business during the period of this Report, including its sustainability strategy. Nevertheless The Co-operative has continued to deliver good performance in many areas of sustainability and has continued to publish its Sustainability Report. These actions are commendable, necessary to support stakeholder confidence and their continuation will be crucial in the future.

The review of the Social Goals strategy as part of the wider Group Purpose and Strategy review has set out The Co-operative's priorities for the future. It outlines a focus on a small number of priority issues, combined with further embedding responsible

business practice at the heart of the business. In order to succeed and be credible with stakeholders in the light of recent governance failures, this new strategy will have to be underpinned by robust oversight mechanisms. We are also looking forward to seeing The Co-operative's renewed commitment through effective long-term target-setting for key sustainability metrics.

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

### **Performance information**

Overall we have confidence in the level of accuracy we found for the information in the Report. In the light of the changes occurring across the business, we recommend that a review of data protocols used for the Report is carried out. It is necessary to ensure they are fully documented and are available to support performance reporting in future years. This applies especially in the areas that require complex calculations performed consistently year on year.

### **Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability**

Member and customer consultation remain the strongest elements of The Co-operative's stakeholder engagements. However, we would have expected additional information in the Report on how the major changes to The Co-operative's businesses have been communicated to customers and members throughout the past year. The Have Your Say consultation was a first step in involving stakeholders in the development of the new Group and Social Goals strategy. We noted the commitment to work closely with members and other stakeholders to translate the new principles into action. Future reports should provide details on how this has been achieved.

### **Material issues are those which are necessary for stakeholders to make informed judgments concerning The Co-operative and its impacts**

We believe the Report describes the great majority of The Co-operative's material impacts. While the above-mentioned business reviews were underway, reporting focuses on progress throughout the year against existing commitments and adherence to policies currently in place. However, the reporting of The Co-operative's performance and positioning on a number of emerging sustainability issues should be improved in order to continue to align with its peers. For example, it would be welcome to understand how The Co-operative is taking the concept of planetary boundaries into account when developing a renewed long-term sustainability roadmap. It would also be useful to understand its position on detailed issues such as the feasibility of the development of alternative animal feed proteins in order to tackle the challenge of obtaining sustainable soya.

### **Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

The Co-operative has delivered solid performance in many areas such as food waste and general waste reduction. Above we have commented on the need to develop a response to certain issues in the light of increased competition in the food sector. Nevertheless, The Co-operative's performance remains often better than its peers in a number of areas. This applies to the availability of Fairtrade products across its stores and the increase in the proportion of MSC-certified fish in the wild fish and seafood range.

In some complex areas, including nutrition and animal welfare, it would be helpful to describe performance and progress more clearly.

The approach to targets in the Report should be more challenging. While most targets are being met, a significant number of targets are not quantified and it is not always clear what the goal of improving performance in a given area may be.

### **DNV Two Tomorrows Limited**

London

13th June 2014



### **Mark Line**

Senior Principal Consultant

UK Sustainability, DNV GL – Business Assurance



### **Anne Euler**

Principal Consultant

UK Sustainability, DNV GL – Business Assurance

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# Scope of this Report

This is our 2013 annual Sustainability Report, published in July 2014.

Performance relates to the calendar year 2013 (unless otherwise stated) and to our operations and stakeholders. It covers those businesses wholly owned by The Co-operative Group as of 31 December 2013 (page i).

Wherever possible, the data presented in the Report reflects our business as of that date, and therefore excludes The Co-operative Bank. Where this has not been possible (eg where data capture methodologies do not allow, or activities were undertaken at Group level on behalf of all businesses including the Bank in 2013), this is indicated in footnotes. Bank-specific performance data is reported in the separate [online review](#).

Reporting on products sold by The Co-operative Food focuses on own-brand products, which accounted for 44% of sales by value in 2013 (2012: 45%). Like other retailers, we have greater influence over own-brand than we do branded products, and our priority is to improve the sustainability of these products.

Our 2013 Sustainability Report is available at [www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport). As well as being able to download the full Report, we provide a limited amount of additional information in separate online documents, as indicated in relevant parts of this Report.

## Family of businesses

Throughout this Report, 'the Group'/'The Co-operative Group' is used to describe all parts of our business (ie including Co-operative Insurance, but excluding The Co-operative Bank) unless otherwise indicated.

## Business change

### The Co-operative Bank Plc

In June 2013 we announced the requirement for a £1.5bn recapitalisation of The Co-operative Bank (Liability Management Exercise, LME<sup>1</sup>). As part of the successful completion of the LME the Group's shareholding in the Bank was reduced to 30%. In May 2014, following a further successful capital raise, the Group's shareholding was reduced to 20%.

During 2013 a number of now well-documented factors contributed to the Bank's overall loss of £1,441m. The main factors that continued to significantly impact the profitability of the business were credit impairment, provisions for conduct risk, intangible asset impairment, high operating costs and the overall flat market conditions caused mainly by a low interest environment. Further detail on the Bank's performance can be found in The Co-operative Bank Annual Report and Accounts 2013 ([www.co-operativebank.co.uk/aboutus/financialresults](http://www.co-operativebank.co.uk/aboutus/financialresults)).

The Group is entitled to representation on the Bank Board to enable it to monitor and control its investment on an ongoing basis. It also has the right to appoint and remove one of its appointees to the Bank Values and Ethics Committee while it indirectly or directly holds 20% or more of the ordinary shares of the Bank.

A key challenge faced by the Group towards the end of 2013 was the work required to separate many of the unified back-office functions that were brought together throughout the Group in 2012 as part of Project Unity. A number of corporate functions were merged as part of this cost-saving exercise which, although delivering significant savings for the Group, needed to be reversed as The Co-operative Bank plc became a separate employing entity following separation. This work continued into early 2014.

### Life and Savings

In July 2013 the Banking Group successfully completed the sale of the Life and Savings Business to Royal London. To ensure a smooth transition for customers the Banking Group operates a number of Service Level Agreements with Royal London while the infrastructure is embedded with the new owner.

### The Co-operative Travel

The Travel business transferred into a joint venture with Thomas Cook in 2011. We retain a 30% share of the new entity, but do not report any performance data relating to it. In addition, historic performance data has been adjusted to remove Travel, to allow year-on-year comparisons.

### General Insurance

In early 2013 we indicated our intention to sell our General Insurance (GI) business to concentrate the Banking Group on its core Bank retail offer. As the scale of The Co-operative Bank's capital shortfall became clear, it was decided that the proceeds of the sale of GI would be used as part of the Group's contribution to the Bank's refinancing.

Following the recapitalisation of the Bank, however, we were able to review our plans and decided to keep this profitable business.

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

## Additional information

### Restatements

Where a review of previously reported data has identified inaccuracies, or a methodology for calculating data has changed, information is restated and identified by the following symbol . Where possible, we have also restated data to account for changes in our family of businesses over time, to enable comparison with previous years' performance. Details of restatements are provided in the footnotes to this Report.

### Performance against targets

We use the following symbols to report progress against the targets we set ourselves:

-  Target achieved
-  On track
-  Close to target
-  Behind schedule
-  Target not achieved

# Footnotes

## Social responsibility

### UK communities

- 1 A fifth of our employees are aged under 24.
- 2 The Co-operative Membership Community Fund is largely funded by members donating their share of profits.
- 3 Error in calculation in 2012.
- 4 To reflect error in value of employee time.
- 5 Donations to local charities and community groups (from stores and branches), donation to Drinkaware (see page 23), Booster Fund donations (see page 11), children's funerals, small community grants.
- 6 Comprises support for local community events around the UK by colleagues from stores and branches and the regional membership teams.
- 7 Data on 'charitable donations' and 'non-fundraising community support' not available for 2012, due to changes in the way we measured investment.
- 8 £3.527m comprises £3.343m raised, plus investment of £184,000 (from value of staff time spent on fundraising activity and in-kind support such as fundraising materials).
- 9 £5.9m represents the total raised for Charity of the Year 2013, of which £3.3m was banked by end 2013. This includes money raised by colleagues in The Co-operative Bank in 2013.
- 10 [www.co-operative.coop/charityoftheyear](http://www.co-operative.coop/charityoftheyear)
- 11 [www.carers.org](http://www.carers.org)
- 12 The Charity of the Year partnership runs on a biennial basis, and for accounting purposes we have allocated £3.3m to 2013, and £2.6m to 2014, to reflect the timeframes over which money was disseminated to the charity.
- 13 Piers Wrangham, Co-operative Banking Group (overall Fundraiser of the Year winner); Robyn Duffield, Co-operative Food; Nuala O'Donoghue, Co-operative Funeralcare; Lois McClure, Co-operative Membership; and Peter McCarthy, Co-operative Pharmacy.
- 14 [www.co-operative.coop/communityfund/](http://www.co-operative.coop/communityfund/)
- 15 [www.co-operative.coop/truthaboutyouth](http://www.co-operative.coop/truthaboutyouth)
- 16 These are currently: Envision, Birmingham; Prince's Trust Cymru, Cardiff; Regional Youth Work Unit, North East, Tyne and Wear; Prince's Trust, Bristol; Young Scot, Glasgow; Oval House Theatre, London and the Royal Exchange Theatre, Manchester.
- 17 Based on performance data supplied to the London Benchmarking Group (LBG) and included in their 2013 annual report.
- 18 Restated due to error in calculation of employee time in 2012.
- 19 In 2013, 770 of the 1,693 employee volunteers were from The Co-operative Bank. The number of Co-operative Bank employees volunteering fell significantly in 2013 due to changes and eventual sale of our majority share of The Co-operative Bank. However The Co-operative volunteer programme continued to grow steadily in other areas of our family of businesses.
- 20 54 of these 103 challenges were undertaken by employees of The Co-operative Bank.
- 21 £2.6m is made up of charitable donations to UK charities, non-fundraising support for local community activities, and charity fundraising (excluding Charity of the Year) in support of UK communities.
- 22 Excludes Charity of the Year fundraising activity.
- 23 [www.co-operative.coop/estates/community-property/About/](http://www.co-operative.coop/estates/community-property/About/)
- 24 [www.bitc.org.uk/services/awards-recognition/responsible-business-awards/categories/inspiring-social-action-young](http://www.bitc.org.uk/services/awards-recognition/responsible-business-awards/categories/inspiring-social-action-young)
- 25 In England, the term 'academy' is used to describe a school that is directly funded by central government and operates outside local authority control. Some academies receive additional support from a sponsor.
- 26 The proportion of British children aged five to 10 who walk to school has fallen to just 50% from 61% in the last 20 years (Office of National Statistics, Social Trends 40: Transport (2010) and Social Trends 41: Transport (2011)).
- 27 Restate: 2013 research revealed 51% of our Walking Buses remain active.
- 28 Figures include apprentices recruited to The Co-operative Bank, with 54 of the 810 recruited in 2013, and 364 of the total 2,025 apprentices being at the Bank.
- 29 Ibid.
- 30 At its highest rate, over 10,000 in 2011.
- 31 [www.cypnawards.com/2013-winners](http://www.cypnawards.com/2013-winners)
- 7 By '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.
- 8 The total number of Fairtrade products increased in 2013 due to several brands bringing in new Fairtrade product lines, such as Maltesers and KitKat, as well as new own-brand lines such as seasonal Fairtrade roses.
- 9 Restated as previous reporting omitted to include some Cadbury Dairy Milk and Fairtrade banana sales lines.
- 10 The value of Fairtrade premiums paid to producers in 2013 is based on 88% of Fairtrade sales. The remaining 13% includes composite products where a breakdown of Fairtrade ingredients could not be attained. To be conservative we have not extrapolated the figure to 100%.
- 11 Data from Kantar World Panel (see footnote 1).
- 12 Our Fairtrade market share was lower in 2013 due to a growing Fairtrade market among discounters. However, we still retain our number one 'overtrade' position (see footnote 1).
- 13 Fairtrade core categories are tea, coffee, bananas, chocolate bars, sugar, blueberries and wine. Together these represent around 89% of our own-brand Fairtrade sales. These categories are all 100% Fairtrade, with the exception of Fairtrade wine. Our sales of Fairtrade wine represent around 60% of all UK Fairtrade wine sales.
- 14 The contribution is match-funded by the Department for International Development's (DfID) Food Retail Industry Challenge (FRICH) Fund ([www.dfid.gov.uk/Work-with-us/Funding-opportunities/Business/FRICH/](http://www.dfid.gov.uk/Work-with-us/Funding-opportunities/Business/FRICH/)).
- 15 Out of a total project cost of £200,558.
- 16 Out of a total project cost of £425,384.
- 17 This figure is lower than previously reported due to a National Census being conducted after the project proposal was submitted. This reduced the estimated number of population and child beneficiaries living in the villages that are being targeted.
- 18 Reports and recommendations from this research are due to be released in summer 2014.
- 19 £36 on average.
- 20 All the MFIs adhere to CARE International's code of conduct aimed at fostering transparency and protecting its customers.
- 21 The majority of lendwithcare.org 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.
- 22 [www.co-operative.co.uk/humanrights](http://www.co-operative.co.uk/humanrights)
- 23 Produce is defined as fresh fruit, vegetables and flowers, whether whole or prepared.
- 24 Where the ingredient makes up more than 5% of the product.

### International communities

- 1 Data from Kantar World Panel ([www.kantarworldpanel.com/global](http://www.kantarworldpanel.com/global)). The degree to which a supermarket 'overtrades' in a product category is determined by dividing its share of the retail market in that category – in this case Fairtrade products – by its share of the overall retail market and multiplying by 100. A supermarket with a value over 100 is said to overtrade in that product category. A supermarket with a value less than 100 is said to undertrade in that product category.
- 2 The Fairtrade Foundation assumes an average of 6.2 people per producer family. In 2012/13 The Fairtrade Labelling Organization estimated 1.3m people to be benefiting from Fairtrade. This equates to over 8 million including families.
- 3 The Co-operative's Fairtrade sales in 2012 accounted for 3% of global sales, so it is estimated that 2.79% of people benefiting from Fairtrade globally (8 million) benefited from The Co-operative's Fairtrade sales. Figures for global Fairtrade sales in 2013 were not available at the time of print, but our Fairtrade sales value increased in 2013, so we expect at least the same number of Fairtrade beneficiaries as in the previous year. This number is distinct from the number calculated for Beyond Fairtrade (page 16).
- 4 [www.co-operative.coop/fairtrade](http://www.co-operative.coop/fairtrade)
- 5 Data from Kantar World Panel ([www.kantarworldpanel.com/global](http://www.kantarworldpanel.com/global)). There are 1,421 stores into which Co-operative Retail Trading Group (CRTG) goods are supplied. Our Fairtrade market share was lower in 2013 due to a growing Fairtrade market among discounters.
- 6 For those products where there is a Fairtrade alternative available.

## Responsible retailing

- 1 Department of Health (2011) Healthy lives, healthy people: A call to action on obesity in England. London, DH.
- 2 Ibid.
- 3 Defra (2012) Poultry and Poultry Meat Statistics ([www.defra.gov.uk/statistics/foodfarm/food/poultry/](http://www.defra.gov.uk/statistics/foodfarm/food/poultry/)); Defra (2012) United Kingdom Cattle, Sheep and Pig Slaughter Statistics ([www.gov.uk/government/publications/cattle-sheep-and-pig-slaughter](http://www.gov.uk/government/publications/cattle-sheep-and-pig-slaughter)).
- 4 On 1 January 2013 an EU ban on sow stalls came into effect, and in March 2013 the EU introduced new regulations banning the sale and import of animal-tested cosmetic products and ingredients.
- 5 Read more about the Responsibility Deal and specific pledges at [www.responsibilitydeal.dh.gov.uk/](http://www.responsibilitydeal.dh.gov.uk/)
- 6 One alcohol pledge is only applicable to on-trade (eg pubs and clubs) and so, not applicable to our business.
- 7 Based on unit prices. Our healthier range accounted for 3.3% of own-brand product sales in 2013. Of the 122 products that make up the range, 30% have comparable equivalents in the standard range.
- 8 Our Simply Value range accounted for 1.8% of own-brand product sales in 2013. Of the 98 products that make up the range, 82% 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 occurring sugars (eg own-brand value cheese and tomato pizza).
- 9 Department for Environment, Food and Rural Affairs (2012) Family Food 2011, London, Defra.
- 10 Salt reduction has been part of our product improvement process since 1995. In 2009 we were one of the first retailers to meet all the salt reduction targets set for 2010 by the FSA. Other retailers meeting the targets in a similar timeframe were Asda and Waitrose.
- 11 Reporting on the Department of Health's salt targets follows financial year reporting periods.
- 12 In 2013 the Department of Health introduced guidelines for all retailers to use front-of-pack integrated traffic-light labelling, so as to provide consumers with consistent nutritional information ([www.gov.uk/government/publications/front-of-pack-nutrition-labelling-guidance](http://www.gov.uk/government/publications/front-of-pack-nutrition-labelling-guidance)).
- 13 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.
- 14 'Green Dot' messages are based on approved nutrition claims under the Nutrition and Health Claims Regulation (EC) 1924/2006, plus wholegrain and 5-a-day claims.
- 15 A minimum of 30% of own-brand products by number. Healthy is defined as a product that carries no red 'traffic lights', is a healthier alternative, or meets the FSA nutrient profiling criteria used by Ofcom.
- 16 30% of promotions, by number. Healthier products are defined as: produce, bread, pure fruit juice, canned fruit and vegetables in water or fruit juice, lean protein, plain pasta, rice and noodles, products 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.
- 17 Healthier options defined as fresh and dried fruit, unsalted nuts and seed, 100% fruit bars and products not categorised as high in fat, sugar or salt using the DH Front of pack nutrition criteria 2013 and the Ofcom nutrient profiling criteria.
- 18 With the exception of seasonal and special occasion products.
- 19 [www.co-operativefood.co.uk/Lunchswaps/](http://www.co-operativefood.co.uk/Lunchswaps/)
- 20 [www.childrensfoodtrust.org.uk/](http://www.childrensfoodtrust.org.uk/)
- 21 Includes till screens, radio, website, blogs, in-store messaging and magazines.
- 22 One alcohol pledge (A2) is only applicable to on-trade (eg pubs and clubs) and so, not applicable to our business.
- 23 Alcohol by volume.
- 24 Based on 2013 sales.
- 25 Fresh, frozen, dried and canned fruit and vegetables without added ingredients.
- 26 Compiled in collaboration with Compassion in World Farming (CIWF) and the World Society for the Protection of Animals (WSPA), the report ranked 70 food producers, retailers, wholesalers, restaurants and bars from around the world. In addition to farm animal welfare outcomes, the report methodology emphasised strategy, management systems, disclosure and reporting practices.
- 27 Compliance with UK farm assurance standards, or national equivalents, is assured for all own-brand primary meat and poultry products. Outside the UK, suppliers are required to ensure, through independent third-party audits, that non-UK producers apply equivalent standards.
- 28 D.S. & G.M. Pryce and Sons, one of The Co-operative Dairy Group farmers, was overall winner of the Muller Wiseman Dairies 2013 Milk Quality Awards.
- 29 Compliance with UK farm assurance standards or national equivalents was assured for all own-brand UK-sourced fresh shell eggs and milk, and all primary turkey, beef, lamb, chicken, pork, pig meat for sausage and bacon, and farmed salmon. While compliance with farm assurance standards is similarly stipulated for other meat and poultry products (eg continental meats), and products that contain meat or poultry ingredients (eg ready meals), evidence of application is much more difficult to secure.
- 30 All reported sales data drawn from The Co-operative Food Finance, Buying and Marketing Analysis Team, as at January 2014. Origin data is drawn from The Co-operative category teams as at January 2014.
- 31 Includes sales of our own Higher Welfare brand, RSPCA Welfare 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.
- 32 Including outdoor bred pork. [Read more online](#).
- 33 A proportion of the milking herd (dependent on veterinary advice and taking into account grazing and weather conditions) should have adequate access to pasture during the grazing season.
- 34 Fresh poultry, meat and fish is defined as raw poultry, meat and fish maintained in a chilled environment in its raw condition and which will require full cooking. Fresh meat and poultry include beef, lamb and pork joints, steaks, chops, mince, burgers, sausages, bacon and gammon; whole chickens and turkeys; and chicken and turkey steaks, fillets and portions. Fresh fish includes farmed and wild caught fish and further prepared products (eg fishcakes). Fish data does not include shellfish (such as prawns, mussels and scallops).
- 35 See footnote 32.
- 36 All non-UK primary fresh lamb is sourced from New Zealand.
- 37 Figures provided for frozen poultry, meat and fish include all poultry, meat and fish maintained in a frozen environment in its raw condition and which will require full cooking.
- 38 Prepared products are defined as (i) raw poultry, meat and fish that has undergone a further process (for instance, products that have been cooked, roasted, breaded, glazed or barbecued) and (ii) meat, poultry and fish used as an ingredient in another product (eg ready meals, pies, pizzas, fishcakes or sandwiches).
- 39 Toiletries are classified as cosmetics under the EU Cosmetic Directive 76/768 in which a cosmetic product is any substance or preparation intended for placing in contact with the various external parts of the human body with a view exclusively or principally to cleaning them, perfuming them or protecting them, in order to keep them in good condition, change their appearance or correct body odours.
- 40 Human Household Product Standards define household products as: disinfectant, bleach, dishwasher products, floor and furniture polish, cleanser and cleaner, toilet products, washing-up liquid, air freshener, washing powder, laundry tablets, liquid detergent and fabric conditioner.
- 41 Established by the British Union for the Abolition of Vivisection (BUAV), Cruelty Free International specifically campaigns against animal testing of cosmetics, household products and their ingredients.
- 42 Excluding continental meats.
- 43 The Co-operative Insurance is the brand name used by CIS General Insurance Limited (CISGIL).
- 44 Also called General Insurance.
- 45 [www.ethicalconsumer.org/home/insurance.aspx](http://www.ethicalconsumer.org/home/insurance.aspx)
- 46 [www.co-operativebank.co.uk/aboutus/ourbusiness/ethicalpolicy](http://www.co-operativebank.co.uk/aboutus/ourbusiness/ethicalpolicy)
- 47 See footnote 43.
- 48 The Reclaim Fund Limited is a wholly owned subsidiary of The Co-operative Banking Group. [www.reclaimfund.co.uk](http://www.reclaimfund.co.uk)

## Promoting equality

- 1 [www.equalityhumanrights.com/advice-and-guidance/before-the-equality-act/guidance-for-employers-pre-october-10/benefits-for-employers-considering-equality-and-diversity/](http://www.equalityhumanrights.com/advice-and-guidance/before-the-equality-act/guidance-for-employers-pre-october-10/benefits-for-employers-considering-equality-and-diversity/)
- 2 [www.ukpolitics.org.uk/node/3470](http://www.ukpolitics.org.uk/node/3470). There is a considerable gap between the richest and poorest: the top 20% of the population earn nearly six times as much as the bottom 20% ([www.oecdbetterlifeindex.org/countries/united-kingdom/](http://www.oecdbetterlifeindex.org/countries/united-kingdom/)).
- 3 These include Inclusive Employers, Opportunity Now, Race for Opportunity, Business Disability Forum, Stonewall, Forward Ladies, and Employers for Carers.
- 4 The following major food retailer competitors are included in this benchmark: Asda, Marks & Spencer, Sainsbury's, Tesco and Waitrose. This analysis is drawn from an internal competitor location database which is constantly updated in line with our field-based analysis, information shared by competitors and industry bodies. While the figure is correct to the best of our knowledge, the database is unlikely to be 100% accurate at any given time due to the pace of change in competitor store location. We make up 4.7% of all UK food stores.
- 5 Co-operative stores or branches located in deprived areas as a proportion of all Co-operative stores or branches. Deprived areas are those that correspond with the 20% most deprived areas identified in the Government's Indices of Multiple Deprivation for England (2010), Wales (2011), Scotland (2012) and Northern Ireland (2011).
- 6 The decline in 2011 can be attributed to changes in classification of areas within the Index of Multiple Deprivation (2007) rather than any significant movement in Funeralcare branch location.
- 7 The 4% decline in 2013 is due to an increase of total branches in 2013 compared with 2012 (ie a decline in the proportion rather than absolute number of branches in deprived areas), as well as changes to deprived areas as defined by the Government's Indices of Multiple Deprivation.
- 8 Post Offices in Co-operative Food stores offering financial services.
- 9 [www.conveniencestore.co.uk/news/social-supermarket-pilot-store-launched-in-barnsley/352558.article](http://www.conveniencestore.co.uk/news/social-supermarket-pilot-store-launched-in-barnsley/352558.article). The supermarket also works with customers to give them skills or further assistance (such as cooking, health and nutrition information, numeracy and literacy skills or help with drug and alcohol dependency) to address some of the underlying causes of food poverty. The Co-operative Food has an existing relationship with Company Shop, which we are looking to expand, so that food not destined for our stores can be diverted from our suppliers to the supermarket.
- 10 A visa requirement.
- 11 A breakdown by gender of Group employees can be found in our Annual Report and Accounts, page 18 [www.co-operative.coop/corporate/Investors/Annual-Results-2013/](http://www.co-operative.coop/corporate/Investors/Annual-Results-2013/)
- 12 [www.gov.uk/government/publications/think-act-report-framework](http://www.gov.uk/government/publications/think-act-report-framework)
- 13 Run by An Inspirational Journey, a business-led organisation that works to address the imbalance of talent at the top of corporate organisations in Britain ([www.inspirationaljourney.com](http://www.inspirationaljourney.com)).
- 14 Data for managers is given as a percentage of all managers. A manager is deemed to be any employee in managerial role bands, or with 'manager', 'head of', or 'director' in their job title, except in The Co-operative Insurance where a manager is deemed to be any employee paid £25,000 or more.

## Protecting the environment

### 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.climatechange2013.org/images/uploads/WGI\\_AR5\\_SPM\\_brochure.pdf](http://www.climatechange2013.org/images/uploads/WGI_AR5_SPM_brochure.pdf) (page 21).
- 3 February marked the 29th consecutive February and 348th consecutive month with a global temperature above the 20th century average. The last below-average temperature for February and the last below-average temperature for any month was February 1985 ([www.ncdc.noaa.gov/sotc/](http://www.ncdc.noaa.gov/sotc/)).
- 4 [www.climatechange2013.org/images/uploads/WGI\\_AR5\\_SPM\\_brochure.pdf](http://www.climatechange2013.org/images/uploads/WGI_AR5_SPM_brochure.pdf) (pages 2, 11, 15). 'Extremely likely' is defined as a confidence level of 95–100%.
- 5 For example, in 1998 The Co-operative Bank took the pioneering approach of declining finance for the extraction or production of fossil fuels.
- 6 Figures for direct GHG emissions include those associated with air, rail and 'own-car' business travel. These are more commonly reported as 'indirect' emissions, but we report them here as we have direct influence over them.
- 7 We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, pertaining to mandatory greenhouse gas reporting. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement. ([www.co-operative.coop/corporate/Investors/Annual-results-2013](http://www.co-operative.coop/corporate/Investors/Annual-results-2013)).
- 8 Grid average electricity is the average emissions from UK electricity production in a given year, calculated by Defra. In 2013 this was 0.44548kgCO<sub>2e</sub>/kWh. An alternative approach would be to consider it as zero carbon (page 39).
- 9 Department for Environment, Food and Rural Affairs, Environmental Reporting Guidelines, including Mandatory Greenhouse Gas Emissions Reporting Guidance, June 2013 ([www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206392/pb13944-env-reporting-guidance.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf)).
- 10 Historic data (2006) includes data for merged and acquired businesses (the former United Co-operatives, former Somerfield), even at a time when these were not part of The Co-operative. Where historic data is unavailable, proxies have been used.
- 11 Restate due to: new Defra emissions factors that account for electricity transmission and distribution as indirect; inclusion of gas oil combustion for electricity at food distribution centres; inclusion of Co-operative Bank major occupancy refrigerants; and inclusion of fertiliser consumption by Co-operative Farms.
- 12 See footnotes 10 and 11.
- 13 We have made substantial improvements in refrigerant leakage control, which has resulted in transport becoming a greater proportion of our total emissions, despite substantial improvements in that area also.
- 14 Carbon dioxide equivalent (CO<sub>2e</sub>) is used to compare the Global Warming Potential (GWP) of different greenhouse gases relative to carbon dioxide (CO<sub>2e</sub>). These are methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>). For example, CO<sub>2e</sub> has a GWP of one, while N<sub>2</sub>O has a GWP of 310.
- 15 Gas consumption remained flat.
- 16 The Building Research Establishment Environmental Assessment Method (BREEAM) assesses buildings against set criteria and provides an overall score that will fall within a band providing a rating of Pass, Good, Very good, Excellent or Outstanding ([www.breem.org](http://www.breem.org)).
- 17 Restate due to inclusion of gas oil combustion for electricity at food distribution centres, backdated to 2006.
- 18 Ibid.
- 19 Counting electricity from renewables as zero carbon. Restate due to inclusion of gas oil combustion for electricity at food distribution centres, backdated to 2006.
- 20 United States Environmental Protection Agency list of renewable energy users ([www.epa.gov/greenpower/toplists/top100.htm](http://www.epa.gov/greenpower/toplists/top100.htm)).
- 21 Restated due to improved data for food home deliveries.
- 22 Global warming potential is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO<sub>2</sub> ([www.ghgprotocol.org](http://www.ghgprotocol.org)).
- 23 From January 2010, the use of new hydrochlorofluorocarbons (HCFCs) was banned in Europe, but recycled HCFCs can still be used until December 2014.
- 24 HFC-free alternatives are sometimes referred to as 'natural refrigerants' and include CO<sub>2</sub>, ammonia and hydrocarbons.
- 25 Our road distribution fleet serves The Co-operative Food, The Co-operative Funeralcare, and home deliveries across our businesses. Business travel includes rail and air travel and business mileage in company, hired and private cars.
- 26 Restate due to addition of gas oil consumption that powers food distribution fleet truck refrigeration unit.
- 27 See footnote 25.
- 28 Decreasing distribution mileage and associated CO<sub>2e</sub> emissions by 35.6 million miles (31%) and by 48,604 tonnes CO<sub>2e</sub> (32%) compared with 2005.
- 29 We are using eight new 'longer semi-trailers' which have a capacity 18% greater than a standard trailer, reducing road miles and delivery emissions; we require roof deflectors as standard on new fleet vehicles to improve aerodynamics and reduce fuel consumption (102 in 2013); and we have expanded the trialling of a new aerodynamic truck, the 'Dolphin', to four vehicles.
- 30 Avonmouth in Bristol and Castlewood in Derbyshire.
- 31 Eg some foods grown in heated greenhouses in the UK often have a worse environmental impact than foods grown abroad and flown in. Supporting 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.
- 32 Assessments are undertaken by The ECO<sub>2</sub> Project, a carbon monitoring and reduction business.
- 33 Offsets that are verified to either the Verified Carbon Standard ([www.v-c-s.org](http://www.v-c-s.org)) or Gold Standard ([www.cdmgoldstandard.org](http://www.cdmgoldstandard.org)).
- 34 Remaining emissions are the direct operational emissions (electricity, gas, transport and business travel), considering renewable electricity as zero carbon.
- 35 Our 2013 portfolio included offsets purchased on behalf of The Co-operative Bank to maintain its carbon neutral status (10,011 tCO<sub>2e</sub>).
- 36 The contracts threatened to stop the development of larger co-operative wind and solar projects. Our request to increase the size of community projects that are able to access Feed-in Tariffs from 5MW to 20MW was partially realised. The amendment to the Bill doubled this to 10MW, potentially securing the sector's future.
- 37 Including an obligation on commercial developers to offer local communities shared ownership in projects from 2015.

## Waste and packaging

- 1 Most recent data available from Defra and the devolved governments. England, 2012/13 data ([www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/255609/2012-13\\_ANNUAL\\_publication\\_WITHOUTLINKS\\_v0.1.xls](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255609/2012-13_ANNUAL_publication_WITHOUTLINKS_v0.1.xls)); Wales, 2011/12 data (<https://stats.wales.gov.uk/Catalogue/Environment-and-Countryside/Waste-Management/Local-Authority-Municipal-Waste/Annual/>); Scotland, 2012/13 data ([www.sepa.org.uk/waste/waste\\_data/waste\\_data\\_reports/lacw\\_reporting/idoc.ashx?docid=a6e5f42e-0aa1-4cf3-a417-05c2e0c3f044&version=-1](http://www.sepa.org.uk/waste/waste_data/waste_data_reports/lacw_reporting/idoc.ashx?docid=a6e5f42e-0aa1-4cf3-a417-05c2e0c3f044&version=-1)); and Northern Ireland, 2012/13 ([www.doeni.gov.uk/niea/waste-home/municipal\\_data\\_reporting.htm](http://www.doeni.gov.uk/niea/waste-home/municipal_data_reporting.htm)).
- 2 7m tonnes is discarded from households, 4.2m tonnes of which could be consumed; 4.3m tonnes is wasted in the grocery supply chain; 0.9m tonnes is discarded by the hospitality and food service sector; and 3m tonnes is discarded from other sectors, including estimates of food thrown away by consumers outside of the home and the pre-factory gate stages of the supply chain. WRAP (2013), Handy facts and figures on waste in the UK ([www.wrap.org.uk/sites/files/wrap/Handy%20facts%20and%20figures\\_0.pdf](http://www.wrap.org.uk/sites/files/wrap/Handy%20facts%20and%20figures_0.pdf)).
- 3 A 1.3m tonne saving in food waste was achieved between 2007 and 2012 – a 15% reduction, despite a 4% increase in the number of UK households. WRAP (2013), Household Food and Drink Waste in the United Kingdom 2012 ([www.wrap.org.uk/sites/files/wrap/hhfdw-2012-main.pdf](http://www.wrap.org.uk/sites/files/wrap/hhfdw-2012-main.pdf)).
- 4 Food waste has a significantly higher impact on the environment than packaging. Estimates suggest that food waste has at least 10 times the environmental impact of packaging waste, excluding the impact of the methane which can be released from food in landfill (<http://archive.defra.gov.uk/environment/waste/producer/packaging/documents/packaginginperspective.pdf>).
- 5 A total of 1.7m tonnes of waste was prevented through Courtauld Phase 2 (2010–12), saving £3.1bn (WRAP (2013), Courtauld Commitment 2). Phase 3 (2013–15) aims to further reduce food and drink waste, supply chain waste, and reduce packaging waste through improved packaging design ([www.wrap.org.uk/content/courtauld-commitment-2-1](http://www.wrap.org.uk/content/courtauld-commitment-2-1)).
- 6 All figures exclude The Co-operative Bank and Co-operative Insurance.
- 7 Reduction in waste recycled is largely due to store disposals.
- 8 Figures restated to account for overstating of card and plastic recycling.
- 9 Reduction in waste recycled is predominantly due to the introduction of reusable trays. In 2011, reusable trays removed the need for an estimated 12,500 tonnes of cardboard.
- 10 Figures restated to account for overstating of card and plastic recycling.
- 11 Where a dataset for a business is extrapolated, this is footnoted later in this section.
- 12 Increase in the amount of recycled material due to significant increase in amount of waste sent for anaerobic digestion.
- 13 Decline in waste arising is due to a combination of having fewer food stores, more accurate data on removal of waste for our distribution centres (as a result of waste backhauling) and bins being lifted and accurately weighed when full at our distribution centres rather than at stores, where they may have been lifted when only partially full and given an estimated weight.
- 14 The majority of waste disposed is sent to landfill.
- 15 In 2013 The Co-operative Food accounted for 98% of total packaging handled by The Co-operative.
- 16 As set out in our own-brand packaging policy.
- 17 Includes former Somerfield stores.
- 18 The Co-operative Food 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. During the first Courtauld Commitment period (2007–2009), The Co-operative Food achieved a 12% reduction in own-brand primary packaging and a 25% reduction in transit packaging, resulting in a combined reduction of 16%. Courtauld 2 ran from 2010–2012 and during this period The Co-operative Food achieved a 25% reduction in own-brand primary packaging and a 44% reduction in transit packaging, resulting in a combined reduction of 32%.
- 19 Other materials (mostly wood) constituted around 0.1% of the total primary packaging handled.
- 20 Data showing the carbon impact of our packaging in 2013 will not be available until mid-2014.
- 21 [www.lovefoodhatewaste.com/](http://www.lovefoodhatewaste.com/)
- 22 The latest UK-wide research shows a 1.3% rise in bag use in 2012 compared to 2011 ([www.wrap.org.uk/content/wrap-publishes-new-figures-carrier-bag-use](http://www.wrap.org.uk/content/wrap-publishes-new-figures-carrier-bag-use)).
- 23 The Welsh Carrier Bag Levy was introduced in October 2011 and has reduced single-use carrier bag distribution in The Co-operative Food stores in Wales by 64%, taking the total single-use carrier bag reduction to 87% since 2006. A levy was introduced in Northern Ireland in April 2013, and one is planned for Scotland from October 2014. Introduction of a levy in England is planned for late 2015.
- 24 Caddy liners will be available in The Co-operative Food stores situated within local authorities where green waste bin collection services can deal with compostable bags.
- 25 Figure restated to account for overstating of card and plastic recycling.
- 26 Ibid.
- 27 Increase in reuse/recycling rate is largely due to the introduction of waste backhauling and the increase in waste sent to recycling and anaerobic digester facilities rather than disposal by landfill.
- 28 A 15% increase in our reuse/recycle rate since 2006.
- 29 Derived assuming The Co-operative accounts for 81.4% of the Co-operative Retail Trading Group collections in 2013.
- 30 Ultimately derived from the European Parliament and Council Directive 94/62/EC on Packaging and Packaging Waste.
- 31 Under the Regulations, we must determine how much packaging material we pass on to customers and produce evidence of a set amount of recycling and recovery. We maintain compliance with these regulations on behalf of the Co-operative Retail Trading Group. Obligations are calculated on the packaging handled in the previous year. The obligation in 2013 was, therefore, based on 178,346 tonnes of packaging handled by The Co-operative.
- 32 As set out in the Waste Electrical and Electronic Equipment (WEEE) Regulations (<https://brand.environment-agency.gov.uk/mb/Cp37GW>).
- 33 The Co-operative producer obligation based on 9,000 items, and distributor obligation based on 403,000 items of electrical and electronic equipment produced/sold in 2013.
- 34 2012 data includes The Co-operative Bank and Co-operative Insurance.
- 35 Ibid.
- 36 In 2013 the amount of waste disposed declined largely as a result of waste backhauling, but other factors were also involved including: disposal of food stores; a greater quantity of actual rather than estimated bin weights; and the removal of extrapolation from The Co-operative Food's Regional Distribution Centre network's waste data.

- 37 Figure restated to account for overstating of card and plastic recycling.
- 38 Ibid.
- 39 The Co-operative Funeralcare sent 231 tonnes of clinical waste and one tonne of spray booth filters to be autoclaved/incinerated. No data is available for clinical/pharmaceutical waste from The Co-operative Pharmacy.
- 40 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)
- 41 Including 16,823 tonnes of waste from food stores and 4,812 tonnes of waste from Regional Distribution Centres.
- 42 Extrapolated from 94% sample.
- 43 Extrapolated from 68% sample.
- 44 Other businesses' waste to landfill data: Sunwin Cash in Transit, 88 tonnes; The Co-operative Legal Services, 25 tonnes; and The Co-operative Electrical, 11 tonnes.

## Biodiversity

- 1 The Economics of Ecosystems and Biodiversity (2013), Natural Capital at Risk: The Top 100 Externalities of Business ([www.teebforbusiness.org/how/natural-capital-risk.html](http://www.teebforbusiness.org/how/natural-capital-risk.html)).
- 2 WWF (2012), Living Planet Report ([http://awsassets.panda.org/downloads/1\\_lpr\\_2012\\_online\\_full\\_size\\_single\\_pages\\_final\\_120516.pdf](http://awsassets.panda.org/downloads/1_lpr_2012_online_full_size_single_pages_final_120516.pdf)).
- 3 31% of UK species have experienced strong declines. State of Nature Report (2013), [www.rspb.org.uk/Images/stateofnature\\_tcm9-345839.pdf](http://www.rspb.org.uk/Images/stateofnature_tcm9-345839.pdf)
- 4 FAO (2012), The State of World Fisheries and Aquaculture – 2012 ([www.fao.org/docrep/016/i2727e/i2727e.pdf](http://www.fao.org/docrep/016/i2727e/i2727e.pdf)). The situation in some fisheries is improving, however, see for example, European Commission (2013), Fishing opportunities for 2014 ([http://europa.eu/rapid/press-release\\_IP-13-487\\_en.htm](http://europa.eu/rapid/press-release_IP-13-487_en.htm)).
- 5 [www.co-operativefood.co.uk/food-and-drink/food/Own-brand-fish/](http://www.co-operativefood.co.uk/food-and-drink/food/Own-brand-fish/)
- 6 Ratings go from 1 (for the most sustainably produced seafood including fish from certified fisheries) to 5 (for a fish to be avoided for sustainability concerns). See [www.fishonline.org/information/](http://www.fishonline.org/information/) for a full explanation of MCS seafood ratings.
- 7 As benchmarked by the Marine Conservation Society's biennial Supermarket Survey.
- 8 80% of seafood consumed in the UK is from the 'big-five' species – cod, haddock, tuna, salmon and prawn.
- 9 [www.sustainableseafoodcoalition.org](http://www.sustainableseafoodcoalition.org)
- 10 Secretariat of the Convention on Biological Diversity (2010), Global Biodiversity Outlook 3 ([www.cbd.int/doc/publications/gbo/gbo3-final-en.pdf](http://www.cbd.int/doc/publications/gbo/gbo3-final-en.pdf)).
- 11 Mardas, N., Mitchell, A., Crosbie, L., Ripley, S., Howard, R., Elia, C., Trivedi, M. (2009), Global Forest Footprints, Forest Footprint Disclosure Project, Global Canopy Programme, Oxford.
- 12 Macqueen, D. (2010), Review of Funds Which Aim To Protect Tropical Forests, International Institute for Environment and Development, London, note: 1 billion forest farmers, 350 million in forest frontier communities and 60 million primarily indigenous forest dwellers.
- 13 Our market-leading wood and paper sourcing policy will be maintained with at least 95% of wood and paper products in co-operative brands coming from FSC or post-consumer recycled source.

- 14 FSC-certified products carry one of the following labels: FSC 100%; FSC Recycled, containing a minimum of 85% wood fibre content from post-consumer sources; and FSC Mixed, containing a blend of FSC 100% with recycled and/or controlled wood fibre. The controlled fibre is from non-FSC forests, but is screened to ensure it does not contribute to negative forest practices such as illegal logging or the destruction of high conservation value forests.
- 15 [http://assets.panda.org/downloads/po\\_scorecard\\_2013\\_final.pdf](http://assets.panda.org/downloads/po_scorecard_2013_final.pdf)
- 16 Mardas, N., Mitchell, A., Crosbie, L., Ripley, S., Howard, R., Elia, C., Trivedi, M. (2009), Global Forest Footprints, Forest Footprint Disclosure Project, Global Canopy Programme, Oxford.
- 17 80% of palm oil is produced in Southeast Asia. Wilcove, D.S., Koh L.P., (2010), Addressing the threats to biodiversity from oil-palm agriculture, Biodiversity Conservation, 19:999–1007.
- 18 Carlson, K.M. et al. (2012), Carbon emissions from forest conversion by Kalimantan oil palm plantations. Nature Climate Change ([www.nature.com/nclimate/journal/v3/n3/full/nclimate1702.html](http://www.nature.com/nclimate/journal/v3/n3/full/nclimate1702.html)).
- 19 The Co-operative uses four different routes for CSPO accreditation: 'UTZ certification' (18.4% of our total palm oil use), where oil is traced using the RSPO official traceability partner; 'segregated' (37.4%) 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' (0.02%) where oil is uniquely identifiable to the mill and its supply base, and is kept physically isolated from all other palm oil sources throughout the supply chain (including other segregated RSPO–CSPO sources); and GreenPalm (44.1%), as described in the main text.
- 20 Restated from 49% in 2012, as previous figure included both mass balance and segregated palm oil.
- 21 WWF (2014), The Growth of Soy: Impacts and Solutions. WWF International, Gland, Switzerland.
- 22 [http://soystats.com/wp-content/uploads/ASA\\_SoyStats\\_fnl.pdf](http://soystats.com/wp-content/uploads/ASA_SoyStats_fnl.pdf)
- 23 Such as the Cerrado, the Pantanal, Gran Chaco, Campos, the Chiquitano Forest and the Atlantic Forest.
- 24 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. IUCN (2011), IUCN UK Commission of Inquiry on Peatlands, IUCN UK Peatland Programme, Edinburgh.
- 25 Figure includes potted and bedding plants, and bagged growing media.
- 26 The increase in peat content of our bagged growing media is due to the decrease in volume of our peat-free growbag.
- 27 The Co-operative Farms manages land under three different agreements – land we farm and own, land farmed by us in partnership with third-party owners, and farms where third parties grow produce for us, outside of our direct management.
- 28 [www.naturalengland.gov.uk/ourwork/farming/funding/es/default.aspx](http://www.naturalengland.gov.uk/ourwork/farming/funding/es/default.aspx)
- 29 This figure varied throughout 2013 as a result of land sales.

## Water and chemicals

- United Nations General Assembly, Resolution 64/292, The Human Right to Water and Sanitation, July 2010 ([www.un.org/waterforlifedecade/human\\_right\\_to\\_water.shtml](http://www.un.org/waterforlifedecade/human_right_to_water.shtml)). Despite this, there are still 768 million people worldwide without access to safe drinking water and 2.5 billion without adequate sanitation (WHO/UNICEF Joint Monitoring Programme (JMP) Report 2013 update).
- Despite the record rainfall experienced in 2013/14, 6 out of 22 water regions in the UK are identified as water stressed (Environment Agency (2013) Water stressed areas – final classification). In the UK we each waste on average 243 litres of water a day in the food we throw away – over one and a half times what we use in our homes (WRAP and WWF, March 2011, The Water and Carbon Footprint of Household Food Waste in the UK).
- Indirect consumption across our supply chain is likely to be significantly higher than our direct consumption.
- Excluding The Co-operative Farms and The Co-operative Bank.
- Total number of sites increased from 4,573 in 2012 to 4,772 in 2013.
- Excluding The Co-operative Farms and The Co-operative Bank.
- 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 (The Environment Agency and Scottish Environmental Protection Agency stipulate that farmers must keep a record of water abstracted).
- Abstracted water in 2013 accounted for 94% of total water consumption, compared to 73% in 2012, 98% in 2011, 99% in 2010, 90% in 2009 and 70% in 2008.
- [www.igd.com/water](http://www.igd.com/water)
- Health and Safety Executive, What are pesticides? ([www.pesticides.gov.uk/guidance/industries/pesticides/topics/about-pesticides](http://www.pesticides.gov.uk/guidance/industries/pesticides/topics/about-pesticides)).
- 34 banned – should not be used under any circumstances; 90 prohibited – should not be used, except with permission under exceptional circumstances; 325 monitored – use is allowed but monitored, alternatives should be considered and a full justification for use made available.
- Our banned list comprises pesticides listed in Annex 3 of the Rotterdam Convention for Prior Informed Consent ([www.pic.int](http://www.pic.int)) and banned by the Stockholm Convention on Persistent Organic Pollutants ([www.pops.int](http://www.pops.int)).
- Use of aldicarb will cease in 2014. In 2012 we highlighted to suppliers two other pesticides that were likely to change status as a result of planned convention reviews.
- In 2009 we temporarily moved eight neonicotinoid pesticides from our banned list to 'prohibited' status and, after further scientific research, we moved two of these (thiacloprid and acetamiprid) to 'monitored' status in early 2010 after research demonstrated that the cyanosubstituted subgroup of neonicotinoids are less toxic to bees than was previously understood. Dinotefuran, nitenpyram, imidacloprid, clothianidin, thiamethoxam and fipronil remain on the 'prohibited' list (the last four of these are now banned on bee-attracting crops in Europe).
- Including desk-based traceability audits (undertaken by The Co-operative Food's Technical team, assessing all aspects of integrated crop management best practice), site audits, agronomic audits and monthly residue analysis by an independent laboratory.
- Tests are carried out on the final product as sold in-store.
- In comparison, the most recent Pesticide Residues in Food Quarterly Report states that, in Q2 2013, 7.6% of UK fruit and vegetable samples tested showed residues in excess of the set MRL.
- 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.
- In two cases the residues found are thought to be a breakdown product of a permitted pesticide, and in one case a prohibited pesticide had been applied without an approved permission. The supplier has now applied and been granted permission.
- A reduced number of tests took place in 2010 due to moving to a new facility.
- [www.ospar.org](http://www.ospar.org)
- You can see a full list of the chemicals identified for removal [online](#), along with examples of recent decisions taken where there is concern over a specific chemical but no internationally established consensus.
- Regulation EC 1907/2006. [ec.europa.eu/environment/chemicals/reach/reach\\_intro.htm](http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm)
- 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. Implementation is being phased in by 2018.
- A full list is available [online](#).
- A risk-based approach prioritises the testing of those products that could potentially contain the highest levels of SVHC as a result of their composition (eg plastic cooking utensils and crockery), and products where correct use requires direct oral human contact (eg cutlery, toothbrushes). These will also be tested at the highest frequency. Lower-risk products include scourers, rubber gloves, toilet rolls and household cleaners.
- This is the industry standard qualification for those who advise on the use of agrochemicals ([www.basis-reg.com](http://www.basis-reg.com)).
- Previous figures for this year did not include data for applied manures and composts.
- Nitrogen applications decreased in 2013 as a result of challenging crop establishment conditions in autumn 2012 which meant that some crops received less nitrogen than normal over the course of the growing season.
- Fertilisers 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).
- Defra (2010), Fertiliser Manual (RB209), 8th Edition, p1.
- CPMPs are a self-assessment tool, used as part of the Voluntary Initiative, that aim to help farmers identify key areas for improvement in pesticide stewardship (eg planning and storage, training and spraying good practice).
- The Pesticides Forum was set up by the UK Government in 1996 and brings together a range of organisations with an interest in how pesticides are used and their impacts ([www.pesticides.gov.uk/guidance/industries/pesticides/advisory-groups/pesticides-forum](http://www.pesticides.gov.uk/guidance/industries/pesticides/advisory-groups/pesticides-forum)).
- The Voluntary Initiative was set up in 2001 by the farming and crop protection industry and is a voluntary programme of work promoting responsible pesticide use ([www.voluntaryinitiative.org.uk](http://www.voluntaryinitiative.org.uk)).
- We use Acarmik, Dynamec, Naturalis-L and Sequel to control red spider mite on strawberries.

## Delivering stakeholder value

### Members

- 1 International Co-operative Alliance ([ica.coop/en/what-co-op/co-operative-identity-values-principles](http://ica.coop/en/what-co-op/co-operative-identity-values-principles)).
- 2 The Co-operative Group has approximately 80 Independent Society members, who represent other co-operative societies to whom the Group 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 Group. 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 Group trades are represented on its Board.
- 3 [www.co-operative.coop/myrnersreview](http://www.co-operative.coop/myrnersreview)
- 4 [www.co-operative.coop/myrnersreview/terms-of-reference](http://www.co-operative.coop/myrnersreview/terms-of-reference)
- 5 Any member who has trade recorded against their membership card in 2013.
- 6 Members defined as economically and/or democratically active members plus new members in 2013.
- 7 In addition to the Group Board, there are subsidiary boards for The Co-operative Food and Specialist Businesses, and a Values and Principles Board. The Co-operative Banking Group Board oversees the General Insurance business.
- 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 Values and Principles (V&P) Board has taken on the work of the former Board Diversity Strategy Committee, Political Strategy Committee, and Group Values and Principles Committee. The V&P Board also acts as the Trustee body in respect of the Co-operative Community Investment Foundation (CCIF). Responsibilities relating to key governance issues within the V&P Board's Terms of Reference (the responsibility of the former Governance Committee) were suspended until completion of the Myrners Review.
- 10 In 2013, 80 area committee members and 10 regional board members attended induction training, 570 places were taken up at Certificate and Diploma workshops, and a further 165 units were requested by elected members as distance learning options. 18 individuals from our regional boards or Independent Co-operative Societies completed our Group Board Development Centre qualification in full.
- 11 The Group Values and Principles Board oversees work on diversity and inclusion, and will be reviewing the policy and strategy in light of findings from the Myrners Review.
- 12 While five key strands have been identified as priorities for our membership, we also recognise the importance of the nine protected characteristics under The Equality Act which came into force from October 2010 and prohibits discrimination on the basis of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 13 16 of the 570 who declared their ethnicity.
- 14 In the 2011 census, 11.4% of the UK population was in the Mixed/Multiple Ethnic, Asian/Asian British, Black/African/Caribbean/Black British categories. A further 5.9% was in the 'other ethnic group' category.
- 15 In the 2011 census, 10.3% of the population was recorded as having caring responsibilities, 9.3% as having their activity 'limited a little' by health problems or disabilities, and 8.5% as having their activity 'limited a lot'. Office for National Statistics data from the Integrated Household Survey 2012 (sample size 340,000) found that 1.1% of the population identified themselves as gay or lesbian, 0.4% identified themselves as bisexual and 0.3% indicated 'other' sexual orientations.
- 16 [www.co-operative.coop/membership/inclusion](http://www.co-operative.coop/membership/inclusion)
- 17 See footnote 14.
- 18 For example, in November 2013 we sent letters to members about the dividend payment. We also posted videos from the HYGM on the membership website, including presentations by the Chair and CEO which provided an account of business changes such as the Group's ownership of The Co-operative Bank, and measures taken to embed the co-operative values and principles in The Bank Articles of Association ([www.co-operative.coop/membership/its-your-business/members-meetings/hym/](http://www.co-operative.coop/membership/its-your-business/members-meetings/hym/))
- 19 Members can view presentations, access other key documents and information, and ask questions through online meetings pages.
- 20 Member meetings pages were live from the beginning of 2013 and received a total of 13,900 views from January to December. In 2012 the online members' meeting was available from 1 April and the content was updated in October to coincide with the regional autumn meetings.
- 21 Targeted members were those that accrued a minimum of 250 trading points between 1 January and 31 December 2012, and had voted at least once in the last three elections (up from two elections in 2012). Everyone who attended a members' meeting in 2012 and were not already included were also sent a pack. All other members for whom the Group holds an email address (approximately 1.3 million) were emailed an invitation to request a ballot paper electronically and as a result around 41,000 requested a pack who would otherwise not have received one.
- 22 The number of delegates appointed to attend the meetings from each region is determined by the amount of trade undertaken in the region in the previous financial year. At least one representative of each area committee is invited as part of the regional delegation.
- 23 For 2010–12, the number of members earning a reward for their trade with us relates to members using their membership card in one of our businesses and earning a share of the profits; this includes members that did 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. For 2013, the figure relates to the number of members who used their membership card in one of our businesses and accrued points under our membership scheme, though we were not able to pay a dividend.
- 24 Four independent co-operative businesses also currently accept The Co-operative membership scheme cards within their stores – Chelmsford Star, Midcounties, Southern and the Central England Co-operative (created on 25 January 2014 following the merger of Anglia Regional Co-operative Society and Midlands Co-operative). All independent societies using The Co-operative membership cards retain control of their respective membership schemes, including dividend payments and voting rights.
- 25 In previous years, we have paid 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 from the Group's family of businesses.
- 26 Central England Co-operative (formed 1 December 2013 by a merger between Anglia Regional Co-operative Society and Midlands Co-operative Society), Chelmsford Star Co-operative, Midcounties Co-operative, The Southern Co-operative.
- 27 No dividend declared in 2013. Amounts earned are through affinity partners.
- 28 The member reward coupons were given to members spending between £5 and £100 in our food stores between 18 November and 15 December 2013; the coupon value was for 10% of the transaction value and they could be redeemed by members until 24 December 2013.

### Co-operatives

- 1 [www.ica.coop/en/whats-co-op](http://www.ica.coop/en/whats-co-op)
- 2 [www.usa2012.coop/about-co-ops/cooperatives-around-world](http://www.usa2012.coop/about-co-ops/cooperatives-around-world)
- 3 [www.uk.coop/sites/storage/public/downloads/homegrown\\_co-op\\_economy\\_2013\\_final\\_0.pdf](http://www.uk.coop/sites/storage/public/downloads/homegrown_co-op_economy_2013_final_0.pdf). The Co-operative Group accounted for 37% of this turnover in 2012.
- 4 The Hub was developed after a strategic review in 2008 to determine how we could best support the wider UK co-operative sector.
- 5 Financial contributions are rounded to the nearest £100.
- 6 [www.communitysharesfund.coop](http://www.communitysharesfund.coop)
- 7 [www.co-operative.coop/Campaigns/EnterpriseHub/Downloads/co-operative-enterprise-hub-new-pioneers-report-2013.pdf](http://www.co-operative.coop/Campaigns/EnterpriseHub/Downloads/co-operative-enterprise-hub-new-pioneers-report-2013.pdf)
- 8 [www.co-operative.coop/corporate/Public-Service-Mutuals/](http://www.co-operative.coop/corporate/Public-Service-Mutuals/)
- 9 [www.younglambeth.org](http://www.younglambeth.org)
- 10 [www.crtg.coop](http://www.crtg.coop)
- 11 The Co-operative also supports a number of co-operative enterprises outside CRTG, many of whom are members of Plunkett Scotland ([www.plunkett.co.uk](http://www.plunkett.co.uk)) and located in the western and Shetland Isles.
- 12 [www.co-operativeloanfund.coop](http://www.co-operativeloanfund.coop). The Fund is managed by Co-operative and Community Finance, which is authorised and regulated by the Financial Conduct Authority.
- 13 [www.communitysharesfund.coop](http://www.communitysharesfund.coop)

### Employees

- 1 Figures show headcount at the end of 2013.
- 2 Includes Co-operative Legal Services, General Insurance, Cash in Transit, E-store and Sunwin managed security.
- 3 'Employee Engagement': colleagues' levels of attachment, pride and advocacy of The Co-operative as an employer and willingness to give discretionary effort. 'Energy': individual physical, interpersonal and emotional wellbeing at work. 'Enablement': the provision of a work environment that supports productivity and performance.
- 4 Score based on the new scoring methodology and the new set of questions introduced in 2013.
- 5 A new set of questions and scoring methodology on employee engagement was introduced in 2013. However, for the purposes of comparison, using the set of questions from 2012 and the new scoring methodology from 2013, we calculated that the 2012 engagement score would have been 67% and the 2013 score would have been 74%, which constitutes an increase of seven points.
- 6 Ibid.

- 7 We recognise the following trades unions: NACO, USDAW, UNITE, BSU and UCATT.
- 8 [More information online](#) about the definition of controllable turnover.
- 9 [www.co-operative.coop/corporate/Investors/Annual-Results-2013](#)
- 10 Figure as of February 2014.
- 11 This is pro rata for part-time or new employees.
- 12 Data taken from the most up-to-date market data available at time of analysis. Highest total pay for the 2013 financial year = salary, bonus paid in relation to the 2013 financial year, expected value of long-term incentives at grant, pension and benefits, net of income tax and employees' national insurance (based on 2013/14 rates), sourced from 2013 Annual Report. To illustrate the CEO cost for 2013, this data includes the pro rata information for both Peter Marks and Euan Sutherland up to the date of retirement and from the date of joining respectively. Lowest total pay for the 2013 financial year = salary (based on the over 18 hourly rate and standard full-time working week) and bonus paid in relation to the 2013 financial year (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 2013/14 rates). ([www.co-operative.coop/corporate/Investors/Publications/Annual-Report-and-Accounts](#)).
- 13 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/267634/bis-13-1275-zero-hours-employment-contracts-FINAL.pdf](#)
- 14 With 64,000 deferred pensions and 51,500 pensioners and widows.
- 15 In October 2012 the Group's core pension scheme, Pace, re-launched as a single pension offer for all employees, following extensive consultation and engagement. It contains both defined contribution and defined benefit sections.
- 16 These employees, if they still meet the automatic enrolment criteria, will be re-enrolled in 2015 as required by legislation.
- 17 Data for previous years relates to The Co-operative Banking Group, including The Co-operative Bank, and is not comparable to 2013 (which shows GI alone).
- 18 The ethical fund is an equity fund that invests in companies with positive social and environmental impacts, and does not invest in companies involved in practices such as intensive farming, gambling, pornography, weapon manufacturing and selling tobacco.
- 19 The Health and Safety Executive changed the reporting criteria for reportable accidents in October 2013. We estimate this will not have a significant effect on the reportable accident figures reported for 2013.
- 20 Data excludes General Insurance as this was not available due to being recorded as part of Banking Group and being combined with The Co-operative Bank up to the end of 2013.
- 21 Figures are for April–December 2013. Data is not available prior to April as this was a new provider in 2013.
- 22 See footnote 20.
- 23 By total number of hours lost.
- 24 See footnote 20.

## Customers

- 1 [www.marketingmagazine.co.uk/article/1223029/why-loyalty-declining-brands](#)
- 2 [www.telegraph.co.uk/news/politics/spending-review/10146720/Recovery-far-off-for-families-as-disposable-income-sees-biggest-drop-for-25-years.html](#)
- 3 The 2013 results are the first full year of results using the new methodology, so no comparable data is available.
- 4 The categories are: Will Writing; Grant of Representation and Estate Administration; Legal Advice; Uninsured Loss Recovery; Personal Injury; and Family Law.
- 5 Changes in methodology mean that the data is not comparable with previous quarters. Full year scores will be available from 2014 onwards.
- 6 The Co-operative Bank formed part of The Co-operative Banking Group until December 2013.
- 7 Data for previous years relates to The Co-operative Banking Group, including The Co-operative Bank, and is not comparable to 2013 (which shows GI alone).
- 8 See footnote 6.
- 9 [www.midstaffspublicinquiry.com/report](#)
- 10 For example, we supplied new customer care posters to pharmacy branches to make it easier for patients to understand how to raise concerns.
- 11 As with all pharmacies, complaints can be escalated to NHS commissioning bodies and the Parliamentary and Health Services Ombudsman if resolution is not achieved by the organisation.
- 12 A regulated complaint refers to a complaint that has not been resolved by close of business the day after it has been received.
- 13 The 2013 target was set for The Co-operative Banking Group including The Co-operative Bank. We have reported the figures for General Insurance, although this was a joint target. Reported in accordance with FCA requirements based on half-yearly figures.
- 14 The community ran 50 topics in 2013 for business areas and stakeholders from Bank, Pharmacy, Membership, Electrical and Funeralcare.
- 15 Active members are those who have taken part in research activities within the last six months.
- 16 We ran three campaigns during 2013: Plan Bee (page 52), Clean Energy Revolution (page 43) and Grow co-operatives (page 17).

## Suppliers and supply chains

- 1 Suppliers with whom we have an annual spend of over £50,000.
- 2 Expenditure on goods not for resale excludes rent, rates, councils, expenses, etc.
- 3 In 2013 the SPSP applied to all businesses in The Co-operative Group including The Co-operative Bank plc.
- 4 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.

- 5 Our Sound Sourcing Code is based on the ETI Base Code and International Labour Organization standards, and has been endorsed by all Trading Group businesses ([www.co-operative.co.uk/soundsourcingcode](#)).
- 6 [www.co-operativefood.co.uk/ethics/Ethical-trading/fair-to-workers/](#)
- 7 Suppliers deemed to be 'in-scope' include all tier-one sites and high-risk tier-two sites. A tier-one site is a production site at which goods are finished ready for supply to, or sale by, the end company. A tier-two site is a production site that supplies goods or materials to a tier-one site for incorporation into the finished product.
- 8 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, eg the Sedex Associate Auditor Group, which works to improve the quality of social audits.
- 9 See footnote 7.
- 10 The Co-operative Food will only accept site assessments conducted by approved third-party auditors and undertaken to a recognised, robust format (ie according to the Sedex Members Ethical Trade Audit methodology, [www.sedexglobal.com/ethical-audits/smeta](#)).
- 11 Of sites visited in 2012, 38 already had audits prior to 2012 and are therefore not included in the total figure of 416.
- 12 See footnote 10.
- 13 As in previous years, the majority (94%) of the sites assessed were involved in supplying food and fresh produce (2012: 92%).
- 14 High-risk suppliers' risk status is further reviewed by appropriate employees in the Food business.
- 15 The figures represent all tier-one and tier-two sites registered on Sedex. Of these, 32 tier-two sites have not yet completed self-assessment.
- 16 See footnote 10 for details of acceptable audits.
- 17 The table of improvement actions covers all non-conformances identified across the period of audits (in the last two years).
- 18 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.
- 19 [www.stronger2gether.org](#)
- 20 There are now four regional forums across the UK.
- 21 100% British meat, poultry and fish where appropriate (eg excludes continental meats, prawns and tuna) ([www.co-operative.coop/corporate/Press/Press-releases/Food/The-Co-operative-in-quality-drive-to-boost-own-brand-range/](#)).
- 22 [www.co-operativefood.co.uk/ethics/Ethical-trading/milk-supply-policy/](#)
- 23 Each of the five agricultural pillars contain four elements. To be classed as 'meeting' a pillar, farms must achieve a minimum level of performance (3 out of the 4 elements).
- 24 See footnote 22.
- 25 See footnote 22.
- 26 Excluding The Co-operative Insurance.

## Economic impact

- 1 [www.co-operative.coop/PageFiles/989340170/017184\\_Co-opGroup\\_AR2013.pdf](http://www.co-operative.coop/PageFiles/989340170/017184_Co-opGroup_AR2013.pdf)
- 2 For a full definition of 'Underlying segment operating profit' see page 75 of the Annual Report.
- 3 [www.co-operative.coop/corporate/investors/Annual-Results-2013](http://www.co-operative.coop/corporate/investors/Annual-Results-2013) (page 82).
- 4 Value added = operating profit + employee costs + depreciation + amortisation + impairment of property, plant and equipment; goodwill and intangible assets + significant items (excluding impairment, because already included above). Based on GRI G3.1 indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.
- 5 Restated to exclude contributions from The Co-operative Bank, which is no longer consolidated into The Co-operative Group's annual results.
- 6 Ibid.
- 7 Ibid.
- 8 Of which £12.7m was accounted for by promotional vouchers, paid to members shopping in our stores, over the 2013 Christmas period. This has been treated as an operating cost rather than a dividend in the Group's financial statements. For more on this, see the Member section.
- 9 The total community investment figure of £18m includes contributions we have facilitated (leverage), which was £8m in 2012.
- 10 The total community investment figure of £16m includes contributions we have facilitated (leverage), which was £7m in 2013.
- 11 See footnote 4.

## Public policy

- 1 UN Global Compact ([www.unglobalcompact.org/docs/issues\\_doc/Environment/climate/Guide\\_Responsible\\_Corporate\\_Engagement\\_Climate\\_Policy.pdf](http://www.unglobalcompact.org/docs/issues_doc/Environment/climate/Guide_Responsible_Corporate_Engagement_Climate_Policy.pdf)).
- 2 A draft policy was to be presented to the Group's Political Strategy Working Group in 2013, with a view to the final policy being discussed and agreed at a Group Board strategy meeting by year end.
- 3 [www.ica.coop](http://www.ica.coop)
- 4 [www.eurocoop.coop](http://www.eurocoop.coop)
- 5 [www.uk.coop](http://www.uk.coop)
- 6 [www.uk.coop/cespis](http://www.uk.coop/cespis)
- 7 The table includes fees and donations over £50,000. A full table of donations over £1,000 can be found online. [Read more online.](#)
- 8 [www.co-operative.coop/PageFiles/989340170/017184\\_Co-opGroup\\_AR2013.pdf](http://www.co-operative.coop/PageFiles/989340170/017184_Co-opGroup_AR2013.pdf) (page 59).
- 9 Elements of the Party's programme of activity mirror elements of the Group's historical social goals agenda, including support for the development of Fairtrade and international development and climate change.

## About this Report

### Managing sustainability

- 1 [www.co-operative.coop/corporate/ethics-and-sustainability/Ethical-Plan/](http://www.co-operative.coop/corporate/ethics-and-sustainability/Ethical-Plan/)
- 2 In 2013 this included The Co-operative Bank customer-mandated Ethical Policy which governs who the Bank will and will not finance and the investments underpinning our key insurance products (page 29). Relevant policies can be found [online](#).
- 3 [www.accountability.org](http://www.accountability.org)
- 4 [www.co-operative.coop/mynersreview](http://www.co-operative.coop/mynersreview)
- 5 Prior to this, our sustainability, community and membership engagement strategies were overseen by our Group Values and Principles Committee, with the Group Board formally considering and signing off our annual Sustainability Report.
- 6 The former Group V&P Committee, which had responsibility for overseeing broader sustainability issues and the Sustainability Report prior to the formation of the V&P Board, held three meetings in 2013 (March, June and September) before being superseded by the Group V&P Board. The Committee considered comments from regional V&P committees on the Ethical Plan at its June 2013 meeting, and received an update on the Plan and work of the Social Goals team in September 2013.
- 7 Full-time equivalent. Accurate as at May 2014.
- 8 The Executive Director of External Affairs oversees External Policy, Group Marketing and Corporate Communications.
- 9 The Remuneration and Appointments Committee's Remuneration Report for 2013 is included in The Co-operative Group Annual Report 2013, starting page 42 ([www.co-operative.coop/PageFiles/989340170/017184\\_Co-opGroup\\_AR2013.pdf](http://www.co-operative.coop/PageFiles/989340170/017184_Co-opGroup_AR2013.pdf)).
- 10 [www.co-operative.coop/PageFiles/989340170/017184\\_Co-opGroup\\_AR2013.pdf](http://www.co-operative.coop/PageFiles/989340170/017184_Co-opGroup_AR2013.pdf), p50, footnote 2.
- 11 Ibid, pages 38–41.
- 12 Ibid, pages 22–38.
- 13 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 judgments contained in the financial statements.
- 14 [www.globalreporting.org](http://www.globalreporting.org)
- 15 [www.accountability.org](http://www.accountability.org)

### Scope of this Report

- 1 The LME involved issuing new shares and new debt in exchange for cash and existing debt and preference shares.

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**[www.co-operative.coop/sustainabilityreport](http://www.co-operative.coop/sustainabilityreport)**

**Design and production by Flag**

Photo: **Overlooking Huddersfield, West Yorkshire**