An aerial photograph of a coastal town built on a cliffside. The town is densely packed with white buildings and is surrounded by lush green fields and a blue sea. The image is used as a background for a report cover.

co
op

Co-op Way
reporting 2015

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About the Co-op

The Co-op is the UK's largest co-operative business owned by over five million Members. We operate over 2,800¹ retail stores and employ almost 70,000 people. We are a major food retailer, the largest funerals provider in the UK, a general insurance business, an online electricals retailer, and a legal services provider².

Our Values, Principles and Purpose

A co-op is a group of people acting together to meet the common needs and aspirations of its members, sharing ownership and making decisions democratically. Co-ops are not about making profits for shareholders, but creating value for members - this is what gives us a unique character.

We adhere to the [Values and Principles](#) of the Co-operative Movement. Our Purpose is at the centre of our approach. And in 2016, we introduced four 'Ways of being Co-op' for colleagues:

- Do what matters most
- Be yourself always
- Show you care
- Succeed together

Our Purpose

Championing a better way of doing business for you and your communities.

Registration and location

We are registered in the UK under the Co-operative and Community Benefit Societies Act, 2014. We operate only in the UK and our main offices are in Manchester. There has been no significant change to the size, structure or ownership of the business during the year.

Further details about our business can be found in our 2015 [Annual Report](#).

Our Rebuild, and being Co-op

We're on a three-stage journey to recovery, with Rescue, Rebuild and Renew phases. Having rescued the organisation in 2014, we moved into the three-year phase of rebuilding our foundations (as detailed in our [Annual Report](#)). Through Rebuild, we have begun to invest in the future across the business.

We announced our return to 'being Co-op' at our [2016 Annual General Meeting](#) (AGM). It's our ambition to provide Members, colleagues and customers with daily evidence that we are run in a distinct and 'Co-op Way'. Working for us, trading with us and engaging with us should feel different and better compared to other businesses. Collectively, this is about how we apply our Values, Principles and ethics to the running of our businesses and deliver our Purpose, while remaining competitive and delivering acceptable commercial returns:

- We announced our new Membership offer (see [Membership](#) section), providing rewards for Members and their communities.
- We're creating a workplace where colleagues feel responsible, valued, empowered and trusted to do the right thing (see [Colleagues](#) section).
- To signal the changes we're making, we also announced our new brand.

1. As at 2015 year end.

2. We also have a minority shareholding in The Co-operative Bank and a joint-venture travel business with Thomas Cook. Full details of our businesses and subsidiaries can be found here: <http://www.co-operative.coop/corporate/aboutus/ourbusinesses/>

Co-op Way reporting for 2015

For generations our Co-op has rewarded our Members, strengthened their communities and championed the causes most important to them.

That tradition goes back to 1844 when the Rochdale Pioneers created a better way of doing business that brought ethical responsibility to the high streets of industrialised towns and cities across Victorian Britain. We've continued to act responsibly and address the needs and concerns of our Members and their communities ever since. We call it the Co-op Way.

The information published here tracks our Co-op Way progress during 2015, a year in which we were focused on the very necessary work of rebuilding our Co-op following a commercial and governance crisis. As you will see, despite the need to address those urgent issues we did not lose sight of our ethical responsibilities or the long-term commitments we had already made.

This report covers support for local communities, the environment, ethical trade and human rights, business ethics, our Member engagement, how we support our own colleagues and how we are organising ourselves to ensure we can continue all this work in the best way possible. Furthermore, for the last 10 years we have been committed to external assurance of our reporting and this year is no different. Our Assurance statement is available [here](#).

We can be proud of the progress we have made on tackling climate change by reducing our greenhouse gas emissions. We continue to show leadership on Fairtrade. We're ensuring human rights are respected in our global supply chain. There are many other compelling examples of the Co-op Way in action throughout our reporting.

As we look to the future we know we must be ambitious about our ethical leadership if we are to be true to our traditions. Our Co-op must be distinctive in every aspect of its work and demonstrate to our millions of Members how we are fulfilling our Purpose to 'Champion a better way of doing business for you and your communities'. We want the return of our iconic Co-op logo to be an indicator of high ethical standards in food retailing, funeral services, legal services and insurance. Seeing our Co-op logo will be an ethically responsible marker on all our products and services.

In 2016, we set up the Co-op Way Policy Committee as a new forum that brings together representatives of our Membership and business leadership with expertise across the Co-op and beyond. We are reviewing all aspects of our ethical responsibility agenda and setting clear, ambitious and measurable targets that will ensure our leadership is meaningful and relevant to the communities we serve across the UK.

Next year, we look forward to setting out our revised programme of work, the targets we have set for ourselves and our ongoing progress against them.

A close-up photograph of a person's hands holding a large bunch of green, unripe bananas. The person is wearing a dark, textured jacket and a colorful floral patterned garment. The background is dark and out of focus.

co
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Promoting
ethical trade and
human rights

Co-op Way reporting 2015

We're committed to ensuring that the people and communities that supply our products and services are treated fairly, and their fundamental human rights are protected and respected. On top of this, we've led the way in Fairtrade over the years, and this is something our Members care about. We aim to maintain our Fairtrade leadership position within the convenience sector.

100%

of 'high-risk tier-one' suppliers of Co-op brand food products have been audited in the last two years as part of our sound sourcing compliance programme

More on page 6

696

participants from 530 supplier sites attended our supplier events in Europe and Africa that raised awareness, provided guidance and shared best practice on labour issues (2014: 494 participants; 369 sites)

More on page 8

No.1

We're the largest global convenience seller of Fairtrade products

More on page 10

£2.8m

Fairtrade premium was received by our Fairtrade producer communities (2014: £2.6m)

More on page 13

Promoting ethical trade and human rights

Trade, when undertaken fairly, can significantly improve quality of life and empower communities. Businesses must take responsibility for the working conditions of the people who make the products that they sell – particularly when these communities are based in locations where workers' rights might not always be realised.

Respect for fundamental rights

We're committed to ensuring that the people and communities that provide the products and services we buy and sell, are treated fairly and that their fundamental human rights are protected and respected.

Our approach to ethical trade is primarily focused on the protection of fundamental rights of workers throughout our supply chains. These rights encompass the breadth of international labour rights, including:

- fair reward;
- reasonable working hours;
- safe and decent working conditions; and
- protection from forced labour, modern slavery and harsh or inhumane treatment.

We put particular emphasis on those supply chains, products and services where we can make the most difference, or where there is a higher risk that rights may not be respected.

We source Co-op brand products for sale in our Food stores from 1,709 sites¹ around the world that employ more than half a million workers. We also source branded goods for sale, and goods and services for use in our own business and operations.

In 2015, our ethical sourcing approach has been guided, in the main, by our [Sound Sourcing Code of Conduct](#), Sustainable Procurement and Supplier Policy, and our [Human Rights and Trade Policy](#).

How are we doing?

100%

of high-risk tier-one² suppliers of Co-op brand food products have been audited in the last two years as part of our sound sourcing compliance programme.

696

participants from 530 supplier sites attended our supplier events in Europe and Africa that raised awareness, provided guidance and shared best practice on labour issues (2014: 494 participants; 369 sites).

Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol: 

1. 1,709 sites: 815 tier-one and 894 tier-two. A tier-two site is a production site that supplies goods or materials to a tier-one site for incorporation into the finished product.
2. A tier-one site is a production site at which goods are finished, ready for supply to, or sale by, the end company.

Labour standards: Co-op Food own-brand

Our Sound Sourcing Code of Conduct identifies the labour standards we expect suppliers of Co-op brand products to meet. We are a member of the [Ethical Trading Initiative](#), a body that brings business, trade unions and voluntary sector members together to address rights issues.

Led by our Food business, our approach combines:

- a robust monitoring programme to help ensure fair treatment of workers;
- working in partnership and building capacity with suppliers to achieve continuous improvement; and
- training our colleagues to improve awareness and understanding of our own impacts on workers and communities.

Monitoring compliance

Within our Food business, as a condition of trade, we require all Co-op brand suppliers³ to join the [Supplier Ethical Data Exchange](#) (Sedex): a web-based database where suppliers post labour standards information, including self-assessments and site audit reports.

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.

Approved third-party bodies carry out supplier site audits⁴ to monitor compliance with our sound sourcing criteria. A total of 512⁵ site audits have been carried out to monitor compliance in the past two years (2013/14: 460). Of these, 316 audits took place in 2015, of which 65% (2014: 61%) were unannounced or semi-announced⁶.

99% of all tier-one sites that had completed a self-assessment questionnaire had been audited at the end of December 2015 (2014: 94%); and 100% of the high-risk tier-one sites had been audited at the end of December 2015 (2014: 98%).

Number of sites and workers on Sedex and location of audits in 2014/15

Continent	Sites	Workers	Audits	Issues
A Africa	176	96,267	68	287
B Asia	66	49,198	37	141
C Europe	1,201	291,653	364	1,121
D North America	59	20,288	13	31
E Oceania	17	19,656	0	0
F South America	190	91,900	30	95
Total	1,709	568,962	512	1,675



- Suppliers deemed to be 'in scope' include all tier-one and tier-two sites in high-risk product categories.
- Co-op 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).
- 512 sites with valid audits (342 tier-one; and 170 tier-two).
- Semi-announced audits are where suppliers are given a three-week window when the audit might take place.

A total of 1,675 issues were raised in audits during 2014 and 2015 (2013/14: 1,756). Of these, 827 have been completed and verified as at the end of 2015; 334 have been completed by suppliers and are due to be independently verified in 2016; 436 are due for completion in 2016; and 78 are incomplete/overdue from 2014 audits - these relate to 34 sites (22 tier-one and 12 tier-two⁷) and are being actioned as a priority by suppliers.

Status of improvement actions identified in valid audits in 2014/15, by Sound Sourcing Code provision

Provision	Total improvement actions raised		Improvement actions completed and verified		Improvement actions completed by supplier; verification due in 2016		Improvement action due for completion in 2016		Overdue improvement actions			
	Critical/ major	Minor	Critical/ major	Minor	Critical/ major	Minor	Critical/ major	Minor	Tier-one		Tier-two	
									Critical/ major	Minor	Critical/ major	Minor
Exploitation of labour	5	4	1	2	1	-	3	2	-	-	-	-
Freedom of association	12	8	3	2	3	2	5	4	1	-	0	-
Safe and hygienic working environment	556	328	350	226	96	41	90	50	12	9	8	3
Child labour	8	2	3	1	0	1	3	-	1	-	1	-
Living wages to be paid	152	20	27	8	45	4	72	7	3	-	5	1
Working hours are not excessive	221	29	48	12	57	10	104	3	7	3	4	1
No discrimination	10	-	3	0	2	-	3	-	0	-	2	-
Regular employment	155	93	60	44	41	21	49	23	2	2	3	3
No harsh or inhumane treatment	11	8	5	6	1	-	3	2	1	-	1	-
Other issues	29	24	17	9	3	6	7	6	0	1	2	2
	1159	516	517	310	249	85	339	97	42		36	
Total	1,675		827		334		436		78			

7. A tier-two site is a production site that supplies goods or materials to a tier-one site for incorporation into the finished product.

Supplier capacity building

Co-op Food has a programme of supplier workshops in key sourcing countries designed to:

- raise awareness of our values, expectations and strategy;
- provide guidance on local labour law and code requirements; and
- share best practice in addressing common labour standard issues.

During 2015, 17 supplier events were carried out, in the UK, Italy, Spain, Egypt and Kenya. These events reached 696 delegates, representing 530 sites and amounting to over 4,815 hours of supplier training/engagement (2014: 494 delegates, 369 sites and 3,347 hours).

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



2015 target	Progress against target	2016 target
By the end of 2017, ensure all key suppliers in focus countries ⁸ have participated in supplier engagement activities, and encourage the establishment of local forums, promoting strong human rights systems and colleague engagement	On track	By the end of 2017, ensure all key suppliers in focus countries have participated in supplier engagement activities, and encourage the establishment of local forums promoting strong human rights systems and colleague engagement We will deliver 20 events reaching 800 delegates, across 6 countries in 2016



2015 target	Progress against target	2016 target
Continue to champion our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement	Target achieved	Continue to champion human rights in our supply chains through 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

Human Rights and Trade Policy

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

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 Occupied Territories and the Moroccan settlements in Western Sahara.

Our policy is not to source any produce⁹ or Co-op brand product from the Israeli or Moroccan settlements. We remain committed to sourcing produce from Israel, and continue to use Israeli suppliers that do not source from the settlements in the Occupied Territories.

8. Current focus countries in our supplier engagement activities are the UK, Spain, Italy, Egypt, Morocco, Kenya and South Africa.

9. Produce is defined as fresh fruit, vegetables and flowers, whether whole or prepared.

Sustainable Procurement and Supplier Policy

Our procurement of goods and services not for resale (ie, the goods and services we need to run our business, from our desks and computers to our stationery and paper) is guided by our Sustainable Procurement and Supplier Policy (SPSP), which sets out the ethical standards we expect. In 2015, 11 higher-risk suppliers and 14 higher-risk partner and sponsorship companies were referred for screening against the SPSP. Our risk-based approach is based on an assessment of eg, contract value, sector and country of manufacture.



2015 target	Progress against target	2016 target
Continue to implement our Sustainable Procurement and Supplier Policy (SPSP) to goods and services of high or medium ethical risk	Target achieved	Carry out a review of our SPSP and its role in helping us meet our commitments on ethical procurement

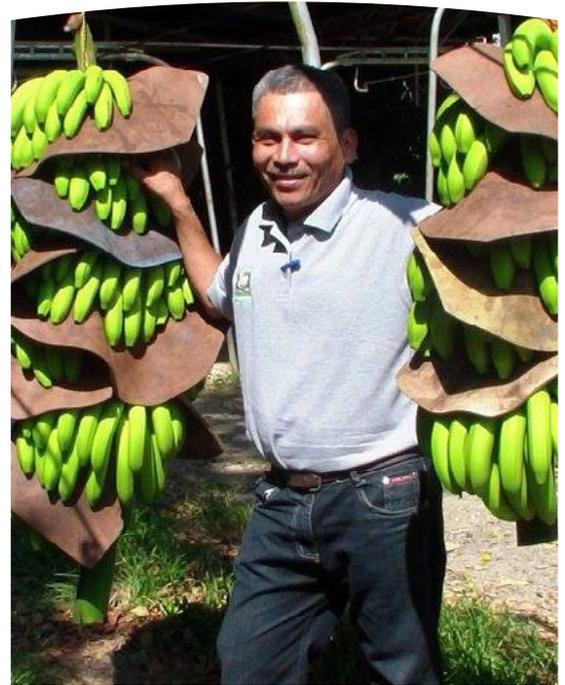
Modern slavery

In 2014, we reported on our support for the introduction of new legislation to tackle modern slavery. The [Modern Slavery Act 2015](#) requires all companies over a certain size that carry out business in the UK to produce a 'slavery and human trafficking statement' for each financial year.

We welcome the new provisions - having lobbied for greater transparency and disclosure on modern slavery - and recognise the importance of this issue and the need for transparency. We will publish our first statement in line with requirements.

Empowering communities through Fairtrade

We were the first major retailer to champion [Fairtrade](#), pioneering the sale of fairly traded goods before the FAIRTRADE Mark was introduced; we were the first to sell Fairtrade bananas in the UK, and the first supermarket to convert its entire range of hot beverages to Fairtrade, along with a whole host of other '[Fairtrade firsts](#)'.



Our focus on Fairtrade

Our Members care about Fairtrade, and want us to lead the way, as evidenced by motions tabled at our 2015 and 2016 [Annual General Meetings](#) (AGMs).

At the same time, in line with our strategic focus on convenience retailing we've taken the decision to concentrate on a smaller number of key lines.

In 2015, we've refocused our Fairtrade efforts and implemented new initiatives. Our aim is to maintain and build on our position as the world's largest convenience seller of Fairtrade products.

How are we doing?

Largest

global convenience seller of Fairtrade products¹.

Largest

global retailer of Fairtrade wines².

£2.8m

Fairtrade premium for our Fairtrade producer communities (2014: £2.6m).

1. Study by independent expert Ian Bretman on behalf of the Co-op, November 2015. Ian has been involved with the Fair Trade movement for over 30 years, starting with a role as Head of Marketing for Oxfam GB's trading division. He spent seven years as Deputy CEO of the Fairtrade Foundation and served four years as Executive Vice-Chair of Fairtrade International. He currently works as Strategic Advisor to the three Fairtrade Producer Networks for Africa/Middle East, Asia/Pacific and Latin America/Caribbean and has just concluded an assignment for Fairtrade International as Project Manager for Fairtrade's global strategic review for 2016-2020.

2. Fairtrade Foundation.

Supporting fairer trade

Fairtrade in our stores

	2012	2013	2014	2015
Total number of Fairtrade products	258	272	218	223
Number of Co-op brand Fairtrade products	159	170	132	126

The total number of different Fairtrade products sold across all our stores increased slightly in 2015, compared to the previous year.

The vast majority of our stores are convenience format³, but we do operate some larger stores, where we're able to provide a broader range of products to our customers. The typical Co-op convenience store offers 102 Fairtrade products. This is notably higher than the number of different Fairtrade products offered in competitors' convenience stores⁴.



2015 target	Progress against target	2016 target
Remain the UK's largest convenience supporter of Fairtrade	Target achieved	Remain the UK's largest convenience supporter of Fairtrade



3. Just over 2,100 of our 2,802 total are convenience stores.

4. Based on store spot-checks, we believe our Fairtrade range in a typical convenience store is approximately double that of our main competitors.

Focus on core Fairtrade commodities

Going forward, we're aligning our strategic priorities with the [Fairtrade Foundation's](#) focus on core commodities. In 2015, 84% of our Fairtrade sales were from seven core categories:

wine	bananas	chocolate	coffee	tea	sugar	flowers
World's largest retailer of Fairtrade wine (32% of world market)	100% Fairtrade	100% Co-op brand chocolate bars are Fairtrade. For Easter 2016, all our Co-op brand Easter eggs will be Fairtrade ⁵ ; and in 2016, we will investigate how we can support cocoa farmers beyond our chocolate category	100% Co-op brand is Fairtrade	100% Co-op brand is Fairtrade	From 2016, all bags of sugar sold in our shops (Co-op brand and other branded) will be Fairtrade	All our rose bouquets are Fairtrade; in 2016, we will investigate how we can extend our commitment to other flower varieties



We believe that focusing our efforts on these categories, while also selling additional products where there is demand, will enable us to have the greatest positive impact for producers. This alignment helped us to increase our Fairtrade market share among UK supermarkets to 16% in 2015 (2014: 15.6%), while our Fairtrade market share among UK convenience stores is 75%⁶.

2015 target	Progress against target	2016 target
		Extend commitments on the Fairtrade Foundation's focus commodity areas. In 2016, investigate how we can support cocoa farmers beyond our chocolate category; and extend our commitment in horticulture beyond roses and into other varieties

2016 AGM Motion: Fairtrade

Independent Society Members tabled a motion at our 2016 AGM, recognising our progress in reconfirming our commitment to lead the way in Fairtrade over the past year. The motion also referred to the de-ranging of Fairtrade products, and called on the Board and Executive to provide a review of the range and availability of Fairtrade products in our stores.

Of Members voting, 94.2% voted in favour of the motion. Read more detail [here](#).

5. Co-op brand Easter eggs refers to boxed individual eggs.
 6. Kantar, 2015.

Fairtrade premium - giving more back to producers

Fairtrade premium is an additional sum of money, above the product market price, which Fairtrade producer communities can use as they see fit, to improve their social, economic and environmental conditions.

As our Fairtrade sales increased in 2015, our Fairtrade premium increased compared to 2014.

Fairtrade premium

	2012	2013	2014	2015
Estimated Fairtrade premium (£m)	3.7	3.1	2.6	2.8

Beyond Fairtrade

We aim to go further than simply providing producers with the Fairtrade premium. Our Beyond Fairtrade work has helped strengthen the capacity and resilience of producers of our core Fairtrade categories, delivering benefits to producers and their communities beyond what the Fairtrade premium alone can deliver (see [Our story](#)).

We supported two projects that concluded in 2015:

- with the Fedecocagua co-operative of smallholder coffee producers in Guatemala; and
- with the Oromia coffee farmers co-operative union in Ethiopia.

In November 2015, we launched [Growing Stories](#), an online platform and social media campaign that brings a group of Fairtrade producers into a community and enables our customers and Members to interact with them directly. For every customer 'share' that the hub receives, we are donating £1 to a fund for future producer community investment. Our target is to raise £25,000.



2015 target	Progress against target	2016 target
		Continue our Beyond Fairtrade programme through the implementation of two new projects with our wine producers and the creation of two additional community support projects funded by donations through growingstories.coop, completing our £25,000 share fund by November 2016

Our story: How does buying Fairtrade make a difference?

In December, the first students graduated from Tilimuqui Secondary School, located in a remote area of the La Rioja province, north-west Argentina. The event marked a seminal moment in the Co-op's involvement with Fairtrade: two thirds of the £1m funds needed to build the school were provided through sales of Co-op Fairtrade wine; and it is one of the single largest Fairtrade-funded projects in the world.



Before 2012, there was no formal education available to children in this region past the age of 14. Specialising in agriculture, the school aims to create future generations of skilled agriculturalists who will be able to continue the work of their parents and introduce new, more economical, profitable, greener farming methods to the area.

The school has also led to a profound social-economic impact on the whole community of Tilimuqui with increased employment, both directly and indirectly in the local area, and improved transport links to and from the village. Work to provide 10 new classrooms (funded by the local university) has already begun; and the offer of secondary education in Tilimuqui has also stimulated the local government's education department to improve the infrastructure of the primary school in the village.

Promoting Fairtrade

In September 2015, we started a 15-month period of in-store Fairtrade promotion; each month seeing at least one Fairtrade communication on one of our core categories.

During Fairtrade Fortnight, we significantly increased in-store Fairtrade messaging; we developed a new Fairtrade toolkit for Members; we promoted Fairtrade and our growingstories.coop website across our regional 'Your Co-op' Member events; and increased our donation per share on growingstories.coop from £1 to £2.



2015 target	Progress against target	2016 target
Continue to promote Fairtrade and Fairtrade products and launch a community-focused Fairtrade campaign	Target achieved	Continue to promote Fairtrade and Fairtrade products, and promote Growing Stories in store until the campaign ends in November 2016

A close-up photograph of a person's hands holding a tea bag over a cup of tea. The person is wearing a red patterned top and a gold necklace. The cup is light blue with a white floral pattern and a gold rim. The tea bag is held by a string, and the tea is visible in the cup. The background is dark and textured.

co
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Supporting our
communities and
contributing to
society

Co-op Way reporting 2015

Our Purpose is to champion a better way of doing business for you and your communities. We announced our new Co-op Membership rewards at our AGM in May – the benefits will be available from 2016; and by 2018, we plan to return more than £100m a year to our Members and their communities. And building on our campaigning heritage, we've launched our latest campaign to tackle loneliness.

1%

of the value of Co-op brand products or services that Members buy will go to a local cause, as part of our new Membership offer

More on page 21

8,989

colleagues took part in community activities in work time (2014: 7,746)

More on page 18

80,000

colleagues and Members voted, and helped decide on our Charity Partnership with the [British Red Cross](#) to respond to the hidden epidemic of loneliness in our communities

More on page 25

£1.8m

We work with and support the wider Co-operative Movement, contributing £1.8m in 2015 (2014: £1.8m)

More on page 27

Supporting UK communities

Concern for community is enshrined in our [co-operative principles](#). Creating benefits for the communities in which we work is key to creating lasting social value, which will ultimately benefit our Members and our business.

Investing in our communities

We continue to invest in our communities, not least through the increased engagement of our colleagues. And as part of our new Membership offer, we'll be investing 1% of the value of the Co-op branded products or services that Members buy in [local causes](#).

How are we doing?

£5.8m

invested in UK communities (2014: £8.3m).

8,989

colleagues took part in community activities in work time (2014: 7,746).

829

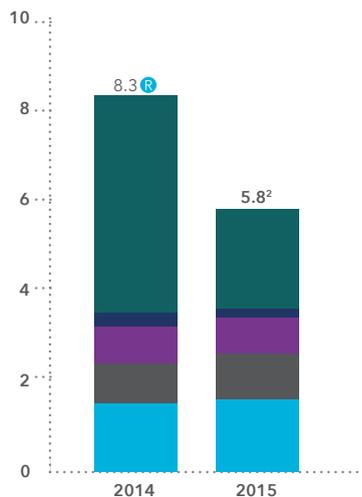
stores have [Community Pioneers](#) to support their local communities (2014: 500).

1%

of the value of Co-op brand products or services that Members buy will go to a local cause as part of our new Membership offer.

Total community investment

Our activities in 2015 led to a total investment of £5.8m in UK communities.



UK community investment (£m)

	2014	2015
Cash	1.5	1.6
Colleague time	0.9	1.0
Gifts in kind	0.8	0.8
Management costs	0.3	0.2
Leverage ¹	4.8	2.2
Total	8.3	5.8

Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol:

1. Donations by Members, colleagues, customers and suppliers are known as 'leverage'.
2. As a co-operative we have, for many years, funded community investment from our profits. No dividend payments were made during 2014 and 2015 due to reduced profits, and, as a result, our community investment was lower than in previous years. The amount of cash and colleague time that we invested in UK communities increased slightly in 2015 compared to 2014 (see graph). However, our overall community investment was lower than in 2014, due to a lower level of leverage through the Co-operative Foundation as it sets out its new strategy (page 6).



2015 target	Progress against target	2016 target
Continue to be socially inclusive, maintaining a physical presence in every postal area in the UK	Target achieved	



Volunteering in our communities

When our Members work 'on the ground' in partnership with other community enterprises (be it the British Red Cross or other local organisations), they can add real value and be the catalyst for change.

Colleagues are entitled to two days each year to spend in the community during work time. We also have a range of community policies, through which we encourage colleagues to play a full and active role in the community; we support colleagues when they take part in community activities and carry out civic duties; and we engage with our communities by offering valuable work experience opportunities. During 2015, 8,989 colleagues (2014: 7,746) from across our businesses took part in community activities during work time, equating to a donation of time worth £1.0m (2014: £0.9m).

These activities included:

- formal volunteering through our volunteer programme, delivered in partnership with the Co-operative Foundation;
- setting up and running community projects; and
- locally organised activities throughout our businesses, including our Community Pioneers, Community Pilots (see page 5) and community outreach from our Funeralcare business.

Colleagues involved in community activity in work time

	2014	2015
Number of colleagues	7,746	8,989
Number of days invested (hours)	8,090 (60,674)	9,629 (72,219)
Value of staff time (£m)	0.9	1.0

Funeralcare initiatives

Our Funeralcare business is closely engaged in the communities it serves, and supports many locally inspired initiatives. It also supports national initiatives, including '[Be Safe Be Seen](#)', providing reflective badges for school children, along with road safety advice; and the production and distribution of DVDs and books to help children cope with bereavement (see [Our story](#)).

Our story: Support for bereaved children

Bereavement affects many children. In the UK, a parent of a dependent child dies every 22 minutes, leaving 41,000 children without a parent each year.

To help bereaved primary school children come to terms with the loss of a loved one, our Funeralcare business produced four animated films looking at the issues young people face when a parent or grandparent dies.

Teaming up with [Child Bereavement, Trauma and Emotional Wellbeing Service](#), we're offering these free films to schools, medical professionals, community groups and bereaved families. The four films include: 'Our Year Since Dad Died' and 'Our Year Since Gran Died'. This follows the success of our Amy and Tom books, which similarly help bereaved children. More than 25,000 of these books have been given away across the country.



Carrier bags and community funding

We're putting the proceeds of the [carrier bag levy](#) directly back into the communities where the funds are raised. What's more, we've committed to add all profits from our reusable bag range to the proceeds of the carrier bag levy.

In Wales, the levy has been in place since 2011, and our proceeds have been supporting Welsh Wildlife Heroes, in partnership with Wildlife Trusts Wales.

All money raised from the legal charge in Northern Ireland goes to the Northern Ireland exchequer, to distribute to good causes of their choice.

The levy has been in place in Scotland since October 2014 and has resulted in 80% fewer bags being given away. Furthermore, we were able to raise a total of over £750,000³ for community projects within the first year. Members and colleagues voted for 570 local good causes to receive awards of £595,000 and for three national partners to receive £172,000. Funds will be dispersed in 2016 and further details provided in our 2016 report.

The levy has been in place in England since October 2015, and details will be provided in our 2016 report.



2015 target	Progress against target	2016 target
Invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy	On track	Invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy

3. The £750,000 raised through the Scottish carrier bag levy is not included within our overall community investment figure (£5.8m), as it was not distributed during 2015. It will be included within our 2016 figures.

Community Pilots

Our ambition is to create the UK's leading local community model to support and enable the initiatives that matter most to our Members in their local area. We launched 50 Community Pilots in the second half of 2015 to evaluate how our Members and colleagues can best deliver our Purpose locally. These pilots are helping us develop our community engagement approach (see Our story opposite).

Many of the pilots were led by Member Pioneers, who established [Co-op Local Forums](#) - local informal groups bringing together Co-op Members, colleagues and local community groups to deliver community events and activities.

We also expanded our in-store 'Community Pioneers' programme to 829 stores by the end of 2015 (end 2014: approximately 500).



2015 target	Progress against target	2016 target
Extend our Community Pioneers programme to at least 650 stores and local communities and invest in the ongoing development of our existing Community Pioneers, by delivering a training and development programme to 500 Pioneers	Close to target	Extend our Community Pioneers programme to 1,100 stores and local communities during 2016

4. In West Wales (Pembroke Dock), in North Wales (Rhyl and Denbigh) and in South East Wales (with two teams in and around Abertillery in Blaenau Gwent).

Our story: Community Pioneers

Community Pioneers are designated colleagues who are allocated additional hours (two hours every week) and budget, to engage and support their local communities - for example, organising fundraising events and providing meeting places for community groups.

Pioneers are provided with a planning and 'how to' toolkit, community training and in-store communication tools to support their work. They are empowered to decide what community groups to support by consulting customers and colleagues so that activity is locally relevant (within broad guidelines).

We're continuing to roll out our Community Pioneers programme - by the end of 2016, we aim to have Community Pioneers in 1,100 of our Food stores. We're also evaluating the benefits that the programme brings to local communities as well as the business. For example, during 2015, Community Pioneers supported 655 Community Groups, and raised £97,679.

In 2015, we started to invest in the development of our Community Pioneers to help them to build confidence in their role, focus activities beyond fundraising and overcome barriers they may be facing. A total of 350 colleagues, including 266 Community Pioneers attended a development day. And as a result, 86% reported that they have increased confidence in their Community Pioneer role, and 67% of community activities are now beyond fundraising.

Communities First

We are the only UK retailer to be delivering the [Communities First](#) programme, which is part of the Welsh Government's anti-poverty strategy. Communities First works with residents and local agencies in four areas of Wales⁴, to support:

- community health, such as promoting healthier lifestyles through exercise and nutrition awareness and supporting emotional wellbeing;
- poverty and prosperity, including developing volunteering pathways to help improve work-ready skills and job confidence; and
- family and individual learning, through the provision of adult learner courses, apprenticeships and literacy and numeracy support.

The Co-operative Foundation

The [Co-operative Foundation](#) is our charitable foundation. We appoint Trustees who make independent decisions, in line with the Foundation's own charitable objectives. The Foundation works in partnership with us to provide opportunities for Co-op colleagues to volunteer with community projects.

The Foundation's 'Truth about Youth' programme concluded in 2015. This major initiative aimed to challenge and change negative perceptions of young people. Through a five-year investment of £5m from the Foundation, more than 100,000 young people led or participated in projects presenting their positive contributions to society.

During 2015, a new Trustee board composition was agreed for the Foundation and a new Foundation Manager was appointed. The Foundation is now developing a new strategy, in consultation with various stakeholders, that will build on the legacy of this work. Draft goals are:

- building a UK-wide network of partners, working and learning together to prevent the next generation from growing up lonely;
- strengthening and championing the role of young people's voices in shaping their communities; and
- stimulating new models of collaboration between communities, which can be adapted to help tackle other 21st century challenges.



2015 target	Progress against target	2016 target
Establish a go-forward position for the Co-operative Foundation, including an appropriate management structure, Trustee body, strategy and funding	Close to target	Appoint Trustees in line with agreed new board structure. Conduct stakeholder consultation, develop three-year strategic plan and launch new programmes



2015 target	Progress against target	2016 target
		Launch our new Membership offer, including a donation of 1% of the value of Co-op brand products or services bought by Members to local causes

Looking forward

In autumn 2016, we'll launch our new Membership offer, which will reward Members and their communities for trading with us (as detailed in the [Membership](#) section). As part of this, we'll give **1%** of the value of the Co-op brand products or services that Members buy to a local cause. Members will be able to choose the cause they want to support. This year, causes are being nominated by colleagues, but in future we'll want our Members to decide which causes can take part.

International communities

We have a responsibility and an opportunity to have a positive social impact. This includes supporting producers of the goods we sell, and their communities worldwide. And through campaigns and voluntary giving schemes, we can help our Members, colleagues and customers across the UK to support and engage with international communities.



Support, where it's needed

With our Members, colleagues and customers, we continue to support communities overseas. For example:

- we raise funds through sales of our Co-op brand Fairbourne Springs bottled water to fund clean water projects in rural Africa;
- our portfolio of [carbon offsetting projects](#) generates tradable carbon credits to 'offset' unavoidable emissions;
- our '[Beyond Fairtrade](#)' projects deliver benefits beyond what the Fairtrade premium alone can deliver; and
- we raised funds for the [Disasters Emergency Committee](#) (DEC) Nepal Appeal.

How are we doing?

£1.1m¹

provided to overseas communities in 2015 (2014: £1.2m). And a further £2.8m Fairtrade premium for our Fairtrade producer communities.

1.5 million

people with improved access to clean drinking water since 2007, as a result of funding through Fairbourne Springs bottled water.

£45,000

Approximately £45,000 raised for the DEC Nepal Appeal.

1. As well as referring to our donations of cash, this figure also includes money raised by others, for example our Members, colleagues and customers, as well as the contribution of colleague time in running or supporting our activities.

Fairbourne Springs

For every sale of Fairbourne Springs, our Co-op brand bottled water, three pence per litre is donated to [The One Foundation](#) to fund clean water projects in rural communities across Africa. Since the start of our partnership with The One Foundation in 2007, we have raised £6.4m, funding improved access to clean water for over 1.5 million people; £745,000 was raised during 2015 (2014: £651,000).

We look to link projects with our own supply chain where possible. For example, we've been supporting 'access to water' projects in our Fairtrade tea and sugar producer communities in Malawi.

Additionally, in 2015, following the DEC Nepal Appeal, we used funds from the sale of Fairbourne Springs water to provide a one-off donation of £30,000, helping local organisations in Nepal to get clean water where it was needed most, as fast as possible, and to help provide long-term solutions to the crisis.



2015 target	Progress against target	2016 target
Continue to raise money through sales of Fairbourne Springs bottled water to raise vital funds for global poverty charities	Target achieved	Continue to raise money through sales of Fairbourne Springs bottled water to raise vital funds for global poverty charities

Campaigning for a better society

We've been campaigning since our formation in 1844. Our business was built on what you could consider to be our first campaign - to sell wholesome food that was weighed and measured fairly. Since then, we have campaigned on many issues of concern to our Members: from women's suffrage, to fair trade to climate change.

Focusing on what our Members care about

When deciding on which issues we should campaign, we look to be guided by our Members. We talked to tens of thousands of Members in 2014 and they told us of the issues they cared about most.

In 2015, almost 80,000 Members and colleagues voted, which led to us adopting a campaign to tackle loneliness, and forming a charity partnership with the [British Red Cross](#). One in seven of our Members and customers told us that they regularly feel lonely, and 35% of Members know someone in their community who is lonely. We have started fundraising to tackle loneliness in communities throughout the UK.

How are we doing?

No. 1

The general public recognises us as the number one UK business on campaigning¹.

80,000

Members and colleagues voted, and helped decide on our Charity Partnership with the British Red Cross to respond to the hidden epidemic of loneliness in our communities.

£2m

By June 2016, we'd already raised £2m of our £3.5m fundraising target to tackle loneliness with the British Red Cross.



1. ICM Omnibus survey (2016). A total of 2,000 people, representative of UK population.

Our campaign to tackle loneliness and isolation

1 in 7

of our Members and customers regularly feel lonely (and 35% know someone in their community who is lonely)

80,000

colleagues and Members voted in summer 2015, and helped decide on our Charity Partnership with the British Red Cross

We're planning to respond to the hidden epidemic of loneliness in our communities

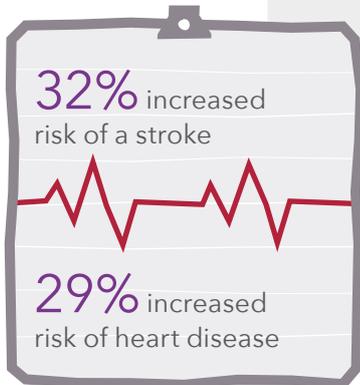
Loneliness is reported to be **as bad for your health** as well-known risk factors such as obesity



Being lonely or socially isolated is reported to be associated with:

32% increased risk of a stroke

29% increased risk of heart disease



Part of our response is to **fundraise £3.5m** to tackle loneliness with the British Red Cross

Together we're planning to reconnect tens of thousands of people with their communities



Colleagues fundraising for our Charity Partnership with the British Red Cross.

Tackling loneliness and isolation: campaigning

To support those experiencing loneliness, we set ourselves the target of raising £3.5m by January 2017. By June 2016, we'd already raised £2m.

Our aim is not simply to raise funds, but also to campaign to make a long-lasting difference on the issue of loneliness through our businesses and by engaging our colleagues, building on the work they already do (see Our story below).

To do this, we commissioned a new study so that we can better understand loneliness. We're looking at the potential triggers at different life stages, including new mums, people in midlife, retirees and those who have experienced bereavement.

This research will inform how we can respond through our fundraising, volunteering, campaigning and our businesses. We will release our findings in 2016, and our campaigning activities will continue into 2017.



2015 target	Progress against target	2016 target
Encourage Members and colleagues to vote to choose a national issue that is relevant to our communities, on which we will fundraise and campaign with a charity partner	Target achieved	Launch a campaign to make a long-lasting difference on the issue of loneliness
		Raise £3.5m by January 2017 to support those experiencing loneliness

Our story: Helping a bereaved client

Campaigning to tackle loneliness and isolation is right for us to champion. It reflects what many of our colleagues do day-in, day-out, by voluntarily going over and above their everyday jobs.

At a time of bereavement, many of us can experience loneliness for the first time and have no one to turn to. When Sue Stanton, one of our Funeral Directors, made contact with a client in relation to the collection of her husband's ashes, she found that the client had become isolated. She had no relatives or friends and could no longer venture outdoors. This had made her deeply distressed about finally laying her late husband's ashes to rest.

On learning that her husband had a love for the sea and that this was where she had hoped his final resting place would be, Sue, along with colleague Kyle King, arranged special access for her to scatter her husband's ashes at the end of the North Pier in Blackpool. They then took her for coffee and a chocolate éclair before taking her home with a bunch of flowers.

But it didn't end there. Our colleagues stayed in touch and have helped her to reconnect with the community, by including her in activities they arrange. Their client has said that they provided her with real friendship and conversation, that she will never forget their kindness, and can now rest knowing her husband has reached his final destination.



Co-operation between co-operatives

A co-operative is a group of people acting together to meet the common needs and aspirations of its members, sharing ownership and making decisions democratically. The focus of co-operatives is not to make profits for shareholders, but to create value for members - which is what makes us unique. Today, one billion people are members of co-operatives around the world and membership in the UK has risen from 15.3 million in 2012, to 17.5 million in 2016 - almost a quarter of the UK's population. We are one of the largest co-operatives globally.

Looking after each other

The sixth [Co-operative Principle](#) calls for 'co-operation between co-operatives'. Aligned to this principle, where we can, we work with and support the wider Co-operative Movement.

How are we doing?

£1.8m

We paid £1.8m to support representative bodies of the Co-operative Movement, including Co-operatives UK (2014: £1.8m).

4,850

pupils attend eight academy schools in Manchester, Leeds and Stoke-on-Trent sponsored through the [Co-operatives Academies Trust](#) (2014: seven schools).

Financial support

In 2015, we paid £1.8m to support representative bodies of the Co-operative Movement. The largest portion was for [Co-operatives UK](#), the national trade body that campaigns to promote, develop and unite co-operative enterprises. Other beneficiaries included the [International Co-operative Alliance](#), the [Co-operative Party](#), [Co-operative College](#) and [Co-operative News](#).

2016 AGM Motion: support for the Co-operative Movement

A Council motion was tabled at our 2016 AGM, welcoming our work with other co-operatives and the wider Co-operative Movement. It also called on us to include a statement in our Annual Report, highlighting how we've applied the sixth Co-operative Principle to our activities each year and developing relevant Key Performance Indicators in this area.

98.89% of Members who voted, voted in favour of the motion. Read more detail [here](#).

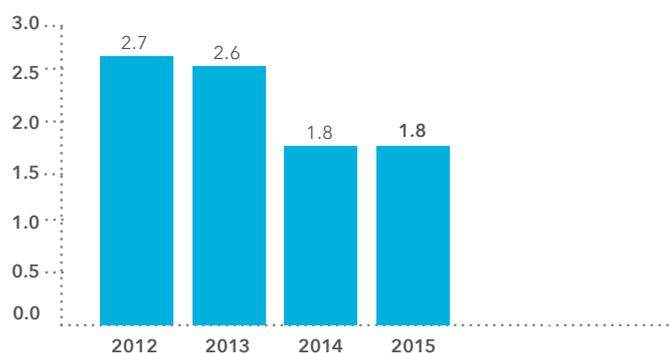
We also aim to support these institutions by providing directors and representatives for their governing bodies, drawn from our Members' Council and senior management. New directors and representatives will be appointed in 2016 for [Co-operatives UK](#), Co-op Press and the [Co-operative Foundation](#).

Other initiatives include helping [Co-operative News](#) to further develop its digital news service. We are a Founder Member of the [Co-operative Heritage Trust](#), a charity that we continue to support financially and through the assignment of historically significant archive material.

In 2015, we agreed with Co-operatives UK that it would take over the funding of some smaller co-operative organisations, which we had previously supported directly. We'll provide additional funding to Co-operatives UK in 2016, for this purpose.

Through [Federal Retail and Trading Services Limited \(FRTS\)](#), we provide services for our own business and around 120 other Independent Member Societies. These services cover (where appropriate) collective buying, marketing and distribution. As FRTS is run on a cost recovery basis, it does not generate any profits. From 2016 onwards, FRTS will take over our membership of Eurocoop.

Financial support for representative bodies of the Co-operative Movement (£m)



2015 target	Progress against target	2016 target
Expand the Co-operative Power Energy Club further, to include a greater number of organisations	Target achieved	
		Transfer our business archive into the National Co-op Archive in Holyoake House, Manchester
		Provide support to Co-op News to become more financially self-sufficient by providing an improved digital service to its readers

We continue to operate the Co-operative Power Energy Club, a facility offered on the back of our bulk purchase arrangements, procuring energy and providing a range of energy services for 40 organisations throughout the UK, including 15 co-operatives and five charities.

Co-operatives Fortnight

We supported Co-operatives Fortnight in June/July 2015, mobilising our Members to celebrate all things co-op.

For Co-operatives Fortnight 2016, we ran a social media campaign and also provided support for our Members and colleagues to organise their own activity to support the 'Big Co-op Clean' in their communities - demonstrating why co-operatives are 'local, loved and trusted', by volunteering to clean up local areas.

Co-operative academies

As of March 2016, we sponsor eight academy schools in Manchester, Leeds and Stoke-on-Trent through the [Co-operative Academies Trust](#). The eighth academy, in Manchester, joined the Trust in March 2016. Through these academies, we offer support to students and staff, including access to resources, high-quality governors, work experience placements, training and leadership development. The improvements achieved by all our academies in recent years have continued, with all but one now recognised as 'good' by Ofsted. In addition, the Co-operative Academies Trust has been identified as making a very strong difference for the most disadvantaged pupils¹ (see Our Story below).



2015 target	Progress against target	2016 target
Continue our sponsorship of the Academies programme via the Co-operative Academies Trust	Target achieved	Continue our sponsorship of the Academies programme via the Co-operative Academies Trust, to support its target to grow to 14 academies by 2018

Our story: The Co-operative Academy of Manchester

The [Co-operative Academy of Manchester](#) has cemented its position as the best attended school in the city following the publication of national truancy data. The academy not only recorded the best attendance figures in Manchester, but came 61st out of 3,372 schools across the country.

This marks a complete transformation for the school, which only five years ago gained notoriety as one of the worst in the country for truancy. In 2010, as the former Plant Hill High School, persistent absences were high and the students were 10 times more likely to be absent than the national average. The school re-opened as the Academy in September 2010 and is part of the Co-operative Academies Trust.

Stephen Brice, *Principal of the Co-operative Academy of Manchester*, said:

"I am proud that the Academy is now firmly established as an important part of the community and has contributed to the regeneration of the area by raising aspirations for Blackley families.

"The success of the Academy is due in no small measure to the tremendous support we receive from The Co-operative Group, which offers numerous opportunities to both students and staff and provides very high-calibre governors, who offer not only their professional expertise, but also exceptional leadership qualities."



1. Chain Effects Report (2015), The Sutton Trust.

Encouraging healthy lifestyles

The UK population consumes too much saturated fat, added sugars and salt and not enough fruit, vegetables, oily fish and fibre; and the proportion of adults who are obese increased from 13.2% in 1993 to 26% in 2013¹. Driven by our belief that healthy options should be accessible to everyone, we continue to improve the nutrient profile of Co-op brand food and seek ways to make the healthiest choice the easiest choice for our Members and customers.

We've led the way on honest labelling and healthy choices over the years. For example, we were the first retailer to label calories and fat content per serving on the front-of-product packaging and grams of salt on the reverse; and we were the first retailer to ban the sale of alcopops.



Helping Members and customers make better nutritional choices

We're continuing to reduce salt, sugar and saturated fat in our products and improve their nutrient profile. To help customers make healthier food choices, products in Co-op brand 'low fat' and 'reduced' ranges are no more expensive than standard equivalent lines. We are also committed to the responsible promotion of the food and alcohol that we sell.

How are we doing?

87%

of Co-op brand products met 2017 salt reduction targets set by the UK Department of Health (2014: 85%).

73%²

of added sugar has been removed from Co-op brand chilled drinks - equal to 142 million teaspoons of sugar³.

Portion size

guide introduced on juice cartons to help customers stick to public health recommendations.

1. Public Health England.

2. Remaining sugars are naturally present in the fruit juice.

3. Based on annual sales.

Nutritional content

Salt

Specific salt reduction targets have been set by the UK Department of Health for 2017. We have signed up to these targets, and aim to ensure that all relevant Co-op brand products meet them, subject to quality, shelf life and food safety constraints.

Although these constraints are a challenge across the industry, we continue to work collaboratively to reach new technical solutions. At the end of 2015, 87% of Co-op brand products with a salt category complied with these targets.

In March 2016, we exhibited our salt reduction work at the [Consensus Action on Salt and Health \(CASH\) Salt Awareness Week](#) parliamentary reception.

Sugar

We continue to focus on reducing sugar content, particularly in those product categories that contribute most to sugar in our diet, and where we can make the biggest difference.

We also launched a snacking range that offers a healthier alternative to sugar confectionary, and supported the [Change4Life](#) 2015 Sugar Swaps campaign, via in-store, printed and digital media.

We will continue to target sugar reduction in key categories in 2016, including breakfast cereals, drinks, cooking sauces and flavoured milk. We will also introduce a new range of sugar-free soft drinks with added vitamins to be sold in chiller cabinets.

We presented our progress at the first Sugar Awareness Week parliamentary reception held by Action on Sugar in December 2015.



2015 target	Progress against target	2016 target
Ensure that Co-op brand healthier range products are no more expensive than standard equivalent lines	Target achieved	Ensure that Co-op 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 ⁴	Target achieved	
Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality	Target achieved	Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality. Focus will include drinks, breakfast cereals, flavoured milks and sauces

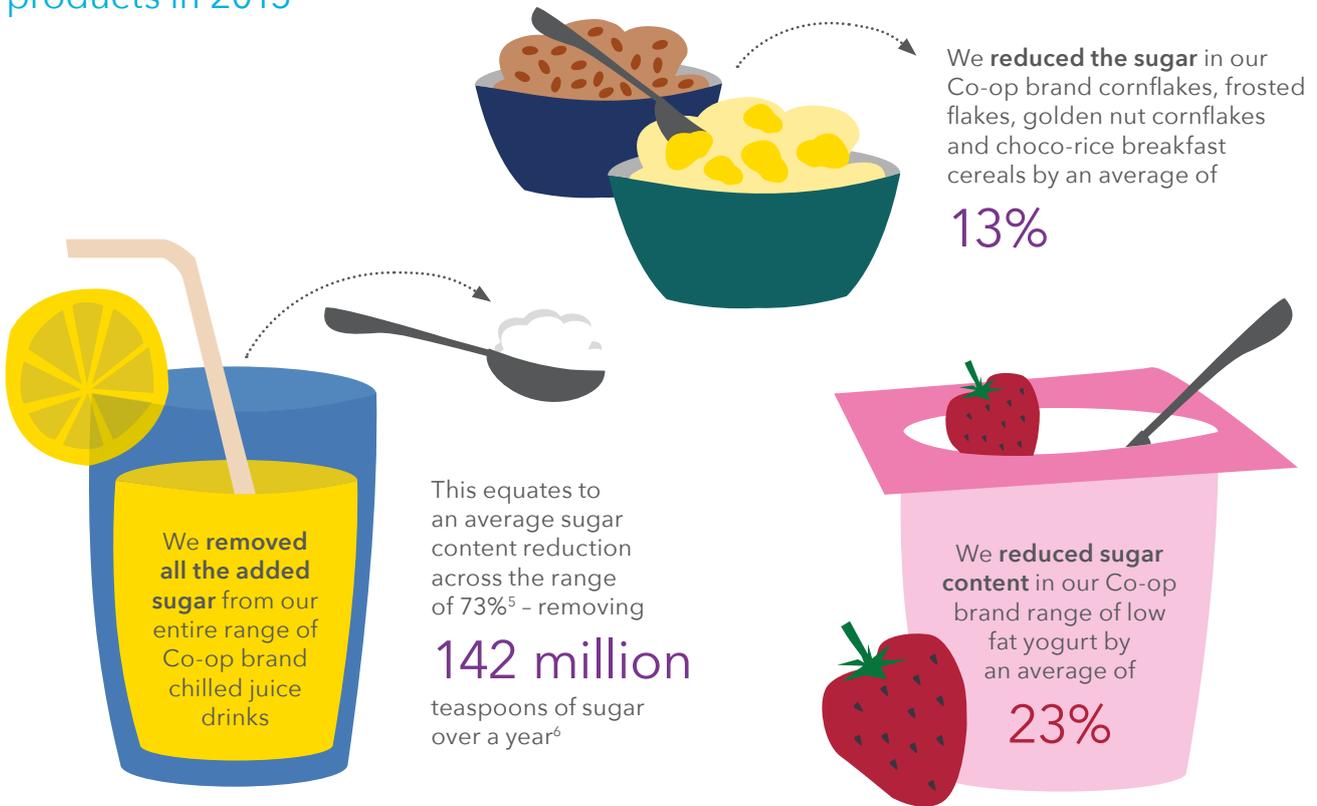


Performance recognition:

First retailer to remove added sugar from entire range of chilled juice drinks and dilutable drinks.

4. The Simply Value range is being dropped. We monitored this target until mid-2015, at which point the nutritional value of the range was at least as good as standard equivalent lines.

Reducing sugar in our products in 2015



Nutritional labelling and promotions

Clear front-of-pack labelling can help consumers make informed purchasing decisions about the food they buy. We have consistently led the way in labelling, and remain committed to providing customers with open and honest food information.

During 2015, we introduced a handy measuring guide on juice cartons to help customers stick to the Department of Health recommended portion size for fruit juice.

We ensure a minimum of 30% of our food and drinks promotions are for healthier offerings.



5. Remaining sugars are naturally present in the fruit juice.

6. Based on annual sales.

Proportion of Co-op brand products carrying traffic-light labelling that are 'healthy'⁷

	2012	2013	2014	2015
% of products	38	40	40.5	42

Proportion of promotions for healthier⁸ products

	2012	2013	2014	2015
% of promotions	33	32	32	32



Performance recognition:

Co-op Food was awarded the 'most ethical retailer' award at the [Drinks Retailing Awards](#) for the second year running, for its market-leading commitment to the responsible retailing of beers, wines and spirits.

Alcohol

We will continue to support our customers to drink responsibly by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products.

In 2015, we supported the UK alcohol awareness charity, [Drinkaware](#), with over £200,000 of funding, along with in-kind support and support for the 'Cut Back and Feel Better' campaign in 2015. All our Co-op brand products and external communications relating to alcohol carry Drinkaware messaging.



2015 target	Progress against target	2016 target
Support our customers to drink responsibly by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products	Target achieved	



2015 target	Progress against target	2016 target
Ensure at least 30% of Co-op brand food products that carry traffic-light labelling are healthy	Target achieved	Ensure at least 30% of Co-op brand food products that carry traffic-light labelling are healthy
A minimum of 30% of food promotions will be for healthier offerings	Target achieved	A minimum of 30% of food promotions will be for healthier offerings

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

8. Healthier products are defined as: fresh produce, bread, pure fruit juice, canned fruit and vegetables in water or fruit juice, lean protein, plain pasta, rice and noodles, products meeting the Food Standards Agency nutrient profiling criteria used by Ofcom, or healthier alternatives such as products from the low-fat and reduced range, and products branded as 'light'. Food promotions exclude non-food grocery and beers, wines and spirits.

Fruit and vegetables

We will continue to encourage customers to increase their consumption of fruit and vegetables. We do this through actions such as Green Dot labelling and 5-a-day messages across digital and printed media channels.

During 2015, we introduced our 'Fresh Three' - a new promotional offer that gives customers a choice of three fresh fruit and vegetable products at low prices, with the Fresh Three changing every three weeks.

We also continued our smart coupon scheme to promote fruit and vegetable purchases among specifically targeted groups of Members, alongside price promotions on fruit and vegetables.



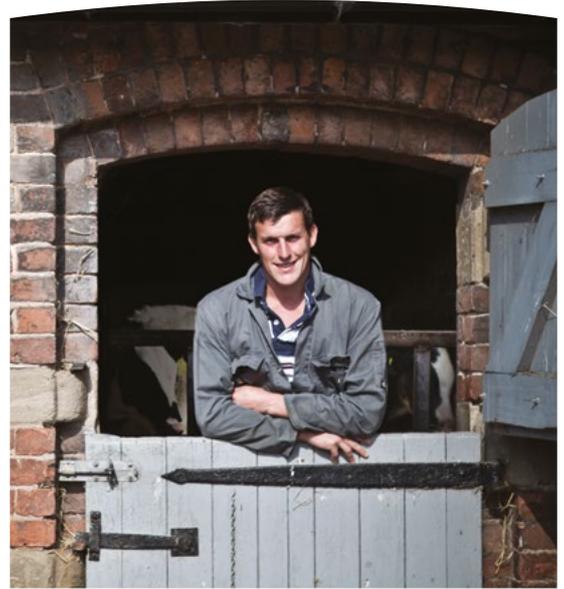
2015 target	Progress against target	2016 target
Encourage Members to increase their consumption of fruit and vegetables through targeted incentives such as money-off coupons	Target achieved	

Public Health Responsibility Deal

We were a signatory to the Government's [Public Health Responsibility Deal](#) from 2011 to 2015, when the initiative concluded.

Food and farming: respecting animal welfare

We know that animal welfare is important to our Members and customers, and we're committed to providing products from animals that have been reared to good welfare standards. Our commitment extends to our stance on animal testing.



Supporting good animal welfare

All our Co-op brand fresh¹, frozen² and prepared³ meat and poultry products are produced, as a minimum, to [Red Tractor Farm Assurance Scheme](#)⁴ standards (a UK accredited body) or equivalent when sourced outside the UK⁵. We have also developed additional requirements that apply to our Co-op brand products⁶. Read more on our [animal welfare policies](#).

How are we doing?

93%

compliance with our animal welfare measures achieved by our [farming group](#) farms.

£125m

of products sold from animals reared to higher welfare standards (2014: £130m).

100%

of Co-op brand shell egg sales were free range or organic, and we only use free-range eggs as ingredients in Co-op brand products (2014: 100%).

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

Assessing animal welfare in our supply chain



Performance benchmark:

In 2014 and 2015, we achieved a tier-two rank in the [Business Benchmark on Farm Animal Welfare](#).

All farms that supply our meat, dairy or poultry products may be subject to announced and unannounced visits or audits by us or an appointed independent audit body to check compliance with national standards and our own-brand welfare standards.

In 2015, we undertook 228 (2014: 445) meat, poultry and dairy inspections to look at product quality, safety and legality. We visited another 233 sites such as farms, hatcheries and abattoirs to monitor animal welfare. These visits included annual audits carried out on our [farming group farms](#).

Animal welfare in our farming groups

We monitor the welfare of animals in our farming groups through:

- monthly Key Performance Indicator (KPI) data from farms and abattoirs that shows the impacts of our animal welfare standards;
- independent audits against our 'Health, Welfare and Quality' pillar (see [Backing British food](#) section); and
- site visits.

In the event that there are compliance issues or animal welfare concerns, we follow procedures outlined in our Agricultural Escalation Policy. We review each issue on a case-by-case basis and implement appropriate management action plans where necessary.

Our customers expect us to be open and honest. In 2015, we committed to reporting on farmers' compliance with our animal welfare measures in our farming groups. This data on input (eg, stocking densities), outcome (eg, lameness) and quality (eg, level of bruising) is recorded for each species from our farming groups on a monthly basis.

We are working with our suppliers and farmers to improve farm compliance with our animal welfare measures. In 2015, overall compliance was 93%. Our chicken farmers had an overall compliance of 77% and we are working closely with our suppliers and farmers to improve their compliance to our measures.

Animal welfare KPI data from our farming groups: levels of compliance, 2015 (%)

Species	Input (compliance with Co-op sourcing standard)	Outcome (animal health and wellbeing)	Quality and consistency (product quality)	Overall measures
Beef	100	97	93	97
Chicken	90	64	78	77
Dairy	97	94	99	97
Lamb	100	99	91	97
Pork	100	92	89	94
Overall	97	89	90	93



2015 target	Progress against target	2016 target
Report the impact of our farming group animal welfare standards	Target achieved	Report input, outcome and quality and consistency measures relating to animal welfare from all farms in our farming groups on an annual basis
		Assess ourselves against external animal welfare benchmarks

Research and development

In 2015, we began work with [Food Animal Initiative \(FAI\)](#), an independent consultant, to review our livestock standards and welfare reporting, and to guide our research into key animal welfare issues. Its independent review of our animal welfare assurance and impact measurement can be found [online](#).

We also held our first research and development day in December 2015, providing an opportunity to share our research findings with key suppliers and FAI, and to identify further projects.

Our story: **Campylobacter**

Campylobacter is a bacterium that naturally occurs in chicken (and the wider environment), and is the most common cause of food poisoning. We're committed to reducing campylobacter in the food we sell and we work closely with our farmers, industry partners and the Food Standards Agency to achieve our aims.

We have a dedicated farming group for chicken and all our fresh chicken is British. This allows us to have good oversight in our supply chain. We also work collaboratively with our British farmers and suppliers to trial methods to reduce the level of campylobacter in chickens. An example is our investigation, together with our supply partner, into how a process called thinning affects the prevalence of campylobacter in chickens.

Thinning is a standard practice in chicken production, whereby chickens are removed from sheds to be processed when they meet different weight profiles that correspond to different product requirements. This allows the remaining birds to grow larger without exceeding the required stocking densities.

Through our research, which took place from November 2013 to October 2015, we found that poultry houses where thinning was not practised had lower rates of campylobacter prevalence. We continue to support research in this area with our supplier.

Overall, in our supply chain we have seen a 19% reduction in the number of campylobacter positive skin samples across all chicken sold from February 2014 to December 2015⁷. We reward the chicken farmers in our farming group that meet our standards on campylobacter and our other set criteria that include animal welfare, good husbandry practices, biosecurity and food safety.



7. Food Standards Agency.

Sales of higher welfare products

Our aim is to create high-quality products that have been produced to good animal welfare standards and that our customers can afford, regardless of their budget.



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

	2012	2013	2014	2015
Sales of RSPCA Welfare Freedom Food, organic, outdoor bred and traditional breeds	£81 ⁸	£83 ⁹	£130	£125

Our Co-op brand Elmwood higher welfare standards were removed from our chicken, turkey and pig meat products in 2013, and are excluded from the figures shown in the table.



2015 target	Progress against target	2016 target
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 Co-op brand products are at least free range	Target achieved	

Eggs and milk

Since 2008, all shell eggs sold (Co-op brand and branded) are free range, as a minimum, and we only use free-range eggs as ingredients in Co-op brand products. In 2015, 98% (2014: 98%) of Co-op brand shell eggs sales were RSPCA accredited. The other 2% (2014: 2%) of shell eggs sold were certified organic.

We have a farming group dedicated to supplying the equivalent of approximately 82% (2014: 95%) of Co-op brand assured milk.

In 2015, we saw a healthy increase in standard milk sales. Although the proportion of our overall milk sales that came from our farming group dropped in 2015, the volume of milk it produced increased. Our farming group maintains welfare standards, is compliant with our grazing policy¹⁰ and submits monthly Key Performance Indicator data (see [page 36](#)).

Co-op brand eggs and milk: proportion of sales by welfare standard, 2015

	Welfare standard		
	National Dairy Farm Assured Scheme	RSPCA Welfare Freedom Food free range	Certified organic
Milk	95%	No standard	5%
Eggs	0%	98%	2%

8. In addition, we sold £185m of Co-op Elmwood higher welfare in 2012.

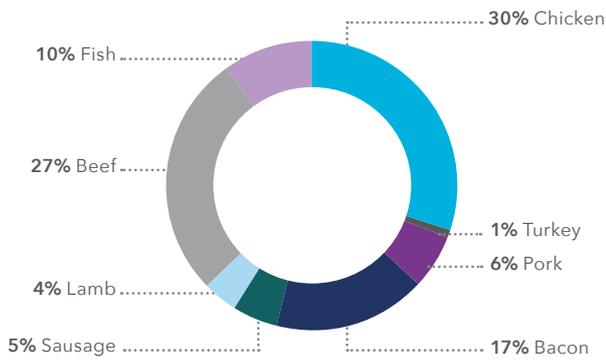
9. In addition, we sold £157m of Co-op Elmwood higher welfare in 2013.

10. 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.

Fresh poultry, meat and fish

The chart below shows the proportion of Co-op brand protein sales by protein type.

Co-op brand fresh meat, poultry and fish: proportion of sales by protein type (%)



Co-op brand fresh meat, poultry and fish: proportion of sales by welfare standard (%)

	Red Tractor Farm Assurance	RSPCA Welfare Freedom Food
Chicken	98	2 (free range)
Turkey	100 (Quality British Turkey standard)	0
Beef	100	0
Bacon	81	19
Pork	100	0
Sausage	33	67
Lamb	100	0
Fish	n/a (as includes wild caught)	62



Poultry

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

Our premium fresh chicken is [RSPCA Welfare Freedom Food](#) free range accredited¹¹. We require our chickens raised for meat (broilers) to have environmental enrichment (such as straw, sawdust, bales) and we monitor welfare outcomes from our chicken farms in our farming group.

All Co-op brand fresh turkey is produced to the [Quality British Turkey](#) standard.

11. Requires lower outdoor stocking densities compared to other conventional free-range standards.

Pig meat

All Co-op brand fresh pork and pork sausages are produced, as a minimum, to [Red Tractor Farm Assurance](#) standards and all Co-op brand bacon is produced, as a minimum, to UK-equivalent farm assurance standards. During 2015, all fresh mid-tier¹² sausage products continued to be produced to outdoor-bred standards¹³. In January 2016, we removed outdoor-bred standards from fresh standard pork and mid-tier pork sausage products and transferred them to indoor rearing standards.

During 2015, the ingredients for all premium bacon and pork sausage products continued to be produced to [RSPCA Welfare Freedom Food](#) standards¹⁴ from outdoor-reared traditional Hampshire breed pigs. In January 2016, we transferred premium bacon products from RSPCA Welfare Freedom Food outdoor-reared standards to RSPCA Welfare Freedom Food outdoor-bred standards.

Until September 2015, all premium cooked meat products continued to be produced to RSPCA Welfare Freedom Food standards. From this date, they were transferred to Red Tractor Farm Assurance standards.



Beef

All Co-op brand fresh beef is assured to [Red Tractor 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.

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

12. Butcher's choice range. Standard pork sausage products are produced to Red Tractor Farm Assurance standards.

13. Piglets are born and weaned outdoors.

14. RSPCA Welfare Freedom Food outdoor-reared standards stipulate piglets are born and reared outdoors until around 40kg (around three months of age - half their lifetime). Pigs are housed post-weaning on solid floors with straw litter and materials that encourage natural behaviours such as rooting, pawing, mouthing and chewing, and provided with natural light. Pigs are weaned at a minimum of 28 days. Pigs are stunned using controlled gas methods only, which allow the animals to remain in groups and are more effective than electrical stunning permitted by conventional systems.

Lamb

Our Co-op brand lamb is sourced on a seasonal basis to UK farm assurance scheme standards or equivalent [Red Tractor Farm Assurance standards](#) (40%) and New Zealand farm assurance scheme standards (60%). All fresh lamb is reared outdoors on grass pasture with access to shelter during harsh weather.

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



Our aquaculture sources in 2015

Atlantic salmon (Scotland)	All Scottish salmon is certified to the Global GAP scheme – including salmon used as an ingredient in our food products. Additionally, all our fresh salmon and smoked salmon is certified to RSPCA Welfare standards
Basa (Vietnam)	All sources are ASC or Global GAP certified
Seabass (Turkey)	All sources are Global GAP certified
Mussels (Scotland)	Source is MSC certified
Mussels (Chile)	Source is uncertified, but working towards certification late 2015/early 2016
Tiger prawns (Indonesia)	Organic, certified by Naturland
King prawns (Vietnam, Thailand, Indonesia, Nicaragua and Honduras)	All sources are ASC or GAA/BAP certified

Fish

Farmed fish accounted for 34% of the fresh fish used in Co-op brand food products in 2015; the remainder was wild caught.

In 2015, all Co-op brand fresh Atlantic salmon and smoked salmon were sourced according to [RSPCA Welfare Freedom Food](#)¹⁵ standards, which exceed those of conventional farm assurance, stipulating lower stocking densities and higher water quality.

All other Co-op brand farmed fish, shellfish and molluscs are sourced from farms certified by [Global Aquaculture Alliance \(GAA/BAP\)](#)¹⁶, [Aquaculture Stewardship Council \(ASC\)](#), [Marine Stewardship Council \(MSC\)](#) or [Global Good Agricultural Practice](#) (Global GAP), or are farmed organically (no feed inputs).

All sources except those above were removed from our business during 2015. Our Responsible Fish Sourcing Policy requires that all farmed finfish are stunned using an approved method prior to slaughter.

15. RSPCA Welfare Freedom Food standards for farmed salmon stipulate a maximum stocking density for seawater enclosures of 17kg/m², with 15kg/m² site maximum. Fish must be kept in water regularly monitored to specified quality parameters – including oxygen, free ammonia, carbon dioxide, temperature, pH, nitrate and suspended solids. Salmon must only be fasted for the absolute minimum period to meet food hygiene requirements and not more than 72 hours. Mutilations, including tagging, are not permitted. Standard farm assurance standards do not specify limits for water quality levels, frequency of monitoring, stocking densities or fasting times.

16. 2, 3 or 4 star only. 2 star = processor and farm certified, 3 star = processor, farm and hatchery certified, 4 star = processor, farm, hatchery and feedmill certified.

Animal testing of toiletry and household products

None of our Co-op brand toiletry¹⁷ or household¹⁸ products or their ingredients have been tested on animals since 1985 and 1997 respectively.

All Co-op brand products continue to carry [Cruelty Free International's](#) (CFI) rabbit and stars logo. CFI conducts audits every three years to monitor compliance and conducted an audit of our products in 2014.

In 2015, our Co-op brand toiletry products and key Co-op brand household and laundry products were available in every one of our Food stores.

Household and toiletry product sales (£m)

	2011	2012	2013	2014	2015
Household	21.7	21.0	21.1	17.1	16.0
Toiletries	5.2	6.4	5.6	5.4	4.2



2015 target	Progress against target	2016 target
Continue to take a lead on the issue of animal testing of cosmetic and household products	Target achieved	Continue to take a lead on the issue of animal testing of cosmetic and household products

17. Toiletries are classified as cosmetics under the EU Cosmetic Directive 76/768 in which a cosmetic product is any substance or preparation intended for placing in contact with the various external parts of the body with a view exclusively or principally to cleaning them, perfuming them or protecting them in order to keep them in good condition, change their appearance or correct body odours. In 2013, an EU-wide ban was introduced on the sale and import of cosmetic products and ingredients tested on animals after March 2013.

18. Humane Household Product standards define household products as: disinfectant, bleach, dishwasher products, floor and furniture polish, cleanser and cleaner, toilet products, washing-up liquid, air freshener, washing powder, laundry tablets and fabric conditioner.

Food and farming: backing British food

Supporting British producers matters to us – not just because it contributes to the UK economy and employment, but because our customers and Members expect it.

Supporting British farming

We're making big strides towards offering more home-grown produce for sale in our stores; we're extending our farming group model and progressing our local sourcing initiative.

More than 2,750 UK farms and suppliers provide us with meat, poultry and dairy products, fresh produce and prepared products. Of these, almost 400 farmers make up our six dedicated farming groups for beef (two groups, supplying Hereford and Aberdeen Angus for the premium product range), chicken, pork, lamb and dairy.

We are committed to spending £1.5bn to source Co-op brand meat, produce and dairy products from the UK between 2015 and 2018. In 2016, we plan to make progress in offering more home-grown produce for sale in our stores. Further details can be found in our in-depth [Backing British Report](#).

How are we doing?

100%

Co-op brand fresh beef, chicken, sausages, duck, turkey, eggs and milk were British (2014: 100%).

£14m

invested in British agriculture.

50

local manufacturers and micro-producers were signed up to supply our stores across Yorkshire.



Sourcing British protein

We seek to use as much British produce as possible in our Co-op brand and branded fresh ranges.

In 2015, our beef, chicken (including breaded chicken), ham (except continental varieties), pork, sausages, duck, turkey, eggs and milk was 100% British, as was our Co-op brand fresh salmon (including smoked salmon), yoghurt and butter.

In our Co-op brand sandwiches, chilled ready meals and pies, we used 100% British meat, except when a continental meat variety was used (eg chorizo). Our Co-op brand cheese used British milk, except when the cheese was a continental variety.

In 2016, we will extend our British lamb season, and will stock three lamb lines that are exclusively British, year-round.



2015 target	Progress against target	2016 target
		Extend the British lamb season and stock three lamb lines that are exclusively British all year round
		Invest a total of £1.5bn to source 'own-brand' British meat, produce and dairy products from the UK between 2015 and 2018

Our farming groups

We established our six dedicated farming groups in 2014. Working with our farming groups helps us to address several key supply chain aspects, including:

- environmental impacts and animal welfare;
- long-term investment and improvement;
- our relationships with farmers; and
- the visibility and complexity of the supply chain.

Members of the farming groups can also share knowledge and best practice.



2015 target	Progress against target	2016 target
		Launch new farming groups to cover eggs, turkey and standard beef and lamb



Performance measurement

The farms in our farming groups are audited¹⁹ annually by an independent welfare body, against our five pillars of achievement, and are rated Bronze, Silver or Gold according to their performance across these pillars.

The Co-op Agricultural Pillars

Health, welfare and quality	Co-op brand	Sustainability	Environmental	Ethical and training
Agricultural KPIs	Attendance at producer group meetings	Water/ electricity usage and conservation	Carbon footprint assessments	Ethical component
Audit performance	Community awareness/ Membership	Alternative energy practices on farms	Water pollution controls	Formal training and development programmes
Quality and consistency	Engagement with the Co-op Food	Alternative soya usage/soya from responsible source	Environmental scheme memberships	Apprenticeships
Research and development	Hosting of producer group farm visits	Local sourcing of materials	Pesticide/heavy metal usage on farms/diets	Industry scheme membership

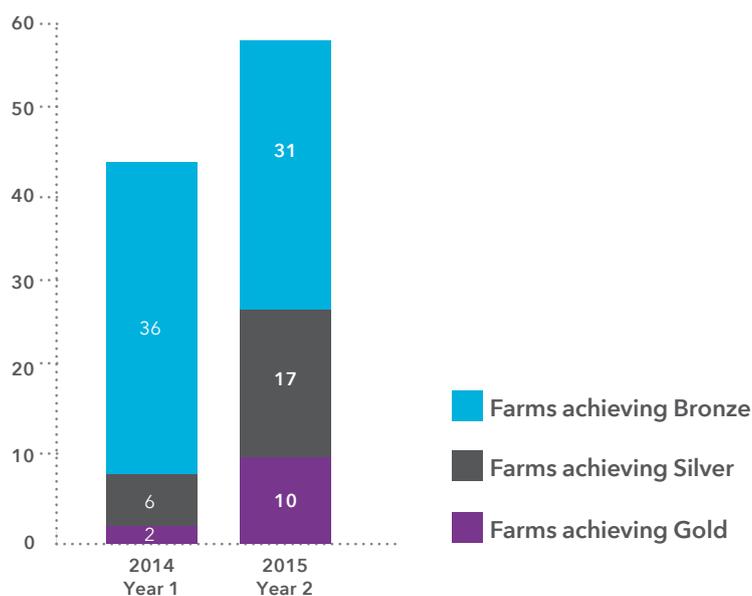
For a farm to be rated Bronze, the first two pillars (Health, welfare and quality and Co-op brand) must be met²⁰. The other three pillars (Sustainability, Environmental and Ethical and training) determine whether a farm is classed as Silver or Gold. We expect farms to progress through the pillars to Silver or Gold, for which they receive further incentives.

We are committed to helping to progress and raise the standards of the farms within our farming groups.

In 2015, 15% more farmers achieved Bronze, Silver or Gold for their compliance against the pillars than in 2014, and 10% achieved the Gold Standard. And in 2015, we invested over £14m²¹ into British agriculture through our farming groups.

Read more on [animal welfare assurance](#).

Farming group performance (%)



19. Dairy farms were not audited against the pillars in 2015 because they are paid a premium determined by a 'basket model' on every litre of milk they sell.
20. Each of the five agricultural pillars contains four elements. To be classed as 'passing' a pillar, farms must achieve a minimum level of performance (three out of the four elements).

21. Includes premium paid to farmers in our farming groups, along with other investments, such as research and development.

Local sourcing and local networks

In 2016, we will roll out a new UK-wide local sourcing initiative to support hundreds of small or start-up food producers, initially in the North of England and then further afield.

This is off the back of a successful trial in Yorkshire, which helped break down the barriers that small food firms face when getting a national food retailer to stock their goods (see Our story below).

Our story: Local sourcing in Yorkshire

Our customers have told us they want to buy local products at their local Co-op store. Products made in the vicinity of our stores are valued by customers wanting to support locally produced foods, which often help define and reflect a region.

We responded by teaming up with scores of new Yorkshire suppliers to test a new initiative. The unique local sourcing initiative has been designed to break down the barriers that have previously made it difficult for small companies to supply large national organisations.

We signed up more than 50 local manufacturers and micro-producers to supply our stores across Yorkshire, with a wide range of over 150 locally produced items, including eggs, bakery, ice cream, sweets, chutneys, pies, sausages and beer.

We have had to work closely with these smaller suppliers in order to understand and unlock the logistical issues, which in the past have prevented local firms from providing relatively small amounts of their quality products to our nearby stores.

Championing locally produced goods resonates well with our Purpose - to champion a better way of doing business for you and your communities.



Love British Food campaign

Love British Food is the national campaign dedicated to promoting British food and educating consumers about the benefits of buying British. We are the official sponsor of Love British Food's British Food Fortnight in September/October 2016. British Food Fortnight is an opportunity for people who work in the national food and drink industry to celebrate their profession and promote the benefits of buying and eating British food.



CO
OP

Protecting our
environment and
managing our
resource use

Co-op Way reporting 2015

There are limits to the earth's resources – from the materials we can extract, to the waste that can be absorbed. Exceeding those limits is ultimately unsustainable. We've been working to reduce our impacts on climate change longer than most businesses. We're also tackling the waste we generate and supporting efforts to protect biodiversity.

43%

We've reduced our total direct greenhouse gas emissions by 43% since 2006, and are aiming for a 50% reduction by 2020

More on page 50

99%

We sourced 99% of our electricity from renewables (2014: 98%)

More on page 51

95%

of our waste was reused or recycled (2014: 95%)

More on page 55

WWF three trees

We were awarded the maximum 'three trees' by the [WWF UK Timber Scorecard](#) in recognition of our public commitments to using FSC, recycled timber and timber products

More on page 64

Tackling climate change

Our planet is getting warmer. Not only does this affect our environment, it will completely change how we live and work. The year 2015 marked a milestone in global climate discussions with the launch of the [UN Sustainable Development Goals](#) and the [Conference of Parties \(COP21\)](#), where the UK agreed a contributing target¹ of a 40% reduction in greenhouse gas (GHG) emissions by 2030 compared to a 1990 baseline.

Making a difference

It's critical for us to tackle climate change for the benefit of society as well as for our business. And that's why we're aiming to halve our direct GHG emissions by 2020 compared to 2006. We recognised the need to act on climate change long before most businesses and have reported our climate impacts annually since 2005. We're focusing on reducing both direct and indirect emissions, increasing efficiency, generating and using renewable energy, and offsetting carbon.

How are we doing?

43%

We've reduced our total direct GHG emissions by 43% since 2006, and are aiming for a 50% reduction by 2020.

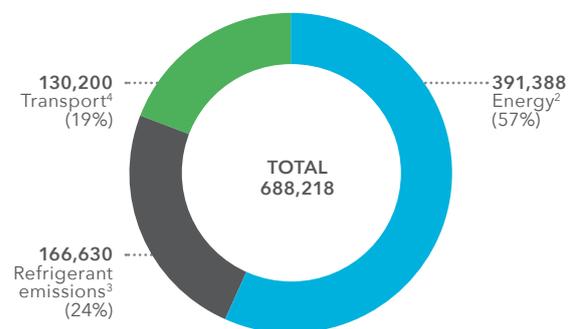
99%

We sourced 99% of our electricity from renewables (2014: 98%); 15% of this was from our own renewable energy installations (2014: 12%).

Direct emissions – from the sources we own or control

Our direct GHG footprint measure encompasses energy and fuel consumption, Food store refrigerant leakages and all business travel (road, air and rail). The majority of our emissions are from energy consumption (57%). We measure our direct GHG emissions in tonnes of carbon dioxide equivalent (tCO₂e), using the latest UK Government guidance⁵.

Direct GHG emissions by source (tCO₂e)



Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol: **R**

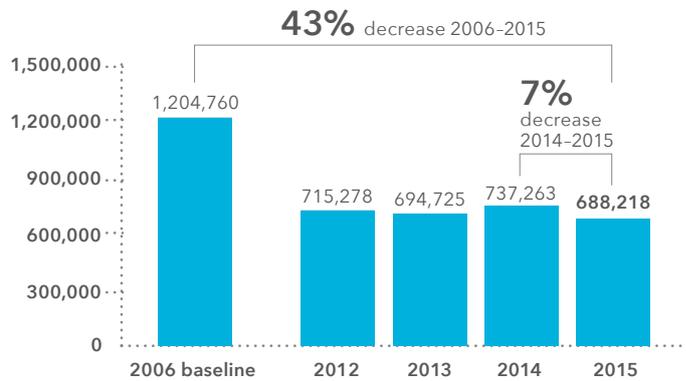
1. Intended Nationally Determined Contribution as submitted by the EU and its Member States (Article 3).
2. If electricity from renewable sources is accounted as zero carbon, then emissions from electricity in 2015 would be 3,575 tCO₂e.
3. Refrigerant data is reported from our Food store estate and home delivery vehicles only, and excludes distribution centres and distribution fleet.
4. Distribution data is reported for all Group businesses except Co-operative Electricals, which uses third-party distribution.
5. GHG emissions per unit of electricity are calculated by Defra and updated annually. Due to changes in the UK energy mix, Defra decreased this metric from 0.49425 kgCO₂e/kWh for electricity purchased in 2014 to 0.46219 kgCO₂e/kWh for electricity purchased in 2015.

Since 2006, our total direct GHG emissions have reduced by 43%, with strong emissions reductions in energy (45%), refrigerant leakages (44%) and transport (36%). Total direct GHG emissions decreased by 7% in 2015, in part due to a decrease in the GHG intensity⁶ of electricity supply.

GHG emissions/gross income

	2013	2014	2015
tCO ₂ e/£m gross income	66.1	72.2	68.2

Direct GHG emissions (tCO₂e)



Our biggest source of direct emissions? The energy used in our buildings

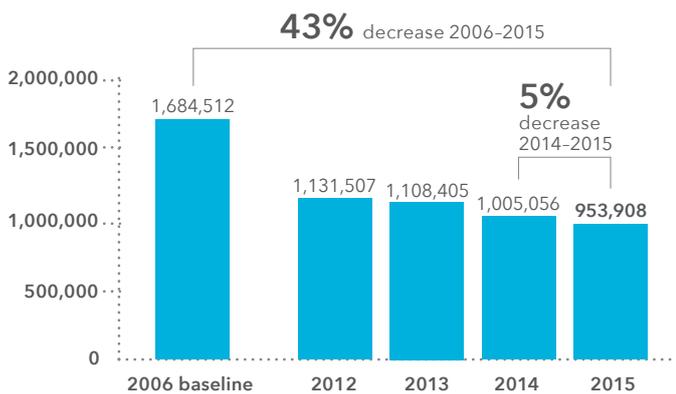
Reducing our energy consumption is a priority for reducing our overall carbon footprint.

Our 5% reduction in energy consumption, detailed in the graph below, was primarily due to behaviour change initiatives and a targeted food store improvement programme.



2015 target	Progress against target	2016 target
Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006	On track	Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006

Energy consumption (MWh)



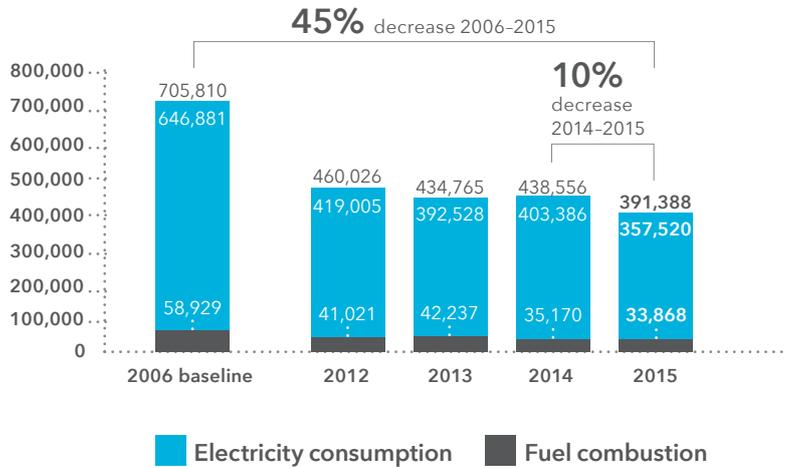
1 Angel Square

6. GHG emissions per unit of electricity are calculated by Defra and updated annually. Due to changes in the UK energy mix, Defra decreased this metric from 0.49425 kgCO₂e/kWh for electricity purchased in 2014 to 0.46219 kgCO₂e/kWh for electricity purchased in 2015.

GHG emissions from energy consumption have reduced by 10% since 2014, partly through a reduction in actual consumption and partly through a decrease in the GHG intensity of the UK electricity supply.

Our business support centre in Manchester achieved a BREEAM (Building Research Establishment Environmental Assessment Method) 'Outstanding' rating at design stage. After two full years of occupancy, data can be assessed for a BREEAM 'In-Use' rating. We've been working to ensure all building systems are working optimally, to enable us to collect the required post-occupancy data. This process has taken some time, due to the number and complexity of the building systems and the need to source data from the original construction team. We are now collecting and reviewing the data to assess whether it remains appropriate to secure the rating.

GHG emissions from energy consumption (tCO₂e)⁷



We sourced 99% of electricity from renewables in 2015 (2014: 98%), including 117 GWhs (2014: 100 GWhs) from our own renewable energy projects (15% of total). Twin Rivers Wind Farm in the East Riding of Yorkshire, the fourth Co-op wind farm development, is currently under construction and due to be operational by the end of 2016. The wind farm has 14 wind turbines and is projected to generate 83 GWhs per year.



2015 target	Progress against target	2016 target
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'	Behind schedule	Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will review the data to assess whether it remains appropriate to work towards a BREEAM 'Outstanding' rating 'In-Use'
Generate the equivalent of 25% of our electricity needs from renewable sources by 2017	On track	Generate the equivalent of 25% of our electricity needs from renewable sources by 2017

7. This includes electricity from fuel combustion.

Refrigerant emissions

Refrigeration and air conditioning account for 24% of our direct GHG emissions.

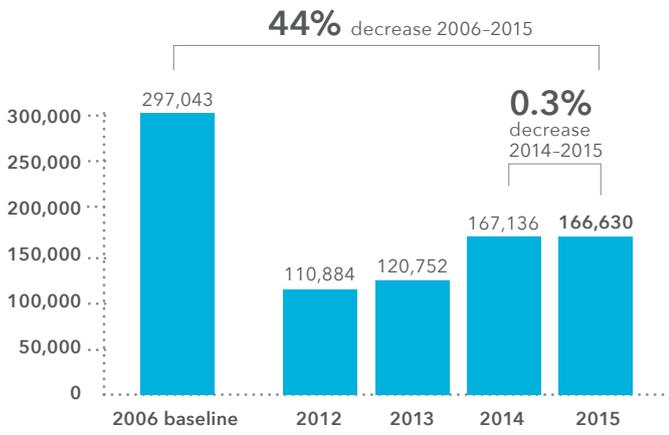
In 2015, refrigerant gas emissions remained stable compared to the previous year.

Transport-related emissions

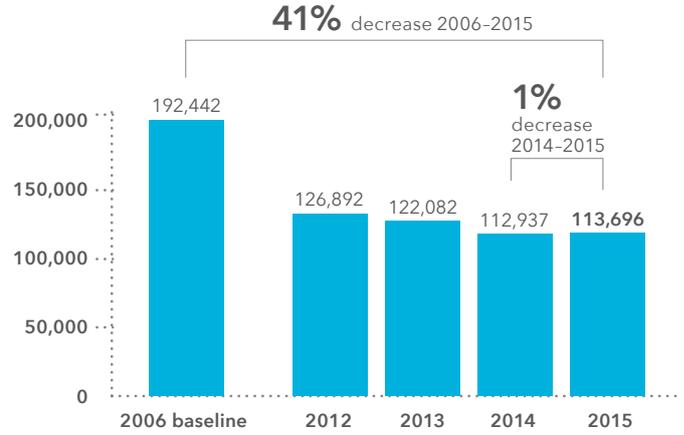
Distribution and business travel accounts for 19% of our direct GHG emissions.

Overall transport mileage has remained stable in 2015 compared to the previous year, reflecting an increase in business mileage offset by a slight decrease in distribution mileage.

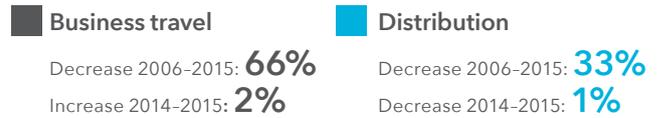
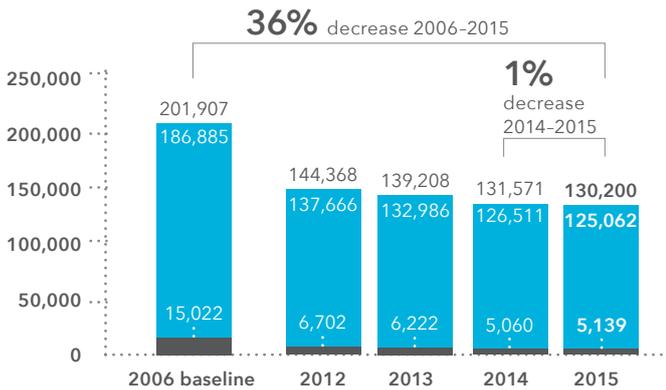
Refrigerant gas emissions (tCO₂e⁸)



Transport mileage⁹ ('000 miles)



Transport GHG emissions (tCO₂e)



8. If electricity from renewable sources is accounted as zero carbon, then emissions from electricity in 2015 would be 3,575 tCO₂e (2014: 7,799).

9. Our road distribution fleet serves Co-op Food, Co-op Funeralcare and home deliveries across our businesses. Business travel includes rail and air travel, and business mileage in company, hired and private cars.

Indirect emissions – from our global value chains

In addition to direct GHG emissions, we're responsible for significant indirect emissions across our global value chains. For 2015, we measured indirect emissions relating to our operations¹⁰. Measurements across our entire value chains are likely to be far larger than this. We continue to work with suppliers to help them manage their own emissions, for example, through a carbon reduction project in our Fairtrade tea supply chain in Kenya.

We've seen an 8% reduction in the indirect GHG emissions that we measure (2014: 263,539 tCO₂e), largely due to a combined reduction in energy consumption and in the carbon intensity of energy supply, as well as an increase in packaging recycling rates.

Carbon offsetting

We offset our emissions by financing conservation, reforestation, renewable energy and other projects around the world to help mitigate the effects of climate change – projects supported in 2015 were in Cambodia, India, Kenya and Uganda.

Funeralcare maintained its carbon neutral policy for the fifth consecutive year by offsetting its operational GHG emissions¹⁶ (10,711 tonnes). It supports a rigorously selected portfolio of carbon reduction projects, which provide additional benefits for people and the environment.

Our General Insurance's innovative motor product 'ecoinsurance' reduces customers' environmental impacts by offsetting 20% of an average car's CO₂ emissions for every policy. The offsets support carbon reduction projects in developing countries and in 2015, we purchased offsets equivalent to 107,387 tonnes of carbon dioxide.

Indirect GHG emissions by source (operations) (tCO₂e)

Indirect emissions associated with the direct footprint of the business 'Well-To-Tank', for electricity, gas, fuel and business travel ¹¹	120,279
Waste disposal through reuse, recycling and landfill ¹²	2,273
Direct water consumption – supply and treatment ¹³	1,498
Emissions from the production of product packaging – glass, steel, aluminium, paper and card, plastics and wood ¹⁴	118,877
Total indirect emissions	242,928

Indirect GHG emissions by source (operations) (tCO₂e)

Net emissions avoided through recycling ¹⁵	32,222
Carbon offset related to ecoinsurance motor product sales	107,387
Total indirect emissions savings	139,609



2015 target	Progress against target	2016 target
Continue to source carbon offsets from a portfolio including international co-operative projects	Target achieved	We will continue to source carbon offsets from a portfolio including international co-operative projects

10. Operations relates to the transmission and distribution of electricity, supply of fuel, recycling and disposal of waste, and the supply and treatment of water.

11. 2015 Defra/DECC GHG Conversion Factors for Company Reporting.

12. Ibid.

13. Ibid. Based on the estimated total consumption as detailed in the Water section.

14. Calculated by Waste and Resources Action Programme (WRAP) as part of Courtauld 2.

15. Calculated based on emissions if waste that is reused/recycled was sent to landfill, minus the emissions of recycling.

16. Remaining emissions from gas, non-renewable electricity and business travel, once green electricity supply is discounted; excludes refrigerant emissions.

Reducing our waste

In a world of shrinking resources, business must be better at handling its waste - reducing waste and reusing materials help to preserve resources, while also creating efficiencies and lowering costs. We generate waste across our family of businesses, with the majority coming from Co-op Food and its stores.

Targeting zero waste

We strive to achieve zero waste to landfill, by driving up recycling levels and reducing our overall waste.

Our approach follows the waste hierarchy of reduce, reuse and recycle. Reducing our own-brand packaging is a priority for us, while simultaneously ensuring that this does not increase other environmental impacts such as product wastage.

Food waste in particular has negative environmental and social impacts. We're increasing the amount of surplus food that we redistribute from our operations to people and communities suffering from food poverty.

How are we doing?

95%

of our waste was reused or recycled (2014: 95%).

306 tonnes

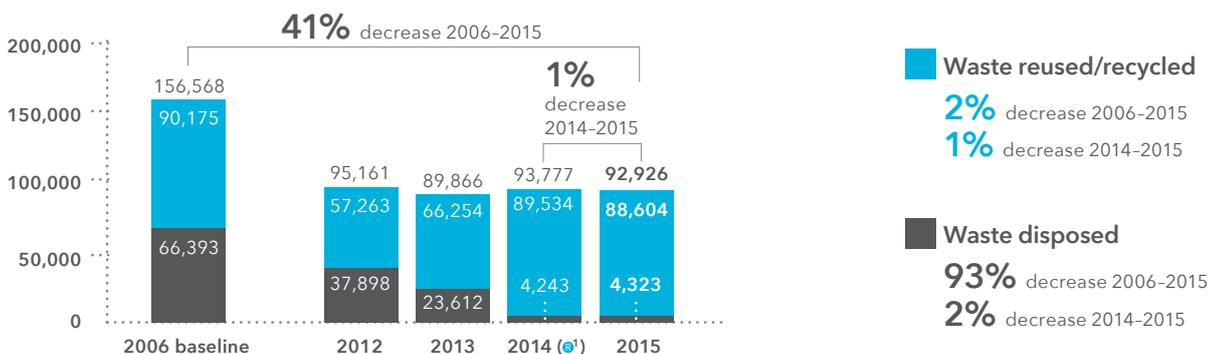
of surplus food were distributed to those in need - enough to provide 730,000 meals (2014: 82 tonnes).

81%

of Co-op brand packaging by total weight was widely recyclable (2014: 81%).

Our waste and how we dispose of it

Total waste (tonnes)



1. 2014 waste figures restated to account for backhauled waste from all depots; some were erroneously missed in 2014 report and subsequently waste tonnage was previously underreported by approximately 1,400 tonnes.

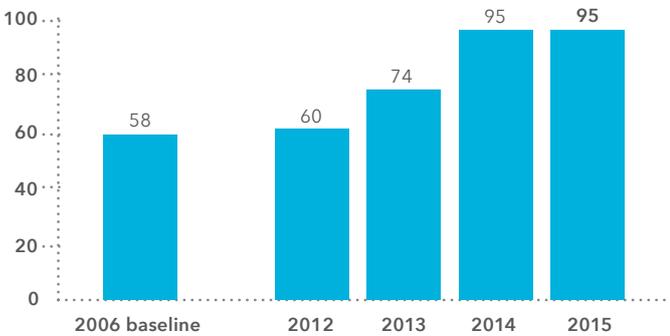
Waste reuse and recycling

We have seen real improvements in our reuse and recycling rates since 2012, largely due to backhauling waste from our food stores to regional depots. By removing waste collections from stores and collecting from depots instead, we reduce the number of skip collections and are able to segregate waste more effectively.

Our reuse and recycling rates remained stable at 95% in 2015.



Waste reused/recycled (%)



2015 target	Progress against target	2016 target
Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste	Close to target	Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste

Food waste

While only a relatively small proportion of overall food waste in the UK arises directly from food retailers², we have a responsibility to reduce our impacts.



2015 target	Progress against target	2016 target
Expand our work with charities such as FareShare on food waste	Target achieved	Redistribute 500 tonnes of surplus fresh food from depots via FareShare and other charities
Work with the industry and the British Retail Consortium (BRC) to develop a standard method for measuring and reporting the food waste generated within the food retail sector	Target achieved	

2. British Retail Consortium, January 2015: food waste from seven major food retailers estimated to account for only 1.2% (200,000 tonnes) of total annual food waste in UK.

We are engaged in initiatives that include redistributing surplus food from our operations to people and communities suffering from food poverty, through charities such as [FareShare](#), and improving product shelf life to reduce waste (see Our story below).

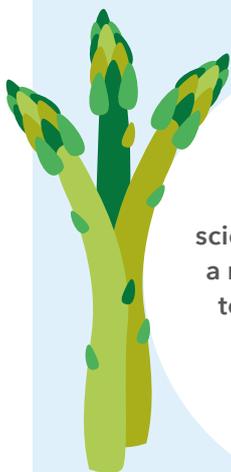
We increased our efforts during 2015, distributing 306 tonnes of food from depots (2014: 82 tonnes). We also carried out a trial in Leeds to explore the redistribution of food waste from small stores and, in 2016, we aim to develop a process that can be rolled out across all our smaller stores.

In addition, we're looking to trial packs of so-called 'wonky veg' to help reduce waste in our supply chain, while still offering consumers great tasting products at a fair price.

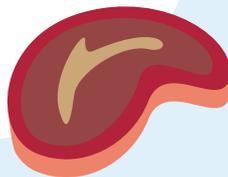
Our story: Improving shelf life and redistributing surplus food

In 2015, we started a full review of the shelf life of all our products. By using an evidence-based approach, we ensure our products have the maximum life possible, while maintaining the safety and quality our customers expect.

Improving shelf life



We've been working with our suppliers and scientific advisors to explore a number of different ways to extend the shelf life of different products.



The following innovations were introduced in 2015:

+2 days

The use of special packaging for asparagus with perforations at the tip end allowing it to breathe, and no perforations at the cut end to keep the base moist and stop it becoming tough. This has given our asparagus an extra two days of shelf life.

+9 days

The use of 'skinpacks' and vacuum packs for meat packaging, extending the shelf life for steaks and beef joints by up to nine days.



redistributing surplus food



As well as making our food last longer on the shelf, when we do have surplus food we've stepped up our work to redistribute it to people and communities suffering from food poverty, through charities such as [FareShare](#).



Following a successful trial at our Castlewood depot, any fresh food that is either over-delivered or doesn't meet our agreed shelf life is now automatically donated to [FareShare](#) unless the supplier notifies us otherwise. This change was rolled out in September 2015 and has helped allow us to distribute 306 tonnes of food from depots this year (2014: 82 tonnes) - enough to provide **730,000** meals. In 2016, we're aiming to reach more than 500 tonnes, providing enough food for more than **1 million** meals.

Working on Waste

We have continued to participate in the Institute of Grocery Distribution's (IGD) [Working on Waste](#) initiative, which brings UK food and grocery companies together to help their employees reduce household food waste.

In 2015, we produced a short online video that was sent to 500,000 Members, set up a dedicated webpage on [Make Your Food Go Further](#), and engaged with Members, colleagues and customers through social media.



Watch the [Make Your Food Go Further](#) video.

Packaging waste

'Packaging handled' refers to all the packaging for all the goods that we sell. It includes packaging for Co-op brand and other branded goods. It includes the packaging that we use to transport goods to stores and the packaging that customers take home around the products.

We have achieved a

40%

reduction in packaging handled since 2006, and in 2015, this remained stable.

Packaging handled by material (tonnes)

	2006 baseline	2012	2013	2014	2015
Glass	128,027	88,050	88,076	89,212	90,164
Plastic	78,492	43,785	44,149	42,712	41,715
Paper	42,794	27,634	26,034	25,148	23,982
Steel	27,381	10,719	9,910	9,084	8,550
Aluminium	8,285	4,730	5,395	5,487	5,936
Total³	284,979	174,918	173,564	171,643	170,516



2015 target

Progress against target

2016 target

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

Target achieved

3. Other materials (mostly wood) constituted around 0.1% of the total packaging handled.

Own-brand packaging

In 2015, the weight of our own-brand packaging – this is the packaging that we have the most influence over – remained stable at 81,903 tonnes (2014: 82,669 tonnes), which represents a 42% reduction compared to 2006. The recyclability of Co-op brand product packaging remained stable in 2015, with 81% by total weight being widely recyclable⁴ (2014: 81%).

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



We have been engaging with local authorities, recyclers, expert trade bodies and suppliers to develop a plan of changes we will make to our packaging to improve recyclability; and to encourage more local authorities to collect more types of packaging for recycling.



2015 target	Progress against target	2016 target
Work with suppliers to increase the recyclability of our packaging	Close to target	Work with suppliers to increase the recyclability of our packaging

We have also been working with [RECOUP](#) (a plastics recycling industry body) to find ways to positively influence future plastics recycling.

Carrier bags

We reduced the number of carrier bags distributed in 2015 by 28% compared to 2014 (74% compared to 2006). This reflects a significant reduction from October 2015 onwards, due to the introduction of the 5p carrier bag levy in England.



2015 target	Progress against target	2016 target
Reduce the number of carrier bags used by Co-op Food by 75%	Close to target	

4. Labeled as widely recycled or recycle with carrier bags.

Using less water

Water scarcity is a major global concern, with serious environmental, social and economic consequences. As an essential resource for our business and our supply chain, particularly in agriculture, we're working to reduce the amount of water we use.



Water: consumption and responsibility

We monitor the water we use to help us manage and reduce consumption across our estate. We also work with farms in our farming groups to manage water consumption and pollution.

How are we doing?

23%

reduction in average water consumption per site since 2010.

9%

reduction in total water consumption since 2010.

66%

of the farms in our [farming groups](#) recorded their annual water usage and had reduction plans, and 95% had water pollution controls in place.

Keeping track of our water use

In 2015, we saw a reduction, both in total water consumption and average water consumption per site. This is potentially, in part, due to a change in water accounting systems, which in the short term, has resulted in a reliance on estimated water consumption for a greater proportion of sites¹.

Estimated water consumption

	2010 baseline	2012	2013	2014	2015	Decrease 2010-2015	Decrease 2014-15
Average water consumption per site (m ³) ²	420	327	349	361	325	23%	10%
Total water consumption ('000 m ³)	1,560	1,366	1,445	1,508	1,423	9%	6%

1. Water consumption is estimated using best available data, ie annualised billed consumption for sites where this is available, and an estimate for all other sites based on the average consumption per site type. In 2015, we have used estimated data for 891 sites within our portfolio (2014: 362).
2. The total number of sites in our portfolio (all sites owned, including properties that we don't trade from and sites that are closed but may still use some water) increased from 3,715 in 2010 to 4,386 in 2015.

Our water reduction initiatives in 2015 focused on identifying and repairing supply leaks and faulty equipment within our food stores, which account for 60% of our total water use.



2015 target	Progress against target	2016 target
Reduce water consumption across our operations by 30% by 2016, based on 2010	On track	Reduce water consumption across our operations by 30% by 2016, based on 2010



Our farming groups

We have long-term relationships with almost 400 farms that are part of our dedicated [farming groups](#), covering Co-op brand fresh meat and poultry. Farms are rated and audited annually against five pillars, including environment and sustainability.

In 2015, 66% of farmers recorded their annual water and electricity usage and had a water and electricity conservation strategy in place and 95% of farms had water pollution controls in place.

Promoting biodiversity and sustainable sourcing

We depend on the world's natural resources, and biodiversity is now being lost more rapidly than at any other time in human history. So it's critical for us to understand and minimise the impacts that our products and sourcing can have on the global environment.

Committed to responsible sourcing

We are committed to supporting efforts to protect biodiversity and improve the management of ecosystems. In 2015, we continued our work to remain one of the UK's leading retailers on forest stewardship. We continue to source wood and paper products from sustainable sources.

We are dedicated to remaining one of the UK's most responsible retailers of fish and continue to be guided by our Responsible Fish Sourcing Standard. We also have commitments on the sustainable procurement of high-risk products such as palm oil and have begun work on the responsible sourcing of soya.

How are we doing?

28

Co-op brand products were certified by the [Marine Stewardship Council](#) (MSC) (2014: 16).

100%

of the palm oil we used in our products was certified as sustainable under one of the [Roundtable on Sustainable Palm Oil](#) (RSPO) certification schemes (2014: 100%); we aim to reduce reliance on GreenPalm certificates, and these made up only 10% of palm oil used in food products (2014: 16%).

'Three trees'

Awarded the maximum 'three trees' By the [WWF UK Timber Scorecard](#) in recognition of our public commitments to using Forest Stewardship Council® (FSC), recycled timber and timber products.



Marine stewardship

We source all our Co-op brand fish responsibly and are recognised as one of the UK's most responsible retailers of fish.

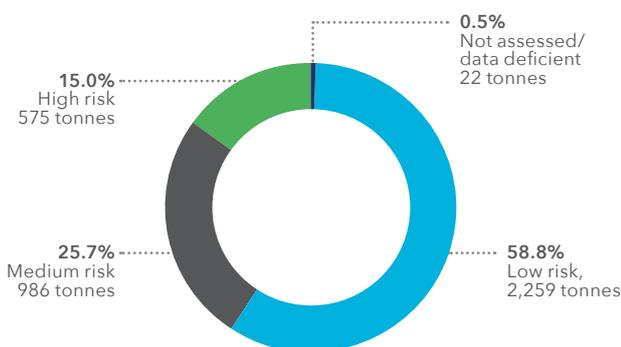
In 2015, 66% of the fish used in Co-op brand food products was sourced from marine fisheries and 34% was farmed fish. We increased the number of Co-op brand [Marine Stewardship Council \(MSC\)](#)-certified products from 16 in 2014 to 28 in 2015, and plan to further increase the number and volume of MSC-certified products in 2016. Just over a quarter of our wild fish products are MSC certified.

We are a member of the [Sustainable Seafood Coalition \(SSC\)](#) and continue to use SSC voluntary codes of conduct for the responsible sourcing and labelling of fish and seafood products. 2015 was the first full year that our Responsible Fish Sourcing Standard has been used¹.

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

- low risk: very well managed fisheries/MSC-certified fisheries;
- medium risk: reasonably managed fisheries;
- high risk: poorly managed fisheries; and
- data deficient or not assessed.

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



In 2015, we carried out 88 fishery risk assessments; of these, 85 fisheries were approved and three were not approved.

In 2015, 84.5%² (2014: 76%) of the fish used to supply our wild fish and seafood products was sourced from low-risk or medium-risk fisheries.

For the remaining sources³, we are working with suppliers to implement appropriate management actions, such as engaging with a Fisheries Improvement Project (FIP) to make these fisheries more sustainable. If this is not possible, we will transfer to more sustainable sources. At the end of 2015, we were engaged in, and helping to fund, two FIPs⁴.



Performance benchmark:

We were one of three UK supermarkets to take part in the [Sustainable Fisheries Partnership's \(SFP\) Ocean Disclosure Project](#), making all our source fisheries publicly available.



1. The Standard applies to wild-caught fish and farmed fish. For details of welfare standards relating to farmed fish, see the [Animal welfare](#) section.
 2. Classified as low or medium risk, or MSC certified.
 3. Classified as poorly managed or data deficient fisheries by SFP or not assessed by SFP or MSC.
 4. A Thai and a Vietnamese fishery for fish caught for use in fishmeal.

2015 high-risk sources of fish:

Source	Status
Atlantic Mackerel	Re-entered MSC assessment and expected to move to low risk during 2016
Pink Salmon	High-risk source will be removed from supply early 2016
Red Salmon	High-risk source was removed from supply during 2015
American Lobster	High-risk source was removed from supply during 2015
Sardines	In a FIP ⁵ that is showing very good progress
Coldwater Prawn	High-risk source was removed from supply during 2015
Langoustine	Fishery management plans to be reviewed during 2016



2015 target	Progress against target	2016 target
Maintain our position as one of the UK's most responsible retailers of fish	On track	Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell

In 2016, we aim to reduce the number of high-risk and data-deficient sources of fish, to only those that are engaged in a formalised FIP where measurable progress is taking place. We support fishery improvement projects and may introduce high-risk fish sources where a FIP is demonstrating good progress.

We have not sold any products identified by the Marine Conservation Society (MCS) as 'Fish to Avoid' since 2008. 100% of our Co-op brand skipjack tuna products are pole and line caught, a selective way of catching tuna that avoids the by-catch issues associated with other fishing methods.

Forest stewardship: Co-op Food

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



2015 target	Progress against target	2016 target
Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products	On track	Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products

5. Collaboration and funding for this FIP is via our supplier.

Co-op Food: sourcing of wood and paper

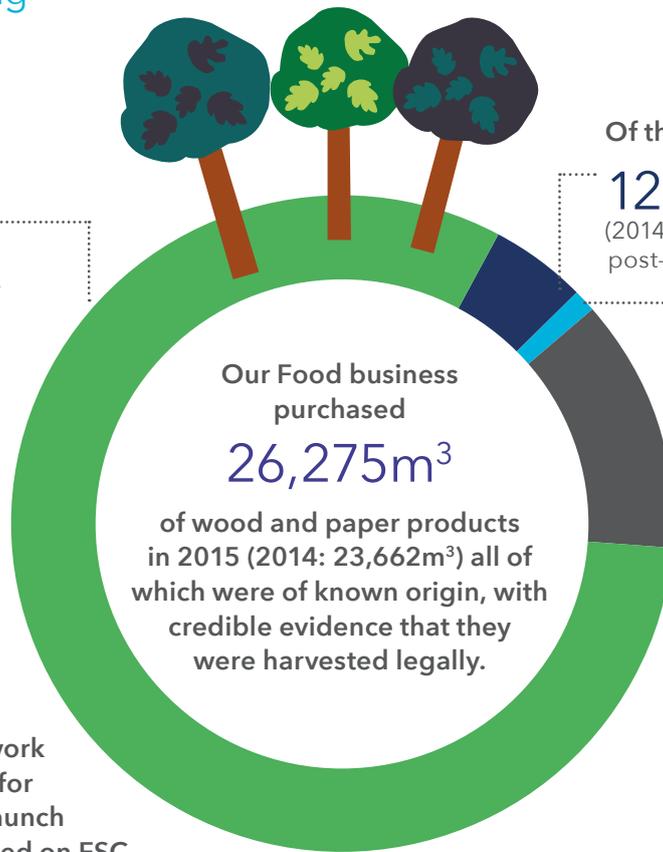
Of the wood and paper products sold:

82.5%

(2014: 84%) were FSC-certified, including barbecue charcoal, Christmas wrapping and household paper.

Although this represents a small decrease, we used a higher volume of FSC in 2015 (21,677m³) than in 2014 (19,771m³). The drop reflects an increase in overall wood and paper products.

In 2015, we continued our work to achieve FSC certification for Co-op nappies and aim to launch these in 2016. We also worked on FSC certification for our baby wet wipes.



Of the remaining products:

12.7%

(2014: 13%) came from recycled post-consumer waste.

Less than

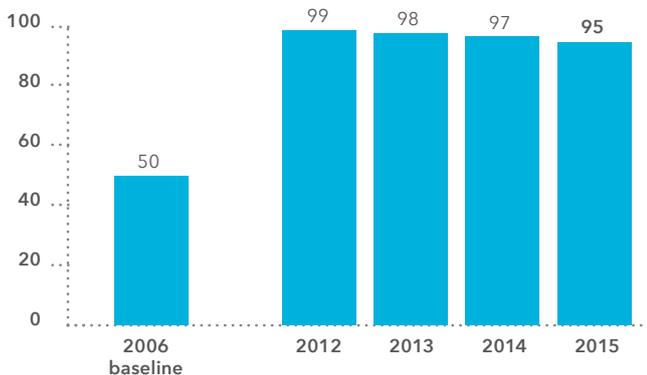
1%

from recycled pre-consumer waste.

4.7%

from known, legally sourced virgin material, such as that certified by the [Programme for Endorsement of Forest Certification Scheme](#).

Co-op brand wood or paper products sold in Co-op Food that were FSC-certified or recycled⁶(%)



Performance recognition:

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



Performance recognition:

We maintained our Graduate Status of the WWF-UK Forest and Trade Network in 2015. This requires transparent reporting of paper and timber sourcing, and a strong commitment to improving the sustainability of these sources.

6. 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 Mix, containing a blend of FSC 100% with recycled and/or controlled wood fibre. The controlled wood fibre is from non-FSC forests, but is screened to ensure it does not contribute to negative forest practices such as illegal logging or the destruction of high conservation value forests.

Forest stewardship: Co-op Funeralcare

We're committed to the sustainable sourcing of timber for coffins. In 2015, 95.6% of the coffins manufactured by Co-op Funeralcare were made from [FSC](#)-certified wood, from certified forests and other controlled sources (2014: 97%).

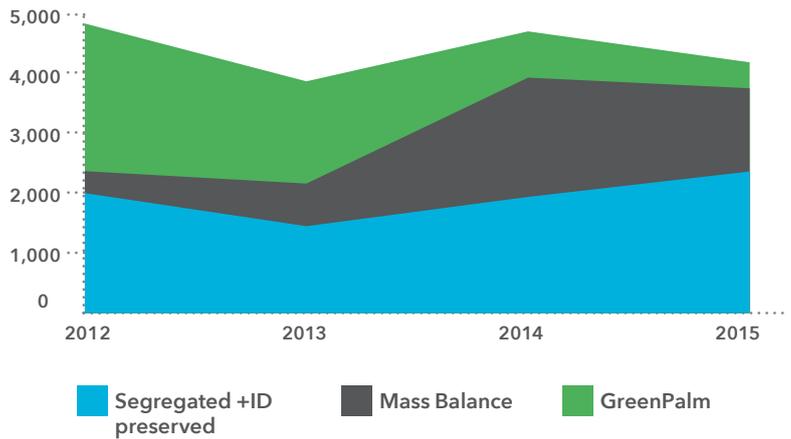
Sustainable palm oil

We work with the [Roundtable on Sustainable Palm Oil](#) (RSPO) to improve the sustainability of palm oil production.

In 2015, we used 4,210 (2014: 4,730) tonnes of palm oil in 915 Co-op brand food products. All the palm oil in these products was certified as sustainable under one of the RSPO certification schemes⁷:

- 3,792 tonnes representing 90% (2014: 84%) was obtained through segregated, Mass Balance (UTZ certification) or identity-preserved Certified Sustainable Palm Oil (CSPO) sources; and
- for the remaining 10% (2014: 16%) we purchased GreenPalm Certificates, which guarantee a price premium for CSPO producers, helping to support the sustainable development of the industry.

RSPO sourcing in Co-op brand food products



7. We use four different routes for CSPO accreditation:

- i. Mass Balance (UTZ certification) (33% of our total palm oil use, food and non-food), where oil from (CSPO) sources has been purchased through the supply chain to cover the amount of palm oil used in the product (the Mass Balance system allows RSPO-certified sustainable palm oil to be mixed with conventional palm oil at any stage of the supply chain process provided that overall company quantities are controlled);
- ii. Segregated (56%) where palm oil can be 100% CSPO traced from plantation to product, allowing the claim that this product contains RSPO-certified palm oil;
- iii. Identity Preserved (<1%) where oil is uniquely identifiable to the mill and its supply base, and is kept physically isolated from all other palm oil sources throughout the supply chain (including other segregated RSPO-CSPO sources); and
- iv. GreenPalm (10%), as described in the main text.



The graph (see page 18) shows how we have been managing the change from GreenPalm Certificates to Segregated or Mass Balance over the last four years, to support our aim of making our palm oil more segregated and sustainable.

In 2015, we also sold 129 (2014: 173) cleaning and cosmetic products containing 308 tonnes of palm oil (2014: 338). We achieved our target of all non-food products being certified as sustainable under one of the RSPO certification schemes including 23 tonnes (2014: 30 tonnes) or 8.3% of segregated palm oil.

2015 target	Progress against target	2016 target
Continue to work towards ensuring palm oil used in all Co-op brand products comes from a sustainable, segregated CSPO source, by reducing our reliance on GreenPalm certification	On track	Ensure palm oil used in all Co-op brand products comes from a sustainable, segregated CSPO source by 2020 by reducing reliance on GreenPalm



Our aim remains that all Co-op brand products that contain palm oil will use Segregated Certified Sustainable Palm Oil. However, traceability issues - particularly in our non-food product supply chain - mean we will not be able to secure this in the short term.

In moving towards achieving this target, we will continue to reduce reliance on GreenPalm certification (see graph on page 18) and to stipulate, as a minimum, Segregated CSPO for all our Co-op brand food and Segregated or Mass Balance CSPO for all our Co-op brand non-food requirements, where feasible.

Responsible soya

Monitoring soya use in our Co-op brand products is challenging, as it has so many uses across the food chain. In 2015, we began the journey of tracking the tonnages of soya use in our supply chain. This is split between direct soya, where it is used in a product, and indirect soya, where it is used in the development of a product, such as for animal feed.

Our most significant use of soya by far is in animal feed used to rear livestock for our meat products. Our reported use of soya within animal feed was 54,386 tonnes in 2015. The responsible soya market is relatively young and, to date, little responsibly certified soya has been used in UK animal feed.

Our year two farming group performance (June 2014–June 2015) showed that 63% of farms in our [farming groups](#) complied with our Alternative Soya Usage requirements. We encourage farms within our farming groups to use alternative protein sources to soya or, if soya is used, to source it responsibly.



2015 target	Progress against target	2016 target
		Develop our Responsible Soya roadmap, which will aim to bring us into line with our work on other areas of concern for deforestation such as wood, paper and palm oil Buy RTRS credits to cover some of the soya within our animal feed

We report to the [Round Table on Responsible Soya](#) (RTRS) and are members of the Retail Group on Soy. We have also submitted information to WWF for its Soy Scorecard, to be published in 2016.

In 2016, we will develop our Responsible Soya roadmap, which will aim to bring us into line with our work on other areas of concern for deforestation such as wood, paper and palm oil. We will also buy RTRS credits to cover some of the soya within our animal feed.

Preserving peatlands

As part of our goal to help preserve peatlands, we support the Government's target to completely phase peat out of the amateur gardener market by 2020. In 2015, 50% of the Co-op brand bagged growing media we sold was peat (2014: 20%). This represents an increase in peat levels in our products, due to quality issues around reducing peat in compost. However, we will conduct further growing trials in 2016, which will include reviewing formulations that progressively reduce peat content in our products.

We are working with the [Horticultural Trades Association](#) as part of an industry group to develop a responsible sourcing scheme for peat. It will provide an objective tool for comparing one source of growing media to another, and allow us to determine the most sustainable growing media.

The safe use of chemicals

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

Our approach

We aim to take a leading approach to controlling the pesticides used on the products we sell. This is why we introduced a new pesticide control system and policy in December 2015. We also prioritise the safe use of chemicals in the manufacture of Co-op brand household products.

How are we doing?

We banned the use of non-biodegradable plastic beads in all non-food Co-op brand products.

We implemented a risk-based due diligence testing programme for non-food Co-op brand products to ensure compliance with [REACH](#) regulations.

Tracing the pesticides that we use

Our new pesticide control system and policy is implemented by independent experts and uses a live system, which means that any changes are reflected immediately. Each proposed pesticide used on fresh produce is reviewed and assessed against the potential risk to consumers, operators and the environment (including pollinators such as bees).

The system adopts a Control List of permitted pesticides for each crop and country. Using a 'red/amber/green' system, 41 pesticides are listed as 'red' (prohibited) and additional active ingredients may be prohibited from use following the risk assessment process.

In parallel, our pesticide residue testing programme¹ has been enhanced, to increase the number of samples analysed from 2016, and to focus more on fresh produce sourced from outside the UK.



2015 target	Progress against target	2016 target
Following our Pesticide Management Evaluation exercise, develop a recommendation paper in 2015, and formalise details of our management approach and the timescales for implementation	Target achieved	
Maintain the number of residue tests conducted per annum at the same level as the previous year	Target achieved	Increase the number of residue tests conducted in 2016 to over 400

1. Tests are carried out on the final product, as sold in store.

The Co-op Food pesticide residue analysis

	2012	2013	2014	2015
Total number of samples tested	219	197	223	223
Number of residues in excess of Maximum Residue Limits	1	5	5	3
Percentage of samples with no residues	37%	32%	39%	38%

The data shown in the table reflects testing under our old system². Data relating to the new system will be reported next year.

In 2015, we detected three pesticide residues (this represents 1.3% of all samples tested) at levels that exceeded the Maximum Residue Limit (MRL)³ set for the product. All exceedances are fully investigated and appropriate actions taken.

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

We require all Co-op brand non-food products to comply with the requirements of our [Policy on Chemicals for Priority Action](#), which identifies 45 chemical types that we have banned or are planning to remove⁴. The use of chemicals in our products contrary to this Policy is not permitted.

The Policy applies to all parts of the product, including all internal components and packaging. Some of the chemicals detailed in our Policy are banned by law, but in other instances, we go above and beyond compliance. For example, in July 2015, we banned the use of all non-biodegradable plastic beads in all our non-food Co-op brand products due to the environmental impacts they have, including polluting waterways and the sea, and ingestion by marine life.

In addition, in 2015, we implemented a risk-based due diligence testing programme for non-food Co-op brand products, to ensure compliance with [REACH](#) (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations.

High-risk products and geographies are prioritised and, in 2015, we tested all our toothbrushes, Christmas toys and Halloween products, all of which complied. In 2016, the testing programme will be widened to incorporate both medium- and high-risk categories/products.



2015 target	Progress against target	2016 target
Review activity to ensure compliance with REACH regulations, with a risk-assessed programme to be initiated in 2015	Target achieved	

2. Residue testing was carried out monthly.

3. MRLs are set by the [European Food Safety Authority](#) (EFSA).

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

A person wearing a maroon sweater is writing in a notebook with a blue pen. The background is slightly blurred, showing a desk with a water bottle and some papers.

co
op

Our business ethics and behaviour

Co-op Way reporting 2015

We seek to apply our ethical values – of honesty, openness, social responsibility and caring for others – to the way we do business; from our professional conduct – for example supplier relationships and our openness around lobbying – to our approach to financial issues, such as payment of tax and responsible investment.

Fair Tax Mark

We were awarded the Fair Tax Mark in November 2015, and were reaccredited in 2016

More on page 73

Transparency

We report on our public policy engagement – instances where we have raised or supported a point of difference relating to one of our material sustainability issues

More on page 74

37

Fixed-income investment opportunities for our General Insurance business were screened against our Ethical Policy

More on page 77

47

Number of days outstanding for payment to trade creditors (2014: 41)

More on page 73

Economic impact: adding value

Not only do we have a responsibility to deliver financial success to our Members, we also have a wider impact on our economy – through the jobs we create, the salaries we pay our people, our taxes, our spend on suppliers and our community investment.

Fairness and transparency

We are committed to operating in an open and transparent manner, which includes our approach to the payment of tax.

How are we doing?

£1.75bn

We contributed £1.75bn to the national wealth in 2015 (2014: £1.84bn).

Fair Tax Mark

We were awarded the [Fair Tax Mark](#) in November 2015, and were reaccredited in 2016.



Our 2016 Annual General Meeting where we announced our new Membership offer to reward Members and their communities for trading with us.

Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol:

Contributing to the national wealth

Economic value added is the contribution of commercial organisations to national wealth and the financial benefits they deliver to stakeholders¹. In 2015, we contributed £1.75bn to national wealth.

We will launch our new Member offer in autumn 2016, which will include rewards for Members and for their communities, when Members buy Co-op brand products (see [Membership](#) section). We also aim to bring back our dividend for Members when we enter the 'Renew' phase of our business strategy.

Taking our fiscal responsibility seriously

At a time where tax operations worldwide face greater scrutiny and the [Institute of Business Ethics](#) reports that the ethical business issue of greatest concern to the UK public is that of tax avoidance, we were awarded the Fair Tax Mark in November 2015. Following the publication of our 2015 Annual Report in 2016, we are proud to have been awarded the Mark for the second time.

The Fair Tax Mark is a label that demonstrates that a business is open and transparent about its tax affairs and sets a new standard for businesses for responsible tax practice and reporting.

The Fair Tax Mark was achieved following a recommendation made by our Members' Council in 2015, and demonstrates how the Members' Council and the business worked co-operatively to put our [Values, Principles and Purpose](#) into action. We are committed to maintaining the Fair Tax Mark on an annual basis as part of our [tax strategy](#).

Distribution of value added (£m)

	2012	2013	2014 ²	2015
Colleague wages and pension benefits	1,338	1,298	1,223	1,174
Payments to government	231	159	188	191
Distribution to Members	94	62 ³	23 ⁴ 	28⁵
Payments to the community	18	15	8	6
Payments to providers of capital	107	101	114	83
Set aside for capital maintenance and future growth	238	316	287 	270
Total	2,026	1,951	1,843	1,752



2015 target	Progress against target	2016 target
		Maintain our Fair Tax Mark through an annual reaccreditation process

Paying our suppliers

In 2015, the number of days outstanding for payment to trade creditors was 47. This increase compared to 2014 is due to a number of large one-off orders towards the end of 2015. In 2016 we will look to reduce the number of days outstanding.

Trade creditors (number of days outstanding)⁶

	2012	2013	2014	2015
Number of days	39	44	41	47

- Value added = operating profit + colleague costs + depreciation + amortisation + impairment of property plant and equipment; goodwill and intangible assets + significant items (excluding impairment, because already included above). Based on GRI G4 indicator EC1.
- Data for 2014 has been restated to reflect a small change in accounting treatment and the categorisation of some elements of profit and loss and the addition of the contribution of Swipe and Win payments to Members to be consistent with 2015.
- Of which £12.7m was accounted for by promotional vouchers, paid to Members shopping in our stores, over the 2013 Christmas period.
- Of which £22m was accounted for by promotional vouchers paid to Members and £600,000 from Swipe and Win payments.
- Of which £24m was accounted for by promotional vouchers paid to Members and £3.6m from Swipe and Win payments. No Member dividend payments were made in 2014 or 2015. We expect to bring back dividend payments once we enter our 'Renew' phase.
- For all years, data excludes the Co-op Insurance (and, previously, The Co-operative Bank plc) as it refers only to those businesses in the Trading Group. Data for 2013 and 2014 excludes those businesses divested in 2014 (the Co-op Pharmacy, the Co-op Farms and Sunwin Services). Data for 2012 includes those businesses.

Influencing public policy

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

Public policy engagement

For reporting purposes, 'engagement' is restricted to instances where we have raised or supported a significant positive initiative relating to issues already identified as material for our broader sustainability reporting.

Issue	Audience	Engagement	Policy position
Our products and services			
Dairy pricing	Members of the Scottish Parliament's Rural Affairs, Climate Change and Environment Committee	Oral evidence to the Committee about our work with dairy farmers as part of its inquiry into the dairy sector and farmgate prices	We volunteered to provide evidence, which many other retailers were reluctant to do. Against the backdrop of a competitive retail market, and a price-sensitive dairy supply chain, we recognise the importance of ensuring long-term and sustainable relationships with our agricultural suppliers, including those who comprise the Co-op Dairy Group (see Backing British Food section).
Salt and sugar content of products	MPs and Peers in Westminster	Exhibited our own-brand products as an illustration of policy credentials at receptions organised by Consensus on Action on Salt and Health (CASH) and Consensus on Action on Sugar	To date, we have removed the equivalent of over 250 million teaspoons of sugar from our Co-op brand products and we are the only retailer in the UK to have set, publicly, a target to ensure at least 30% of our promotions are on healthier products. We await publication of the Government's <i>Childhood Obesity Strategy</i> later in 2016, but we are not convinced that a voluntary approach will drive change at a pace across the wider food industry (see Healthy living section).
Our communities			
Transport logistics	Members of the Scottish Parliament's Infrastructure and Capital Investment Committee	Oral evidence to the Committee about our transport logistics, including transport to our island stores, as part of the Committee's inquiry into freight and transport in Scotland	Given our extensive store network in Scotland that serves some of the most geographically remote communities, we face logistics challenges shared by no other multiple retailer. As the only retailer to give evidence to the Committee, we provided details of some localised challenges and opportunities across our multi-modal freight transport operations, covering rail, road and sea freight.
Sunday trading	Department for Business, Innovation and Skills	Written submission to the consultation about the proposed reform of Sunday trading legislation	The Government's proposals, ultimately unsuccessful in this Parliament (2015-20), were to devolve decisions about Sunday trading hours in England and Wales to local level. As a business seeking to reconnect with local communities, we recognised the potential of policies with the objective of ultimately empowering and growing local economies. And yet, we had concerns about possible inconsistent approaches, additional operational complexity and consumer confusion. Given that the majority of our stores are less than 3,000 sq ft, the status quo of the Sunday Trading Act 1994 remains welcome.

Issue Audience Engagement Policy position

Our communities continued...

Distribution of funds from Scottish carrier bag levy	Members of the Scottish Parliament (MSPs)	Engagement with all MSPs about our plans to work with local community groups to distribute funds raised through the carrier bag levy in Scotland	In September 2015, thanks to the 5p levy charged on single-use carrier bags and an additional top-up with proceeds from our entire range of carrier bags, we announced a tranche of £750,000 available to community groups in grants of between £200 and £2,500 (see UK communities section). By reaching out to all MSPs, we enabled them to build awareness through their local networks.
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Our people

Apprenticeship levy	Department for Business, Innovation and Skills	Written submission to the consultation about the introduction of the apprenticeship levy	The development of the skills of our 70,000 colleagues is a commitment that is long-standing and deep within our organisational culture. As of October 2015, 2,300 colleagues have undergone apprenticeship training since 2011. We welcomed the Government's ambition to grow and enhance the provision of apprenticeships within the UK. But given that we, along with other large retail businesses, face a rising payroll cost, we emphasised that any future apprenticeship levy must: <ul style="list-style-type: none"> - drive quality apprenticeships, with a strong focus on skills outcome and not just quantity of apprentices; - be simple to implement; and - provide employers with the opportunity to participate in the implementation design of the levy prior to its introduction (see Colleagues section).
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Political expenditure

Motions on political donations were raised at our [Annual General Meetings](#) (AGMs) in 2015 and 2016.

2016 AGM Motion: **approving our political spending on things like subscriptions and donations to parties**

A joint Board and Council motion was tabled, to seek approval to incur political expenditure, including donations and/or subscriptions to political parties, not exceeding £750,000 in total, for the year commencing 1 January 2017.

Of [Members](#) voting, 78.3% voted in favour of the motion. See the [Ethics and sustainability management](#) section.

Trade and business association membership fees and donations

In line with our commitment to transparency in respect of public policy, we disclose all our principal memberships, subscription fees and donations to trade and business associations that engage in public policy activities.

Donations and subscriptions, 2015

<u>Co-operatives UK</u>	£696,812
<u>National Association of Funeral Directors (NAFD)</u>	£235,640
<u>British Retail Consortium (BRC)</u>	£150,855
<u>Law Society</u>	£106,298
<u>Association of British Insurers</u>	£86,665
<u>Co-operative Employers Association</u>	£61,071
<u>International Co-operative Alliance</u>	£59,424
<u>European Community of Consumer Co-operatives (Euro Co-op)</u>	£50,000
<u>IGD Services (Institute of Grocery Distribution)</u>	£47,870
<u>British Institute of Embalmers</u>	£38,490
<u>The Wine and Spirit Trade Association</u>	£21,224
<u>Business in the Community</u>	£19,650
<u>Forum for the Future</u>	£15,000
<u>Employers Forum on Age</u>	£15,000
<u>The Association of Convenience Stores</u>	£12,940
<u>Inclusive Employers</u>	£10,000
<u>International Co-operative and Mutual Insurance Federation (ICMIF)</u>	£9,520
<u>Funeral Planning Authority</u>	£8,240
<u>Scottish Grocers Federation</u>	£7,500
<u>National Association of Memorial Masons</u>	£4,755
<u>Federation of Burial and Cremation Authorities</u>	£4,551
<u>London Benchmarking Group</u>	£4,500
<u>British Nutrition Foundation</u>	£3,500
<u>Business Disability Forum</u>	£3,400
<u>Opportunity Now</u>	£2,500
<u>Race for Opportunity</u>	£2,500
<u>Stonewall</u>	£2,500
<u>Institute of Crematorium and Cemetery Management</u>	£2,450
<u>The Enterprise Forum</u>	£2,100
<u>Irish Association of Funeral Directors</u>	£2,026
<u>Roundtable on Sustainable Palm Oil</u>	£1,554
<u>WWF Global Forest and Trade Network</u>	£1,500
Total	£1,690,035

Ethical investments

Our General Insurance business can influence big issues such as human rights, international development and animal welfare. How? By screening investments against its Ethical Policy.

General Insurance ethical investments

Any investment made by our General Insurance business in fixed-income bonds underpinning home and motor premiums since 2011 has been guided by our Ethical Policy. We ensure compliance by screening any potential new bond against the policy criteria.

The screening is carried out by the dedicated Responsible Investment team within [Royal London Asset Management](#) (CIS) which continues to provide asset management services. Any potentially problematic investments are referred to our in-house team for assessment and final recommendation.

In 2015, 37 fixed-income investment opportunities were screened:

- six of these opportunities were referred for assessment; and
- three of these opportunities were approved, while the other three were declined.

Ecoinsurance - offsetting your emissions

Ecoinsurance, one of the motor insurance products offered by General Insurance, reduces customers' environmental impacts by offsetting 20% of an average car's carbon dioxide emissions for every policy held. Further details can be found in the [Climate change](#) section.



2015 target	Progress against target	2016 target
Continue to screen investment opportunities against our Ethical Policy	Target achieved	Continue to screen investment opportunities against our Ethical Policy



Our carbon offset project providing safe drinking water in Kenya. Photo credit: ClimateCare



co
op

Engaging and
supporting our
people

Co-op Way reporting 2015

We're returning our Co-op to its roots: our colleagues are rediscovering our Co-op difference. And our new Co-op Membership proposition puts our Members and their communities at the centre of our approach and aims to give Members an even stronger voice in how the business is run.

63,102

(90%) of our colleagues are Members (2014: 92%)

More on page 82

8.5%

pay rise for our frontline colleagues in Food, above the initial level set by the Government's National Living Wage

More on page 85

99,000

Members voted in our 2016 AGM and elections (2015 AGM and elections: 90,000)

More on page 90

3.6 million

Members traded with us (2014: 4.1 million), making us one of the world's largest co-operative businesses

More on page 89

Our colleagues: Being Co-op

Our success is built on our colleagues: they serve our Members, and are driving our recovery. We're returning our Co-op to its roots and our colleagues are rediscovering their belief in our Purpose. We're creating a workplace where we all feel responsible, valued, empowered and trusted to do the right thing for our Members, colleagues and customers.

Taking us forward

As we progress on our Rebuild journey, we continue to bring more consistency to our working practices within our businesses and to the way we manage our colleagues. We are improving our colleague motivation through engagement.

How are we doing?

63,102
(90%) of our colleagues are Members (2014: 92%).

73%
colleague engagement score (2014: 67%).

8.5%
pay rise for our frontline colleagues in Food, above the initial level set by the Government's National Living Wage.



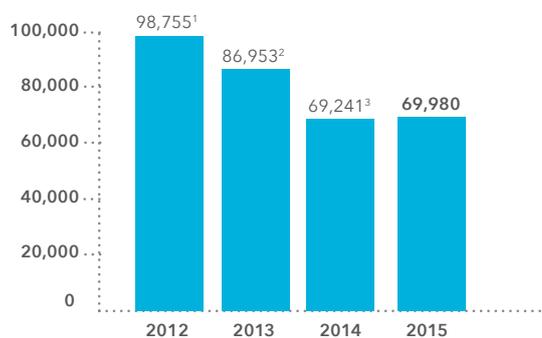
Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol: 

Headcount and colleague turnover

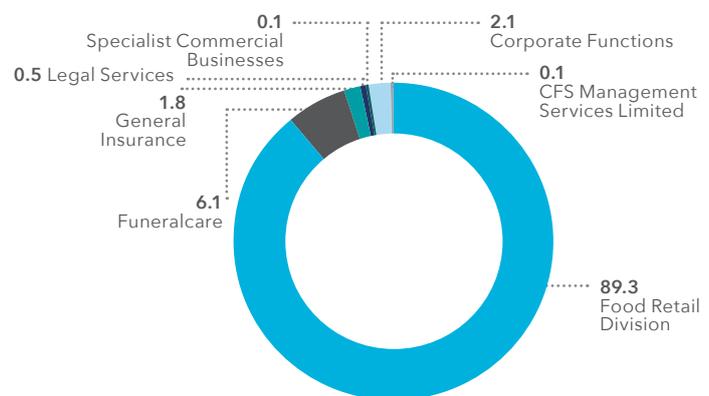
Following a period of significant business change, headcount increased slightly in 2015 compared to the previous year. This reflects our move into the [Rebuild](#) phase of our business strategy, to carry through projects that help support sustainable business growth.

Work has been carried out across much of the business to deliver a new Target Operating Model, to ensure Members and customers remain central to our work. We aim to complete this work in 2016.

Total headcount



Total headcount by business area (%)



Total headcount by business area

Business area	2014 headcount	2015 headcount
Food Retail Division (Co-op Food, Co-op Electricals, Supply Chain Logistics)	61,295	62,459
Funeralcare	4,116	4,292
General Insurance	1,174	1,274
Legal Services	338	355
Specialist Commercial Businesses	105	113
Corporate Functions	2,106	1,452
CFS Management Services Limited	107	35

1. As at 2012 year end

2. As at 2013 year end

3. As at 2014 year end

Trades unions

We have formal recognition agreements with four trades unions⁴. We work in partnership with each one to support colleagues through changes.

For example, in 2015, we consulted extensively with the unions regarding significant changes to pension arrangements. This included establishing an ongoing pension consultation forum with the unions.

We actively encourage colleagues to become union members and also respect the right of colleagues not to join a union.

Controllable turnover

The number of voluntary leavers (which mainly includes resignations, among other reasons – but excludes redundancies) remains the same as in 2014 at 22%, but there are variations between different areas of the business.

The figure reflects the fact that the number of colleagues in our Food Retail Division constitutes by far the largest portion of our colleagues. We expect this turnover rate to decrease as we progress through our Rebuild. All areas of the business except Food and Funeralcare have seen significant decreases in controllable turnover over the last year.

Controllable turnover⁵ by business area, 2015 (%)

Food Retail Division (Co-op Food, Co-op Electricals, Supply Chain Logistics)	23.17
Funeralcare	10.13
General Insurance	20.02
Legal Services	36.34
Specialist Commercial Businesses	23.36
Corporate Functions	9.05
CFS Management Services Limited	5.66
Total	22.01

Colleague Members

We encourage colleagues to become Members of the Co-op, and we had 63,102 colleague Members at the end of 2015, 90% of all colleagues (2014: 92%).



2015 target	Progress against target	2016 target
Deliver a new Target Operating Model for all our businesses to ensure Members and customers remain central to our work	On track	Complete the delivery of a new Target Operating Model across the Co-op

4. We recognise the following trades unions: NACO, USDAW, UNITE and UCATT.

5. Controllable labour turnover is defined as colleagues who leave the business for one of the following reasons: 'Dismissal - Attendance/Absenteeism', 'Dismissal - Gross Misconduct', 'Dismissal - Job Performance', 'Dismissal - Medical Severance', 'Dismissal - Misconduct with Notice', 'Dismissal - UK Eligibility', 'Dismissal - Unsuitable During Probation', 'Resignation - Alternative Employment', 'Resignation - Better Career Prospects', 'Resignation - Better Pay', 'Resignation - Dissatisfaction/Management Style', 'Resignation - Dissatisfaction/Terms of Employment', 'Resignation - Dissatisfaction/Working Conditions', 'Resignation - Ill Health', 'Resignation - Leaving Area', 'Resignation - Long Hours', 'Resignation - Maternity/Pregnancy', 'Resignation - Personal/Domestic Reasons', 'Resignation - Violence in Workplace', 'Resignation - Within Probationary Period', 'Retirement - By Business', 'Retirement - Ill Health Partial', 'Retirement - Ill Health Total'.

Colleague engagement



Colleague engagement is a broad measure of how committed and motivated people are to do their best at work and generate strong business performance; improving it remains a strategic priority.

In 2015, we saw our colleague engagement score return almost to pre-crisis levels, increasing by 6% compared to 73% in 2014. A total of 85% of colleagues completed the survey in 2015 (2014: 82%). Overall connection, affiliation with and enthusiasm about the Co-op has recovered, and advocacy about the Co-op as a place to work is also on the rise.

In 2015, 80% of colleagues feel that they are treated with respect by our leaders (2014: 77%). Eighty eight per cent of colleagues feel that they are treated with respect by their colleagues (2014: 89%) and 88% feel that they are treated with respect by their manager (2014: 87%). We aim to improve on these scores in 2016.

In 2016, we'll do more to refresh the emotional connection between colleagues and the Co-op. We want to empower colleagues to bring the Co-op difference to life every day, and enable leaders and managers to create the conditions for this to happen.

We are investing in the development of 5,000 leaders through a programme which will equip them to inspire, support and release the potential of every colleague in a way that is true to 'Being Co-op'.

Performance benchmark:

When compared to our retail external benchmark (including Aldi, Asda, Tesco, Morrisons and others), most comparable aspects of our colleagues' experiences at work are in line with, or above, the sector average. However, we remain behind the retail average on some outcomes of colleague engagement, such as advocacy of the value of our products and services.

Colleague engagement score (%)

	2013	2014	2015
Engagement score	74	67	73



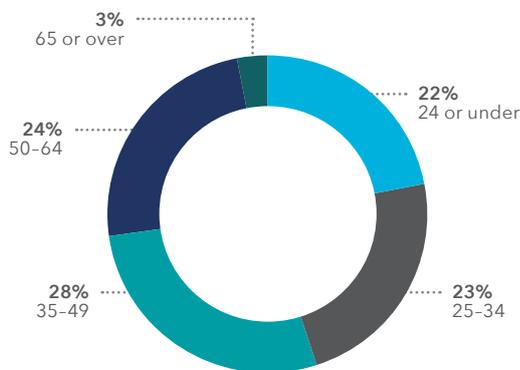
2015 target	Progress against target	2016 target
Monitor whether colleagues feel they are treated with respect by their leaders, managers and fellow colleagues, and aim to improve on the scores achieved in 2014	On track	Monitor whether colleagues feel they are treated with respect by their leaders, managers and fellow colleagues, and aim to improve on the scores achieved in 2015, particularly in 'respect by leaders'
		Continue to refresh the emotional connection between colleagues and the Co-op, empowering colleagues to bring the Co-op difference to life every day. We'll measure progress through our colleague survey, Talkback
		Invest in the development of 5,000 leaders through a programme which will equip them to inspire, support and release the potential of every colleague in a way that is true to Being Co-op

Colleague diversity

Our diverse mix of customers and Members should be reflected in our workforce. A diverse workforce leads to higher engagement, better understanding of the communities we serve, higher levels of innovation and ultimately a better performing Co-op.

Our approach to diversity ensures we remain focused on fair and equal treatment at work. This means we take our responsibilities seriously around age, disability, marriage and civil partnership, pregnancy and parental leave, race, religion and belief, gender, gender reassignment and sexual orientation.

Proportion of colleagues in each age band (%)



Lesbian, gay, bisexual and transgender

Our lesbian, gay, bisexual and transgender (LGBT) colleague network, [Respect](#), had around 700 members at the end of 2015 and 9,700 followers on Twitter. Respect activities help to raise awareness of LGBT issues and the network supports the professional development of its members across the business. We supported four Pride events across Manchester, Brighton, Bristol and Glasgow during 2015.



Performance benchmark:

The Stonewall Workplace Equality Index ranked us 72 in its 2015 index of Britain's top 100 employers actively encouraging 'gayfriendly' places to work (2014: ranked 26).

Age

In 2016, we will complete a three-year project, which we started in 2013, to identify how we can better support our older colleagues. This includes encouraging their continued employment if that is what they choose; since 2006 we have not enforced a retirement age.

Gender, ethnicity and disability

We are a signatory to the Government's [Think, Act, Report](#) initiative, which encourages businesses to embrace gender equality at work by considering issues such as recruitment and retention.

We remain committed to monitoring and reviewing equal pay across the business. Our colleague network, [Aspire](#), is led by and for female colleagues, though anyone can join. It provides career advice, mentoring, personal development and access to senior managers.

In 2016, we aim to re-establish our REACH colleague network, which will focus on race and cultural awareness.

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

	All colleagues	Managers ⁶
Female	56	42
Ethnic minority ⁷	1.87	2.57
Disabled ⁸	0.81	0.74

6. Data for managers is given as a percentage of all managers. A manager is deemed to be any colleague in managerial role bands, or with 'manager', 'head of', or 'director' in their job title, except in the Co-op Insurance where a manager is deemed to be any colleague paid £25,000 or more.

7. Based on colleagues identifying themselves as belonging to an ethnic group.

8. Based on colleagues identifying themselves as having a disability.

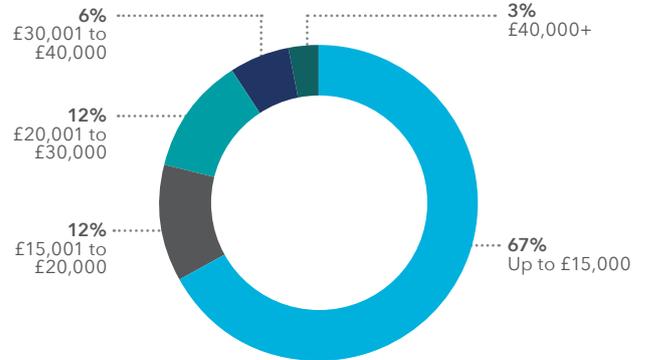
Reward

Attracting, retaining and motivating our colleagues means offering fair reward. In 2015, we've made it clear that pay and other types of reward will be awarded consistently, fairly and transparently.

In future, greater rewards will be given for enthusiastic and efficient customer service, and high performance.

We're committed to ensuring that colleague reward is broadly in line with market practice, while recognising that levels will need to remain affordable. In Food, we raised the pay for our frontline colleagues (approximately 40,000) by 8.5%, taking us ahead of the initial level set for the Government's new National Living Wage.

Proportion of colleagues in each salary band (%)



2016 AGM Motion: colleagues and the National Living Wage

The Council tabled a motion at our 2016 AGM, noting that the National Living Wage has been introduced as a legal requirement from April 2016; and supporting our leadership position in this area. The motion encouraged further positive steps to be taken on colleague pay, with regard to hourly rates recommended as a living wage by the [Living Wage Foundation](#); and called on the business to report on progress in 2017.

Of Members voting, 98.68% voted in favour of the motion. Read more detail [here](#).

Chief Executive pay

Full pay details of our Chief Executive, Executive team and Directors are available in our 2015 [Annual Report](#). At his request, and with the full support of the Board, the Chief Executive has agreed a large reduction in his own remuneration package. The effect of these changes will be to reduce the Chief Executive's maximum total remuneration by more than 60%.

Pensions

Like many large organisations, we've reviewed our pension schemes to make them affordable and ensure they continue to meet more of our colleagues' needs. In 2015, we moved all colleagues to our defined contribution pension scheme that pays a certain sum into a colleague's pension fund every month.

Colleagues who are members of a pension scheme⁹

	2012	2013	2014	2015
% of staff	18	54	57	58

9. Data for 2011-13 includes those businesses which were subsequently discontinued in 2014 (Co-op Pharmacy, Co-op Farms and Sunwin Services). However, 2014 and 2015 data excludes these businesses.



We have raised the contribution levels available to colleagues and also the matching contributions from the Co-op. We continue to work hard to make all colleagues aware of this benefit, especially those in entry-level roles and frontline colleagues. This replaced the defined benefit scheme, Pace Complete, that paid a guaranteed level of income to retirees and which has now closed to future accrual.

Following the Government's introduction of automatic enrolment, pension membership across Group colleagues has continued to grow¹⁰. Our automatic enrolment offer exceeds the minimum required, and we also offer colleagues who do not meet automatic enrolment criteria the opportunity to join and receive the same level of benefit. Colleagues who meet the automatic enrolment criteria can opt out. The opt-out rate is in line with other employers and is less than 10%.

2015 target	Progress against target	2016 target
Develop a reward proposition that is fit for purpose and communicate this to all colleagues to help attract and retain colleagues	Target achieved	Continue to improve our reward proposition to help attract, retain and engage colleagues

Health, safety and wellbeing

Absence

In 2015, we had an absence rate of 4.01% (2014: 3.92%). The main reasons for absence were unspecified or unknown, with the main known absence reason being gastrointestinal problems (by both occurrence and hours).

Whistleblowing

We have a Code of Business Conduct which outlines how we operate in respect of our colleagues and suppliers. As part of this Code, we have a whistleblowing policy and an independent, impartial service called Speak Up for colleagues and suppliers wishing to report misconduct by a Co-op colleague.

All calls are reported annually to our Audit and Risk Committee. During 2015, 246 (2014: 234) correspondences were received, the majority of which were of a low level of concern and 87 reports were recorded¹¹. An independent benchmarking exercise shows that overall we received slightly fewer calls compared to similar-sized organisations.

10. Our pension scheme is also responsible for pension members who have left the business and in 2015, this comprised 44,970 pensioners and 47,695 deferred pensioners.

11. 'Correspondences' refer to calls for advice or calls where the caller decides not to make a report. 'Reports' relate to the official reports made.

Accidents

In 2014, we improved our accident reporting processes across the organisation, which was reflected in an increase in reported figures. Work in compliance across the businesses has helped to reduce the number of accidents occurring in 2015 and this work is ongoing through our 'safe and secure' compliance programme. The absolute number of accidents in 2015 was 377 reportable and 4,851 non-reportable (2014: 462 reportable and 4,868 non-reportable).

Accidents per 100,000 colleagues¹²

	2013 ¹³	2014	2015
Reportable¹⁴	489	667	539
Non-reportable	6,152	7,031	6,930



Apprenticeships

In 2015, we celebrated our 1,000th apprentice joining the business since 2011, and we've ambitious plans to grow this in the future.

Throughout 2015, our Funeralcare business recruited 569 apprentices across roles including Funeral Arranger, Funeral Service Operative and Funeral Director. We have seen a diverse range of colleagues join the business through this programme with many progressing into further roles and higher-level qualifications.

The apprenticeship frameworks have helped us change the way we recruit, providing those without prior experience of the funeral profession with the skills, knowledge and behaviours they need, helping to provide a diverse workforce.

In 2016, we will welcome a cohort of apprentices into our Food business to support our future talent pipeline.

12. As per guidance from the Health and Safety Executive.

13. 2013 figures are restated to exclude business disposed of in 2014.

14. A reportable accident is defined under the RIDDOR regulations as an injury that is not 'major' but results in the injured person being away from work or unable to do their full range of normal duties for more than three consecutive days; or major injuries or fatalities.

Engaging our Members

As a co-operative, we're owned by our Members - and this makes us different from other businesses. Involving Members and making Membership meaningful is very important to us. We aim to give people a real reason to become Members, reward them and give them a voice to shape how we work.



Our new Membership proposition

At our 2016 AGM, we announced our new Membership offer, which we'll launch in autumn 2016. We will reward Members and their communities for trading with us. Every time Members buy Co-op branded products and services (from a loaf of bread to a funeral plan), we'll put 5% of what they've spent into their Membership account, for them to use against their next purchase or to save for another time. At the same time, we'll give 1% of the value of the Co-op products or services they've bought to a local cause chosen by them. We're also looking at new ways to involve Members in making our products and services better, and listening to our Members' thoughts and opinions on what matters most to them.

By 2018, we expect to be giving more than £100m a year directly to Members and their communities.

Members will continue to earn points towards a share of profits, although, as previously reported, we do not expect to make dividend payments until after our [Rebuild](#).

How are we doing?

99,000

Members voted in our 2016 AGM and elections (2015 AGM and elections: 90,000).

215,748

new Members joined in 2015 (2014: 233,153).

3.6 million

Members traded with us (2014: 4.1 million), making us one of the world's largest co-operative businesses.

Number of young Members (total)

	2014	2015
Under 16	35,400	32,010
16-24	266,600	173,750³

Membership in 2015

We are owned by over five million Members. In 2015, a total of 215,748 new individual Members joined us (2014: 233,153) and 3.6 million Members traded with us during the year¹ (2014: 4.1 million ²), making us one of the world's largest co-operative businesses. We also had 120 independent society members that participate in our democracy through our AGM and our Council and engage with us through [Federal Retail and Trading Services Limited](#) (FRTS).

While we did not pay a dividend in 2015, Members redeemed £23.9m of Member-exclusive money-off coupons in Food stores (2014: £22m). Members were also invited to participate in Swipe and Win prize draws with the cash equivalent of £3.6m of prizes (2014: £600,000).



2015 target	Progress against target	2016 target
Encourage new Members to join us each year	Target achieved	We will recruit one million new Members between 2016 and 2021
Continue to reward our Members for their trade with us	Target achieved	Launch our new Membership offer in autumn 2016, including rewards for Members and rewards for their communities, based on Member-purchases of Co-op brand products; and a focus on Member voice We will double sales to Members across our family of businesses by 2021

Giving Members a voice: our democracy

A key way in which Members have a say in our business is through democratic participation.

We implemented our new governance structure in 2015, including the creation of a new Group Board, as reported in our 2014 sustainability report and [Annual Report](#).



2015 target	Progress against target	2016 target
Implement and embed our Governance reform programme	Target achieved	
Implement One Member One Vote (OMOV). To be used for our May 2015 Annual General Meeting	Target achieved	

1. Number of people who traded as a Member with one of our core businesses in the last 12 months, ie excluding Members solely trading with The Co-operative Bank or with other societies.
2. 2014 figure restated to exclude Members solely trading with The Co-operative Bank for like-for-like comparison.
3. The number of Members aged 16-24 reduced significantly in 2015. A large number of young Members joined as a result of The Co-operative Bank merger with Britannia Building Society in 2009, and a significant part of the reduction shown in the table, reflects ageing of this group of young Members.

One Member One Vote

May 2015 saw our first Annual General Meeting (AGM) under our new governance rules, as reported in our 2014 Sustainability Report. Results of motions, together with Board and Council Member responses, can be found [here](#).

At our 2016 AGM, 99,000 Members voted, of whom 750 voted in person (2015: 90,000 voted, of whom 500 voted in person).

Motions were tabled on:

- Political donations
- Member voice
- Ethics and sustainability
- Co-operation between co-operatives
- Colleagues and the National Living Wage
- Fairtrade

Further details can be found [here](#), and summaries are provided in relevant sections throughout our sustainability reporting.

Members' Council

Democratic Member representation with the Co-op is achieved through the election of Members to the Members' Council and Member Nominated Directors on the Group Board (see our [Annual Report](#)). Our Members' Council, comprising 100 elected Members, was established to represent Members and to act alongside our Constitution as guardian of our [Purpose, Values and Principles](#), with the power to hold the Board to account.

2016 AGM Motion: Member voice

The Council tabled a motion at our 2016 AGM, welcoming the progress made in giving individual Members a voice through our formal democratic process, and the work being undertaken to explore wider opportunities for engagement. It called on the Council and Board to continue this work, so that Member voice remains at the heart of the business, and called on the Board to report progress - in particular on the place of Member voice within our revitalised Membership proposition - to the 2017 AGM.

Of Members voting, 98.49% voted in favour of the motion. Read more detail [here](#).



2015 target	Progress against target	2016 target
Support the establishment and operation of our new Member Council	Target achieved	
		The Members' Council will work with Co-operatives UK to develop a set of measures to fulfil the Council role of 'holding the board to account'. The Council will agree effective Key Performance Indicators (KPIs) with the Board to demonstrate that these measures are being delivered

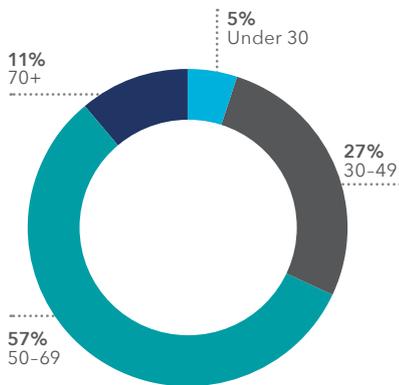


Diversity

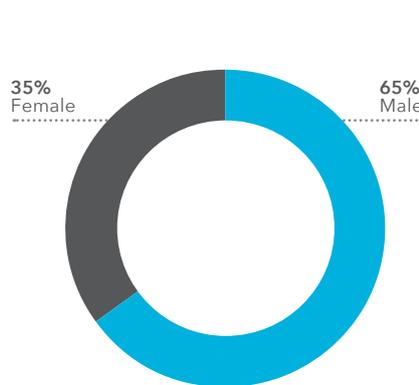
We monitor the diversity of the Members' Council in terms of age, gender and ethnicity (see graphs below), and have a target to increase female representation.

2015 target	Progress against target	2016 target
		Increase the number of female nominees for the Member Council and proportion of female Members elected to the Member Council in 2016

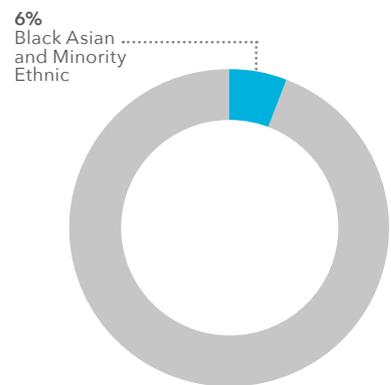
Age (2015)



Gender (2015)



Ethnicity (2015)



Council Members' training

Since late 2015 the Council and the Council Secretariat have been developing a framework for Council training. All Council Members will need to complete two assessed training units per year⁴, to complete all units over three years, and attend a diversity workshop during their first term of office.

In 2015, transitional arrangements applied. Seventy two Council Members⁵ attended induction training on Co-op governance, Co-op businesses, Co-op Values and Principles and the Council's roles and responsibilities. Forty seven Council Members completed additional specific training⁶ on Developing an Engaged Membership and on Values and Principles.

As of March 2016, all 100 Council Members are undertaking training on Effective Governance; 50 have undertaken optional Diversity and Inclusion training, with the remainder scheduled to complete this in 2016.

4. Core units will be; Values and Principles, Membership, Effective Governance, Understanding Financial Information, Understanding Core Business Strategies and Working Together Effectively.
 5. Induction training was optional for sitting Council Members.
 6. Not all Council Members were required to complete this training as they had already completed assessed units post 2010.

Co-operative Young Members' Board

Our Co-operative Young Members' Board (CYMB), an advisory panel of 15 Members aged 16–25, encourages young Members to be actively involved in our business. The CYMB published its [Manifesto for Young People](#) in 2016, setting out its vision for youth creativity and innovation in our democracy and business decision making. Further details can be found [here](#).

The CYMB has also been working with the business in the development of products and services, and actively encouraging young Members to get involved in the AGM.

Giving Members a voice: opportunities to engage

We're working to ensure Members have an even stronger voice across the business – from product development through to shaping our community engagement and campaigning. For example:

- In summer 2015, almost 80,000 Members and colleagues voted, which led to us adopting our campaign to tackle loneliness, and a Charity Partnership with the [British Red Cross](#) – more detail can be found in the [Campaigning](#) section.
- We've been running Community Pilots to evaluate how our Members and colleagues can best deliver our Purpose in their local area – more detail can be found in the [Community](#) section.



2015 target	Progress against target	2016 target
Following sign-off from the Executive in 2015, the Co-operative Young Members' Board (CYMB) will launch and begin to deliver its Manifesto for Young People, providing our vision for youth engagement throughout our business	Target achieved	The CYMB will continue work to deliver its Manifesto and publish an annual report in 2017, detailing progress against each pledge

Members have a range of other opportunities to engage with us throughout the year, at both local and national levels. In 2015 this included: Fairtrade Fortnight (see [Fairtrade](#) section), Co-operatives Fortnight (see [Co-operation](#) section), Co-operative Young Members' Board (see above) and Working on Waste (see [Waste](#) section). Member relations activities are normally funded by the Member dividend. In the absence of a dividend for 2015, the business funded this activity, which amounted to £3.4m (2014: £5.8m). The reduction in funding coincided with the development of the new Membership proposition, which will see an increased investment in Member community and Member voice activities in future years.

In addition, in early 2016 we held 12 'Your Co-op' meetings around the UK, in lieu of a Half Yearly Meeting in late 2015. Attended by more than 750 Members, these meetings enabled Members to:

- Meet current Council Members and candidates standing for election to the Members' Council
- Understand opportunities to participate in the AGM
- Learn about our achievements, including business performance and progress made during Rebuild
- Give feedback on recently-launched products and make suggestions for locally-sourced products
- Mark Fairtrade Fortnight and find out about our community pilot activities including the work of Member Pioneers.



2015 target	Progress against target	2016 target
As part of our work on developing a new Membership proposition, launch around 50 Community Pilots in 2015, including Member-led pilots, known as Co-op Local Forums	Target achieved	Complete evaluation of Community Pilots and formulate next steps

Our customers

We aim to build customer trust and loyalty by listening and responding to our customers' needs. As part of our renewed focus on being Co-op, we want customers to feel that trading with us and engaging with us feels different and better compared to other businesses. The more people that choose us, the better we do, and the more we can share with our Members and their communities.

We engage with our Members and customers to improve insight and encourage involvement in our initiatives and campaigns. And we work to offer a service that aligns with our values and is distinctly Co-op. We also track customer satisfaction across the business; satisfaction scores vary from business to business, reflecting the different market sectors and measurement methods used.

Customer satisfaction

Food

Satisfaction is measured via a quarterly telephone survey, with over 2,000 Co-op customers.

Food customer satisfaction score

	2013 ²	2014	2015
Satisfaction score ¹	7.4	7.4	7.4

Our Food business achieved an average customer satisfaction score of 7.4 out of 10, which was the same as 2014, although below the target for 2015 of 7.7. As part of our [True North strategy](#), we're working to improve our customers' shopping experience, which includes a focus on customer service - through our 'service rocks' initiative, we're working to be friendly, cut queues and enhance complaint handling.



2015 target	Progress against target	2016 target
Achieve a customer satisfaction score of 7.7 out of 10 for Co-op Food	Behind schedule	Achieve a customer satisfaction score of 7.7 out of 10 for Co-op Food
Maintain a Funeralcare Excellence Score (FES) of at least 91.5	Target achieved	Maintain a Funeralcare Excellence Score (FES) of at least 91.5

1. Customer satisfaction score out of 10.

2. Prior to 2013, a different methodology was used for measuring Food customer satisfaction, therefore comparable data is not available for previous years.

Funeralcare

Due to the sensitive nature of the services offered by Funeralcare, we use postal surveys for those who have organised a funeral, used one of our crematoria, or used our memorial masonry service to gather feedback on their experience and how we can improve what we do.

Using this feedback, satisfaction is measured using the Funeralcare Excellence Score (FES): Six questions form the basis of the FES, focusing on things that could have been influenced by the staff at a particular branch. Scoring is designed to create separation between branches/care centres, and places a heavy penalty for less good performance. For all questionnaires returned, an average score is calculated for each question, to give our overall FES. For 2015, our FES was 94.6, exceeding our target of 91.5.

At the end of 2015 both our FES and customer satisfaction reached their highest ever quarterly figures. This result reflects improvements in all six questions which comprise the FES over the last two years. Although year-on-year figures for both FES and

satisfaction are very marginally down, this is against a backdrop of a 1% increase in response rate from our clients to 31%.

We also track the proportion of customers that were satisfied with our service, and in 2015, this was 98.78% (2014: 98.80%).

Funeralcare Excellence Score

	2012	2013	2014	2015
Excellence Score	93.3	93.8	94.7	94.6

General Insurance (Net Promoter Score)

In General Insurance, a new balanced scorecard of measures was introduced to better align to the Board's Key Performance Requirements. The Net Promoter Score was introduced in 2015 as the measure for customer satisfaction. With a target overall score of 30, the business achieved 37.6.

Our story: Helping Christmas flood victims

After storms Desmond, Eva and Frank swept through the North of England in December 2015, a large number of General Insurance colleagues volunteered to work over the Christmas break to help the hundreds of policyholders whose homes were damaged by flooding. Our colleagues dealt with new claims and contacted customers within 250 metres of areas at risk of flooding to see if they needed help. Our loss adjusters also drafted in extra support and severely affected customers received £50 of Co-op Food vouchers to help them through Christmas. 174 customers who were unable to stay in their homes were re-housed in temporary accommodation as quickly as possible. Affected customers were not required to follow the standard claims processes. They were immediately authorised to carry out any emergency repairs to their homes, safe in the knowledge that we would reimburse the full costs to them.

Jonathan Guy, *Head of Claims*, said:

"When I was out visiting our customers, it was clear that they all had differing priorities, so getting to understand what was important to them, and then tailoring the claim appropriately to make sure their needs were taken into account, was really crucial."

We don't expect individuals to be priced out of insurance as a result of the floods and we will not apply an increase to policy excesses for flood cover.



Legal Services

Legal Services scored 88% for customer satisfaction, compared to 89% achieved in 2014. This ranks us highly among legal services firms. But we know we can do better. So we're investing in technology platforms, workflows and training, sharpening our focus on dealing with legal issues quickly and effectively.

Legal Services customer satisfaction (%)

	2013	2014	2015
Customer satisfaction	89	89	88

Electrical

Co-op Electrical received a customer satisfaction rating of 98% from Feefo, the customer feedback service (2014: 98%).

Our story: Championing cost price warranties

Believing that the electrical goods warranty market treats customers unfairly, we've championed the selling of warranties at cost price.

In 2015, our first full year of making cost-price warranties available, three times more people chose to buy them than in 2014. We are the only electrical retailer not to make a profit on selling extended warranties. What's more, our warranty policy is market-leading, covering a wide set of possible claims.

James Holland, *Managing Director, Co-op Electrical*, said: "We've clearly staked out our position as the consumer's champion, the extended warranty sector doesn't have a good reputation. What we are doing is making it fair."



Customer complaints

Customer Care department

The Customer Care department is the first point of contact for escalated complaints from customers who wish to comment on our products, policies and operations, or to find out about the source of own-brand products. This process generates information that helps us understand and respond to emerging customer issues.

Complaints to our central Customer Care department are largely related to our Food business, and the table on the right details the number of complaints we have received about our products.

The number of product complaints received by Customer Care continued to decline in 2015, as did the total number of contacts received. In 2015 the Customer Care department received 161,439 contacts (2014: 166,834³) related to Co-op Food.

General Insurance

The total volume of reportable complaints for General Insurance in 2015 was 7,155 (2014: 6,946).

Product complaints

	2012	2013	2014	2015
Number of complaints	27,007	25,999	25,195	24,552

Customer engagement

Engaging with our customers and Members provides us with valuable insight, and also encourages involvement with the business and our initiatives:

- **Customer panels:** Co-op Food runs a number of programmes where colleague customers sample and provide feedback on products at home or in a test environment
- **Online community:** our online community, Talking Shop, aims to improve our understanding of consumer attitudes and behaviour. 1,000 of our customers take part in our online research and we speak to these customers three times a week, across a variety of topics.

In addition, our [Co-op Young Members' Board](#) offers young Members an insight in product development; we carry out customer-focused research; we engage with Members and customers on our initiatives and campaigns, for example [our campaign and fundraising to tackle loneliness and isolation](#) and [Fairtrade Fortnight](#); and social media remains an important means of talking with customers and Members.

3. Restated to exclude contacts referring solely to non-Food businesses.

Building a strong supply chain

As a co-operative and a large retailer, we have a responsibility to develop mutually beneficial partnerships with our suppliers, in line with our [Values](#).



Fair treatment for our suppliers

We face challenges and opportunities to minimise environmental and social impacts along the supply chain. Through fair relationships with suppliers, we can improve our social and environmental impacts.

How are we doing?

47

days on average, to pay our suppliers (2014: 41).

Largest

We're the world's largest convenience seller of Fairtrade products¹.

400

Almost 400 UK farmers make up our six dedicated farming groups.

Related content can be found in [Ethical trade](#), [Fairtrade](#), [Food and farming](#) and [Biodiversity](#) sections.

Paying our suppliers

We negotiate payment terms with each of our suppliers individually and endeavour to pay them in accordance with their specific payment terms. Further details can be found in the [Economic impact](#) section.

1. Study by independent expert Ian Bretman on behalf of the Co-op, November 2015. Ian has been involved with the Fairtrade movement for over 30 years, starting with a role as Head of Marketing for Oxfam GB's trading division. He spent seven years as Deputy CEO of the Fairtrade Foundation and served four years as Executive Vice-Chair of Fairtrade International. He currently works as Strategic Advisor to the three Fairtrade Producer Networks for Africa/Middle East, Asia/Pacific and Latin America/Caribbean and has just concluded an assignment for Fairtrade International as Project Manager for Fairtrade's global strategic review for 2016-2020.

Ethical sourcing and Fairtrade

Our [Annual Report](#) highlights the principal risks and uncertainties for our business, including risks concerning ethical sourcing.

Our approach to ethical sourcing is primarily focused on the protection of fundamental rights of workers throughout our supply chains. It has been guided, in the main, by our [Sound Sourcing Code of Conduct](#), Sustainable Procurement and Supplier Policy, and our Human Rights and Trade Policy. Further details about ethical sourcing can be found in the [Ethical trade](#) section of this Report.

As the world's largest convenience seller of Fairtrade products, we are committed to leading the way in promoting Fairtrade. We have aligned our approach with the [Fairtrade Foundation's](#) focus on five core categories. Learn more about this work in the [Fairtrade](#) section.



British and local sourcing

Within our Food supply chain, we know that provenance matters to our customers. In line with this, we aim to lead UK convenience retailers in supporting British farmers and growers.

Through our farming groups, we have developed long-term relationships with carefully selected meat and dairy suppliers, and we have also been trialling a local sourcing initiative. Further details on our efforts can be found in the [Backing British food](#) section.

Sustainable sourcing – minimising impacts on biodiversity

We believe that it's important to understand and minimise the impacts that our products and sourcing have on the global environment. This is reflected in our approach to marine and forest stewardship and in our sourcing of products such as palm oil and soya. Learn more in the [Biodiversity](#) section.



Compliance with the Groceries Supply Code of Practice (GSCOP)

GSCOP is a legally binding code that applies to all grocery retailers with a turnover greater than £1bn and is designed to regulate the relationship between supermarkets and their suppliers. It aims to address a number of findings from a Competition Commission investigation of the market for the supply of groceries in the UK. See our [Annual Report](#), pages 69-70 for further details.



Targets

See [Ethical trade](#), [Fairtrade](#), [Biodiversity](#), [Food and farming](#) sections

Food safety and quality control

We are working with suppliers to simplify our supply chains and strengthen our risk management, traceability and quality assurance processes. All Co-op brand suppliers to Co-op Food 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.



co
op

Ethics and sustainability management

Co-op Way reporting 2015

We're re-establishing our distinct Co-op way of doing business. One that puts community and ethical responsibility at the heart of all we do. We're setting ourselves challenging goals that will be relevant and inspiring to our Members. We'll be clear about our objectives, open in our reporting, and look to take leadership positions.

We engaged leaders from across the business and representatives from our Members' Council to review and prioritise the issues that are most material for our business

More on page 103

We came 4th in the 2016 Corporate Register Reporting Award for 'Openness and Honesty'

More on page 105

We set 54 targets for 2015, of which we have achieved or are on track to achieve 47

More on page 106

Our reporting is in accordance with the Global Reporting Initiative (GRI) G4 Guidelines

More on page 106

We've received principles-based independent assurance of our reporting

More on page 107

Ethics and sustainability: our strategy and how we work

We've led the way in many areas of ethics and sustainability over the years, from Fairtrade to sustainability reporting; and as we progress through our [Rebuild](#), we're re-establishing our distinct Co-op way of doing business - placing Members and their communities at the core.

Our return to being Co-op

We've made progress in 2015 and early 2016 to establish a new ethics and sustainability governance structure. This will help us to make our approach to ethics and sustainability more consistent across the business, and identify the areas where we want to be leaders. In line with our ethical values and our Members' expectations, open and honest reporting remains a priority.

How are we doing?

Re-established

our ethics and sustainability governance across the business.

Engaged

We engaged leaders from across the business and representatives from our Members' Council to review and prioritise the issues that are most material for our business.

Open and honest

We came fourth in the Corporate Register Reporting Awards for 'Openness and Honesty'.

Where data has been restated, for example when a methodology for calculating data has changed or an inaccuracy identified, this is indicated by the following symbol: 

Governance and management

In 2015 and into 2016, we re-established our Co-op-wide ethics and sustainability governance.

Co-op-wide governance

Our new Co-op-wide ethics and sustainability governance structures include a new Co-op Way Policy Committee. The committee is chaired by the Chief Executive and made up of Group Executives and Members elected from the Members' Council. Co-op-wide oversight of activities relating to sustainability and ethics is as follows:

- our Group Board and Council have joint responsibility for the approval of policies relating to Co-op values, principles and ethics;
- our Executive is responsible for delivery of the policies through the businesses;
- our internal audit function is responsible for providing assurance on compliance with the policies; and
- the Co-op Way Policy Committee is responsible for reviewing and developing the policies, and for reporting on their implementation into the businesses.

Members' Council

Our Members' Council is a structure that gives Members appropriate powers to hold the Board properly to account for the performance of the business and adherence to co-operative Values and Principles.

The Council has key responsibilities, as set out in our Rule Book, with regard to sustainability, campaigning and community investment, including reviewing and commenting on our sustainability reporting, as part of its 'holding to account' role.

The Council has a number of sub-committees, including the Ethics and Social Responsibility Committee (E&SRC) and the Food Policy Working Group. Responsibilities of the E&SRC include being the guardian of our Values and Principles; providing oversight of our Ethical and Social Responsibilities; and assisting in the development of our Member proposition and development of our Member engagement strategy. The role of the Food Policy Working Group is to work with the business as a consultative body on Food Policy issues.

Over the coming three years, the Council will continue to develop its Meaningful Holding to Account Framework. Within this, there are four emerging priority areas:

- Member value - how it is created, developed and sustained;
- ethical and sustainability leadership;
- Member voice and experience; and
- leadership within the national and global Co-operative Movement.

Embedding sustainability in our businesses

At a business level, the development and oversight of policies relating to sustainability, ethics and co-operative Values and Principles is delivered by forums including the Food Policy Group, which oversees progress on issues relating to food ethics such as healthy lifestyles, animal welfare and Fairtrade; and the Employee Relations and Policy Forum.

These policies are implemented and embedded within our businesses both by a central function, which provides a Co-op-wide perspective, and by functions within the business. These business-based functions include teams within Food, Consumer Services, Strategy, Human Resources, Finance, Procurement, Estates and Membership.

Strategy and materiality

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

Within our new sustainability governance structure, we've started to establish a coherent Co-op-wide approach to addressing co-operative values, principles and ethical, social, environmental and people issues. This is a crucial part of our Rebuild programme and overall business strategy, and is overseen by our new Co-op Way Policy Committee.

UN's Sustainable Development Goals

The year 2015 has seen the launch of the UN's Sustainable Development Goals, which highlight the importance of businesses playing their role alongside governments, non-governmental organisations, civil society and individuals in tackling the global challenges which face us all. They are focused on targets for Dignity, Prosperity, People, Partnership, Planet and Justice.

The Goals link closely to activity we are already involved in, ranging from our ethical trade and Fairtrade programmes to our responsible sourcing. We're exploring where our work currently contributes to the aims and targets of the Goals; and where we can enter into partnerships to innovate and support the work of the UN and the thousands of others who are seeking to achieve these ambitious Goals.

Our process of prioritising sustainability issues covers:

- Member and other stakeholder views;
- our Purpose and business strategy;
- issues raised through the Group's risk management framework;
- our co-operative approach, Values and Principles;
- external standards and benchmarks; and
- societal norms and emerging issues.

It is important to us, as a co-operative business, that our approach incorporates Member input. During the first part of 2016, we engaged leaders from across the business, along with elected Members from our Members' Council, to review and prioritise the issues that are most material for our business.

We did this through a series of scoping and prioritising exercises and calibration workshops. The outcome was to plot our most material issues on a matrix, which will provide a framework for policy review and strategy development that will focus on specific priority issues, as detailed in the diagram below.



2015 target	Progress against target	2016 target
		Carry out a review of our policies and their implementation across our material sustainability and ethical issues (as identified by the prioritisation exercise we conducted in early 2016). Overseen by the Co-op Way Policy Committee, agree a programme of work to further embed each of these in a consistent way across the business



Stakeholder engagement

Engagement with stakeholders is key to creating an accountable and strategic response to sustainability. We have identified six key stakeholder groups: Members; customers; colleagues; suppliers; the Co-operative Movement; and wider society.

During 2015, our stakeholder engagement activities included:

- engaging with business leaders and Council Members to prioritise our sustainability issues;
- giving our Members a stronger voice across our business; for example, in summer 2015, almost 80,000 Members and colleagues voted, and led to us adopting the [campaign](#) to tackle loneliness, and a Charity Partnership with the British Red Cross;
- enabling Members to continue to participate democratically via the tabling of motions and voting at our AGM. In 2015, we implemented governance reforms, and held our first AGM under One Member One Vote (as detailed in the [Annual Report](#)); at our 2016 AGM, 99,000 [Members voted](#), and of these, 750 voted in person (2015: 90,000 and 500 in-person); all six Board, Council and Independent Society motions that were tabled related to issues of sustainability, ethics and co-operation (detailed throughout this report);
- engaging with specific groups: we engaged, for example, with the Co-operative Young Members' Board, an advisory panel of 15 Members aged 16-25, established to encourage our young Members to be [actively involved](#) in our business; and
- continuing customer research on issues of ethics and sustainability for our Food business.

Risk management

We have established a new Co-op-wide risk management process, as detailed in the [Annual Report](#). Persistent risk areas identified on our risk register include sustainability issues such as our reputation as a trusted corporate citizen and ethical sourcing.

2016 AGM Motion: ethics and sustainability

A Council motion was tabled at our 2016 AGM, setting out that ethics and sustainability form 'the backbone of our co-operative identity', supporting the Board in placing ethics and sustainability at the centre of the Group, and calling on the Board to continue progress in 2016/17.

Of [Members](#) voting, 97.73% voted in favour of the motion.

Reporting, target-setting and assurance

For over a decade now, our [sustainability reporting](#) has set out how we are addressing the key sustainability issues for our business. The process of accounting, assurance and reporting on our material social, ethical and environmental issues is important to drive performance and it provides crucial information to our stakeholders.



Performance recognition:

Our 2015 sustainability reporting was recognised as amongst the most open and honest globally, at the Corporate Register Reporting awards 2016, and was ranked fourth.

Openness and honesty

As we re-establish our approach to sustainability management and reporting within our new governance structure, we aim to review our target-setting process, and remain committed to setting ourselves challenging targets and reporting back to our stakeholders on our performance, whether it is good or bad.

We set ourselves 54 targets for 2015, 47 of which have been achieved or are 'on track', as detailed throughout our report.

As well as tracking progress against targets, we believe that better sense can be made of how we're doing if we compare our performance to that of our peers. We include relevant performance benchmarks throughout our reporting, detailing not only where we lead, but also where we strive for improvements¹. We present four years' of performance data to allow year-on-year comparison where possible.

Members' Council review

Our sustainability reporting is reviewed by nominated members of our Members' Council, in line with responsibilities set out in our Rule Book.



2015 target	Progress against target	2016 target
Continue to set new standards for openness and honesty globally	Target achieved	Continue to set new standards for openness and honesty globally

Assurance and the Global Reporting Initiative (GRI)

We engaged [DNV GL](#) to carry out assurance of our sustainability performance both in our annual and sustainability reporting, using their assurance methodology, VeriSustain². DNV GL evaluated how this adhered to the principles of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability; and how performance data adhered to the reliability principle. The areas of performance data in scope are detailed in the [Assurance statement](#).

Our reporting is in accordance with GRI G4 Guidelines (core).

Scope of reporting

Performance relates to the calendar year 2015 (unless otherwise stated) and to our operations and stakeholders. It covers those businesses wholly owned by the Co-operative Group Limited as at 31 December 2015.

Reporting on products sold by the Co-op Food focuses on Co-op brand products. Co-op brand accounted for 45.7% of total Co-op Food turnover in 2015 (a 1.1% increase compared to 2014). Like other retailers, we have greater influence over Co-op brand than we do other branded products, and our priority continues to be to improve the sustainability of these products.

1. In previous years, we have reported our performance in the BITC CR index. We have not completed the index for 2015, as we have focused our efforts on re-establishing our approach to sustainability management and reporting.
 2. VeriSustain is based on DNV GL's professional experience, international assurance best practice including the AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000) and the GRI Sustainability Reporting Guidelines.

Independent assurance statement

Scope and approach

The Co-operative Group Ltd (The Co-op) commissioned **DNV GL Business Assurance Services UK Limited** (“DNV GL”) to undertake independent assurance of sustainability reporting within The Co-op Group Limited Annual Report 2015 (the “Report”) for the year ended 31 December 2015. The scope of the assurance includes the information reported in the Sustainability Review section of the Annual Report and also sustainability related aspects of the Business Review and Our People. This forms the first stage of a two-stage assurance engagement that will also include assurance over additional on-line sustainability performance.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We evaluated the report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We agreed with The Co-op that selected claims would be within the scope of our review and we analysed evidence provided for each claim. DNV GL selected claims to be reviewed, based on their perceived materiality, from the following sections of the Report only:

- Sustainability Review section
- Business Review section
- Co-op People section.

We provide no assurance over data, information or claims in any other section of the Report.

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

- Energy Use and Greenhouse Gas Emissions (including emissions by source)
- Carbon intensity
- Financial support provided to the Co-operative movement
- UK and International community investment
- Community activities and volunteering

We understand that the Co-op intends to report more detailed data on a wider range of issues in its online data centre in July 2016. An evaluation of this performance data will be carried out as part of the second phase of our assurance engagement, and will cover material issues including responsible sourcing.

We understand that any reported financial data and information are based on data which are subject to a separate independent audit process. The review of financial data is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘moderate level’ of assurance.

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

The Directors of The Co-op have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of The Co-op; however our statement represents our independent opinion and is intended to inform all of The Co-op's stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL is also contracted to undertake a review of selected online data that is relevant to the year ended 31 December 2015 and will also post a further opinion online (on The Co-op's web-site) at the time that information is made available publicly. We have no other contract with The Co-op and this is the eighth year that we have provided assurance.

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

Basis of our opinion

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

- Review of the current sustainability issues that could affect The Co-op and are of interest to stakeholders;
- Review of The Co-op's approach to stakeholder engagement and recent outputs including an interview with the Secretary of The Co-op Members' Council;
- Review of information provided to us by The Co-op on its reporting and management processes relating to the Principles;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. The interviewees were selected from a long list proposed by DNV GL;
- Site visits to a Co-op store (Littleborough), a Co-op Funeralcare home (Rochdale) as well as The Co-op's support centre (Manchester) to review process and systems for preparing site level sustainability data and implementation of sustainability strategy. These sites were chosen as being representative of typical operational Co-op sites;
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to the materiality of issues at a consolidated Group level;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

Opinion

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

Observations

Without affecting our assurance opinion we also provide the following observations:

Stakeholder inclusiveness

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

We observed wide and inclusive processes that provide channels for The Co-op's stakeholders to express their views. These mechanisms are founded upon The Co-op's unique and democratic membership structure.

Materiality

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

The Co-op has processes to determine its main sustainability priorities and has relevant mechanisms in place to take stock of emerging priorities. The Co-op Way Policy Committee will now prioritise the policy development programme through The Co-op's "Rebuild" phase and an extension of this process, to sustainability issue prioritisation, would be a positive development.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

The newly transitioned Members' Council and the new Co-op Way Policy Committee provide a refreshed opportunity to reflect upon how stakeholders' views are incorporated into Co-op policy.

Completeness

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

We understand The Co-op plan to disclose further relevant data and information online later this year, in addition to their reporting on the most material issues in this Report. We recommend that The Co-op should review the information included in future reports, taking into account key external developments such as COP 21 and the United Nations Sustainable Development Goals.

Neutrality

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

The Report is well balanced. As the company moves to the end of the "Rebuild" phase of its strategy, future reports should provide a clearer explanation of challenges faced in delivering on its sustainability priorities.



Reliability

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

Overall we have confidence in the processes in place to ensure reasonable accuracy for the information presented in the Report, for the sections that are in the scope of our assurance. In the light of the changes occurring across the business, we recommend that a full review of data protocols used for the Report is carried out, as previously recommended.

**For and on behalf of DNV GL Business Assurance Services UK Limited
London, UK
15th March 2016**

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

Jon Woodhead
Regional Assessment Services Manager and Reviewer
UK Sustainability, DNV GL – Business Assurance

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Independent assurance statement addendum

Scope and approach

The Co-operative Group Ltd (The Co-op) commissioned DNV GL Business Assurance Services UK Limited ("DNV GL") to undertake a two-phase assurance engagement. As part of the first phase, DNV GL conducted independent assurance of sustainability reporting within [The Co-op Group Limited Annual Report 2015](#) (the "Report") for the year ended 31 December 2015. The assurance statement for this phase can be found on pages 107–110.

The second phase included assurance over additional selected performance indicators in the Online Sustainability Reporting. This addendum relates only to the second phase of assurance.

We evaluated the performance indicators in the Online Sustainability Reporting using the reliability principle, together with The Co-op's data protocols for how the data are measured, recorded and reported. Performance indicators were also reviewed for completeness and neutrality, however for detailed findings on these principles please refer to our full assurance statement.

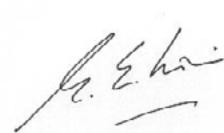
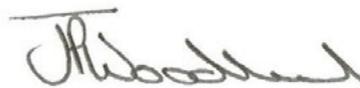
Selected performance indicators in scope for the Online Sustainability Reporting were:

- **Supplier payments**
- **British Sourcing** (% of fresh beef, chicken, ham, pork, sausages, duck, turkey, salmon, milk and eggs sourced from UK farmers)
- **Waste** (total waste, % waste recycled, redistribution of food waste, packaging waste handled by material, % reduction of weight of own brand packaging)
- **Animal welfare** (£m sales of RSPCA Welfare Freedom Food, organic, free range, outdoor bred and traditional breed products, proportion of sales by welfare standard of own-brand eggs and milk, proportion of sales by welfare standard of own-brand fresh meat, poultry and fish)
- **Diet and health** (proportion of products carrying traffic-light labelling that are 'healthy', proportion of promotions for healthier products)
- **Biodiversity** (% of the fisheries used to supply wild fish and seafood products assessed as 'well managed' or 'reasonably managed' fisheries, % own-brand wood or paper products sold in the Co-operative Food that were FSC-certified or recycled, Food business purchase of wood and paper products that were FSC certified or recycled, % FSC certified coffins and caskets manufactured by Funeral care)
- **Energy from renewable sources** (% of electricity from renewables, % from own renewable energy projects)
- **General Insurance ethical screening** (number of fixed-income investment opportunities screened, number of investment opportunities referred to the Ethical Policy Unit, and number of those referred approved)
- **Ethical Trade** (Number of sites and workers on Sedex, and location of audits in 2015, number of supplier events carried out in UK, Italy, Spain, Egypt and Kenya, number of delegates, hours of supplier training /engagement, and number of sites that sell Co-op-brand products in Food stores)
- **Fairtrade** (£m estimated Fairtrade premium, number of Fairtrade products, number of own-brand Fairtrade products, % of Fairtrade sales from seven core categories)

Opinion

On the basis of the work undertaken, and in terms of the reliability of the performance data, nothing came to our attention to suggest that the data reviewed for the Online Sustainability Reporting have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Overall we have confidence in the processes in place to ensure reliability of the data presented in the Online Sustainability Reporting, for the indicators that are in the scope of our assurance. Taking into account the sustainability related information presented in both The Co-op Group Limited Annual Report 2015 and the 2015 Online Sustainability Reporting, the Co-op has delivered reporting that is complete and neutral and covers material issues.

For and on behalf of DNV GL Business Assurance Services UK Limited**London, UK**26th May 2016

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

Jon WoodheadRegional Assessment Services Manager and Reviewer
UK Sustainability, DNV GL – Business Assurance

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Performance against targets

Ethical trade and human rights

Ethical trade

2015 target	Progress against target	2016 target
By the end of 2017, ensure all key suppliers in focus countries ¹ have participated in supplier engagement activities, and encourage the establishment of local forums, promoting strong human rights systems and colleague engagement	On track During 2015, 17 supplier events were carried out, in the UK, Italy, Spain, Egypt and Kenya. These reached 696 delegates who represented 530 sites, amounting to over 4,815 hours of supplier training/engagement	By the end of 2017, ensure all key suppliers in focus countries have participated in supplier engagement activities, and encourage the establishment of local forums promoting strong human rights systems and colleague engagement. We will deliver 20 events reaching 800 delegates, across 6 countries in 2016.
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	Target achieved Own-brand food suppliers continue to be reviewed against our Human Rights and Trade Policy	Continue to champion human rights in our supply chains through our Human Rights and Trade Policy, which sets out the conditions under which we will, as a last resort, curtail trade with a particular state or settlement
Continue to implement our Sustainable Procurement and Supplier Policy (SPSP) to goods and services of high or medium ethical risk	Target achieved We continued to implement our SPSP during 2015	Carry out a review of our SPSP and its role in helping us meet our commitments on ethical procurement

1. Current focus countries in our supplier engagement activities are the UK, Spain, Italy, Egypt, Morocco, Kenya and South Africa.

Fairtrade

Remain the UK's largest convenience supporter of Fairtrade

Target achieved

In November 2015, an independent report was commissioned, that demonstrated that we are the largest convenience seller of Fairtrade products in the world. Full year 2015 Kantar data shows that we have a 75% share of the UK Fairtrade convenience market

Remain the UK's largest convenience supporter of Fairtrade

Extend commitments on the Fairtrade Foundation's focus commodity areas. In 2016, investigate how we can support cocoa farmers beyond our chocolate category; and extend our commitment in horticulture beyond roses and into other varieties

Continue our Beyond Fairtrade programme through the implementation of two new projects with our wine producers and the creation of two additional community support projects funded by donations through growingstories.coop, completing our £25,000 share fund by November 2016

Continue to promote Fairtrade and Fairtrade products and launch a community-focused Fairtrade campaign

Target achieved

In September, we started a 15-month period of in-store Fairtrade promotion, each month seeing at least one Fairtrade communication on one of our core categories

We also launched our growingstories.coop hub and 12-month online social media campaign, which was highlighted at Fairtrade Fortnight through in-store activity, events, new resources and competitions

Continue to promote Fairtrade and Fairtrade products, and promote Growing Stories in store until the campaign ends in November 2016

Community and society

UK communities

2015 target	Progress against target	2016 target
Continue to be socially inclusive, maintaining a physical presence in every postal area in the UK	Target achieved There is a Co-op store in every postal area, with over 2,800 food stores and almost 1,000 funeral homes across the UK	
Invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy	On track In May 2016, we announced how we will invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy	Invest money from our entire carrier bag range in UK-wide community projects, above and beyond investment made in community projects through the carrier bag levy
Extend our Community Pioneers programme to at least 650 stores and local communities and invest in the ongoing development of our existing Community Pioneers, by delivering a training and development programme to 500 Pioneers	Close to target We expanded our in-store Community Pioneers programme to 829 stores by the end of 2015 (2014: 500) 350 colleagues, including 266 Community Pioneers, attended a Community Pioneer Development Day, equating to 2,800 hours of development	Extend our Community Pioneers programme to 1,100 stores and local communities during 2016
Establish a go-forward position for the Co-operative Foundation, including an appropriate management structure, Trustee body, strategy and funding	Close to target The new Trustee board composition has been agreed; a Foundation Manager appointed; and broad strategic direction has been set by the Trustees. Existing funding arrangements continued in 2015, pending finalisation of the new strategy	Appoint Trustees in line with agreed new board structure. Conduct stakeholder consultation, develop three-year strategic plan and launch new programmes
		Launch our new Membership offer, including a donation of 1% of the value of Co-op brand products or services bought by Members to local causes

International communities

2015 target	Progress against target	2016 target
Continue to raise money through sales of Fairbourne Springs bottled water to raise vital funds for global poverty charities	Target achieved In 2015, sales of Fairbourne Springs bottled water led to a donation of £745,000, which went to water projects in rural communities across Africa	Continue to raise money through sales of Fairbourne Springs bottled water to raise vital funds for global poverty charities

Campaigning

2015 target	Progress against target	2016 target
Encourage Members and colleagues to vote to choose a national issue that is relevant to our communities, on which we will fundraise and campaign with a charity partner	Target achieved In summer 2015, almost 80,000 Members and colleagues voted for us to tackle loneliness in a charity partnership with the British Red Cross	Launch a campaign to make a long-lasting difference on the issue of loneliness
		Raise £3.5m by January 2017 to support those experiencing loneliness

Co-operation

2015 target	Progress against target	2016 target
Expand the Co-operative Power Energy Club further, to include a greater number of organisations	Target achieved The Club has expanded during 2015, and now offers energy services for 40 organisations throughout the UK, including 15 Co-operatives and five charities	
		Transfer our business archive into the National Co-op Archive in Holyoake House, Manchester
		Provide support to Co-op News to become more financially self-sufficient by providing an improved digital service to its readers
Continue our sponsorship of the Academies programme via the Co-operative Academies Trust	Target achieved Our sponsorship has continued, and an eighth academy joined the Trust in 2016	Continue our sponsorship of the Academies programme via the Co-operative Academies Trust, to support its target to grow to 14 academies by 2018

Healthy living

2015 target	Progress against target	2016 target
Ensure that Co-op brand healthier range products are no more expensive than standard equivalent lines	Target achieved 100% compliant	Ensure that Co-op 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	Target achieved The Simply Value range is being dropped. We monitored this target until mid-2015, at which point the nutritional value of the range was at least as good as standard equivalent lines	
Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality	Target achieved We aim to ensure that all new or reformulated products meet the Department of Health's 2017 salt reduction targets subject to technical, quality and food safety constraints, and at the end of 2015, 87% of products complied. We also reduced sugar in our Co-op brand chilled juices, low fat yogurts and breakfast cereals. We have reduced the saturated fat in our range of Truly Irresistible sausages by an average of 12%	Continue to target salt, saturated fat and sugar reductions in key products, while maintaining food safety and product quality. Focus will include drinks, breakfast cereals, flavoured milks and sauces
Support our customers to drink responsibly by running alcohol awareness campaigns and offering customers a choice of lower alcohol and alcohol-free products	Target achieved We supported the Drinkaware 'Cut Back and Feel Better' campaign in 2015. We will continue to support our customers to drink responsibly in 2016	
Ensure at least 30% of Co-op brand food products that carry traffic-light labelling are healthy	Target achieved 42% of Co-op brand food products that carry traffic light labelling were healthy	Ensure at least 30% of Co-op brand food products that carry traffic-light labelling are healthy
A minimum of 30% of food promotions will be for healthier offerings	Target achieved 32% of food promotions in 2015 were for healthier offerings	A minimum of 30% of food promotions will be for healthier offerings
Encourage Members to increase their consumption of fruit and vegetables through targeted incentives such as money-off coupons	Target achieved We continued our smart coupon scheme for fruit and vegetables in 2015. In July 2015, we also made major improvements in the availability and price of fresh fruit and vegetables in all our stores - Fresh Three is a new promotional offer that gives customers the choice of three great quality products all at low prices, which changes every three weeks. We will continue our work in this area in 2016	

Food and farming: respecting animal welfare

2015 target	Progress against target	2016 target
Report the impact of our farming group animal welfare standards	<p>Target achieved All farms in our farming groups supply monthly input and outcome health and welfare data to our database</p> <p>We have reported on animal welfare performance against these Key Performance Indicators</p>	Report input, outcome and quality and consistency measures relating to animal welfare from all farms in our farming groups on an annual basis
		Assess ourselves against external animal welfare benchmarks
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 Co-op brand products are at least free range	<p>Target achieved We have provided customers with a range of higher welfare products</p> <p>All shell eggs and egg ingredients in Co-op brand products are at least free range</p>	
Continue to take a lead on the issue of animal testing of cosmetic and household products	<p>Target achieved All our Co-op 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 and farming: backing British food

2015 target	Progress against target	2016 target
		Extend the British lamb season and stock three lamb lines that are exclusively British all year round
		Invest a total of £1.5bn to source 'own-brand' British meat, produce and dairy products from the UK between 2015 and 2018
		Launch new farming groups to cover eggs, turkey and standard beef and lamb

Environment and resource use

Climate change

2015 target	Progress against target	2016 target
Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006	On track Direct GHG emissions from operations have reduced by 43%, compared with 2006	Reduce direct GHG emissions from operations by 50% by 2020, compared with 2006
Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will work towards a BREEAM 'Outstanding' rating 'In-Use'	Behind schedule BREEAM 'In-Use' requires two years of full occupancy before data can be assessed. Over the past two years, we have been working to ensure all building systems are working optimally; and collating and reviewing the post-occupancy data that's required to secure the BREEAM 'In-Use' rating, to assess whether securing the rating remains appropriate	Having completed the construction of our business support centre that sets new standards in sustainable design and construction, we will review the data to assess whether it remains appropriate to work towards a BREEAM 'Outstanding' rating 'In-Use'
Generate the equivalent of 25% of our electricity needs from renewable sources by 2017	On track Output from our renewable energy installations in 2015 represented approximately 15% of our electricity requirements (2014: 12%). Our fourth wind farm development is currently under construction and due to be operational by the end of 2016. It is projected to generate 83 GWh per year	Generate the equivalent of 25% of our electricity needs from renewable sources by 2017
Continue to source carbon offsets from a portfolio including international co-operative projects	Target achieved In 2015, we continued to source carbon offsets from a portfolio including international co-operative projects	We will continue to source carbon offsets from a portfolio including international co-operative projects

Waste

2015 target	Progress against target	2016 target
Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste	Close to target Reuse/recycling rates have increased significantly due to the roll out of waste backhauling, and overall waste volumes have remained stable in 2015	Having rolled out waste backhauling across nearly 2,800 Food stores, we will strive to achieve zero waste to landfill and continue to drive up recycling levels and reduce overall waste
Expand our work with charities such as FareShare on food waste	Target achieved We redistribute surplus fresh food from our operations to people and communities suffering from food poverty, via the charity FareShare. We increased our efforts during 2015, distributing 306 tonnes of food from depots (up from 82 tonnes in 2014). This redistributed food was enough to provide 730,000 meals for those in need. We also carried out a trial in Leeds to explore redistribution of food waste from small stores	Redistribute 500 tonnes of surplus fresh food from depots via FareShare and other charities
Work with the industry and the British Retail Consortium (BRC) to develop a standard method for measuring and reporting the food waste generated within the food retail sector	Target achieved In 2015, a methodology for reporting food waste was developed and the Co-op along with six other food retailers (accounting for 87% of the UK grocery sector) collectively reported food waste data. As a result it has been estimated that the food retail sector accounts for 1.2% of UK food waste	
As part of the IGD's Working on Waste project, we will continue to raise awareness of how household food waste can be reduced	Target achieved We have continued to raise awareness of how household food waste can be reduced. In 2015, we published intranet articles for colleagues, produced a short online video that was sent to 500,000 Members, set up a dedicated webpage on Make Your Food Go Further and engaged with Members, colleagues and customers through all our social media channels. This household waste-focused campaign from the IGD has now ended and for 2016, will instead focus on leadership events	
Work with suppliers to increase the recyclability of our packaging	Close to target In 2015, the recyclability of our own-brand packaging remained stable. We have been engaging with local authorities, recyclers, expert trade bodies and suppliers to develop a plan of changes we will make to our packaging to improve recyclability and to encourage more local authorities to collect more packaging for recycling. We have also been working with RECOUP (a plastics recycling industry body) to find ways to positively influence future plastics recycling	Work with suppliers to increase the recyclability of our packaging

Waste (continued)

2015 target	Progress against target	2016 target
Reduce the number of carrier bags used by Co-op Food by 75%	Close to target We reduced the number of carrier bags distributed in 2015 by 74% compared to 2006. With the introduction of the carrier bag levy in England from October 2015, we expect a reduction of more than 80% in subsequent years	

Water

2015 target	Progress against target	2016 target
Reduce water consumption across our operations by 30% by 2016, based on 2010	On track Water consumption has reduced by 9% compared with 2010. Water consumption per site has reduced by 23% over the same period	Reduce water consumption across our operations by 30% by 2016, based on 2010

Biodiversity

2015 target	Progress against target	2016 target
Maintain our position as one of the UK's most responsible retailers of fish	On track Implemented our Responsible Fish Sourcing Standard. Removed high-risk fisheries from supply where there was no sign of improvement	Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell
Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products	On track We maintained our Graduate Status of the WWF-UK Forest and Trade Network and were awarded the highest level 'three trees' in the WWF UK Timber Scorecard	Aim to be the UK's leading retailer on forest protection and maintain our leading work on wood and paper products
Continue to work towards ensuring palm oil used in all Co-op brand products comes from a sustainable, segregated CSPO source, by reducing our reliance on GreenPalm certification	On track 100% of our palm oil (both food and non-food products) is from certified sustainable sources; 90% of palm oil used within food products is from Segregated, Mass Balance or Identity Preserved CSPO sources (2014: 84%); and the remainder is covered by GreenPalm Certificates	Ensure palm oil used in all Co-op brand products comes from a sustainable, segregated CSPO source by 2020 by reducing reliance on GreenPalm
		Develop our Responsible Soya roadmap, which will aim to bring us into line with our work on other areas of concern for deforestation such as wood, paper and palm oil Buy RTRS credits to cover some of the soya within our animal feed

Chemicals

2015 target	Progress against target	2016 target
Following our Pesticide Management Evaluation exercise, develop a recommendation paper in 2015, and formalise details of our management approach and the timescales for implementation	Target achieved The new system was implemented in December 2015	
Maintain the number of residue tests conducted per annum at the same level as the previous year	Target achieved 223 tests were conducted both in 2014 and 2015	Increase the number of residue tests conducted in 2016 to over 400
Review activity to ensure compliance with REACH regulations, with a risk-assessed programme to be initiated in 2015	Target achieved In 2015, our REACH testing programme included all of our toothbrushes, Christmas toys and Halloween products. In 2016, this testing programme will be widened to incorporate both medium- and high-risk categories/products	

Business ethics and behaviour

Economic impact

2015 target

Progress against target

2016 target

Maintain our Fair Tax Mark through an annual reaccreditation process

Ethical investments

2015 target

Progress against target

2016 target

Continue to screen investment opportunities against our Ethical Policy

Target achieved
37 fixed-income investment opportunities were screened in 2015

Continue to screen investment opportunities against our Ethical Policy

Our people

Colleagues

2015 target	Progress against target	2016 target
Deliver a new Target Operating Model for all our businesses to ensure Members and customers remain central to our work	On track We continue to work to deliver a new Target Operating Model for certain areas of the Co-op	Complete the delivery of a new Target Operating Model across the Co-op
Monitor whether colleagues feel they are treated with respect by their leaders, managers and fellow colleagues, and aim to improve on the scores achieved in 2014	On track In 2015, 80% of colleagues felt that they were treated with respect by our leaders (2014: 77%). 88% of colleagues felt that they were treated with respect by their colleagues (2014: 89%) and 88% felt that they were treated with respect by their manager (2014: 87%)	Monitor whether colleagues feel they are treated with respect by their leaders, managers and fellow colleagues, and aim to improve on the scores achieved in 2015, particularly in 'respect by leaders'
		Continue to refresh the emotional connection between colleagues and the Co-op, empowering colleagues to bring the Co-op difference to life every day. We'll measure progress through our colleague survey, Talkback
		Invest in the development of 5,000 leaders through a programme which will equip them to inspire, support and release the potential of every colleague in a way that is true to Being Co-op
Develop a reward proposition that is fit for purpose and communicate this to all colleagues to help attract and retain colleagues	Target achieved In 2015, we agreed a pay deal for approximately 40,000 colleagues in front-line roles within Co-op Food Stores, taking us above the Government's new National Living Wage. We also reviewed our pensions scheme to make it affordable and ensure it continues to meet more of our colleagues' needs	Continue to improve our reward proposition to help attract, retain and engage colleagues

Membership

2015 target	Progress against target	2016 target
Encourage new Members to join us each year	Target achieved 215,748 new Members joined us in 2015	We will recruit one million new Members between 2016 and 2021
Continue to reward our Members for their trade with us	Target achieved As indicated last year, we made no dividend payments to Members in 2015 and we have been clear that this will continue while we are in the Rebuild phase While we did not pay a dividend in 2015, Members redeemed £23.9m of Member-exclusive money-off coupons in Food stores (2014: £22m). Members were also invited to participate in Swipe and Win prize draws with the cash equivalent of £3.6m of prizes (2014: £600,000)	Launch our new Membership offer in autumn 2016, including rewards for Members and rewards for their communities, based on Member-purchases of Co-op brand products; and a focus on Member voice We will double sales to Members across our family of businesses by 2021
Implement and embed our Governance reform programme	Target achieved We implemented our new governance structure in 2015, including the creation of a new Group Board. For more, see our Governance review in our Annual Report	
Implement One Member One Vote (OMOV). To be used for our May 2015 Annual General Meeting	Target achieved May 2015 saw our first Annual General Meeting under new governance rules, with the implementation of OMOV	
Support the establishment and operation of our new Member Council	Target achieved We have established the structure and ways of working for our Members' Council	The Members' Council will work with Co-operatives UK to develop a set of measures to fulfil the Council role of 'holding the board to account'. The Council will agree effective Key Performance Indicators (KPIs) with the Board to demonstrate that these measures are being delivered
		Increase the number of female nominees for the Member Council and proportion of female Members elected to the Member Council in 2016
Following sign-off from the Executive in 2015, the Co-operative Young Members' Board (CYMB) will launch and begin to deliver its Manifesto for Young People, providing our vision for youth engagement throughout our business	Target achieved The CYMB has published and began work to deliver its Manifesto for Young People. They have been working with the business in the development of products and services, and actively encouraging young Members to get involved in the AGM	The CYMB will continue work to deliver its Manifesto and publish an annual report in 2017, detailing progress against each pledge
As part of our work on developing a new Membership proposition, launch around 50 Community Pilots in 2015, including Member-led pilots, known as Co-op Local Forums	Target achieved We've been running over 50 Community Pilots, including Co-op Local Forums which are facilitated by Member Pioneers. See UK communities for more	Complete evaluation of Community Pilots and formulate next steps

Customers

2015 target	Progress against target	2016 target
Achieve a customer satisfaction score of 7.7 out of 10 for Co-op Food	Behind schedule The Food business achieved an average customer satisfaction score of 7.4 out of 10, which was the same as 2014, although below the target of 7.7	Achieve a customer satisfaction score of 7.7 out of 10 for Co-op Food
Maintain a Funeral Excellence Score (FES) of at least 91.5	Target achieved Funeralcare's Excellence Score for 2015 was 94.6, exceeding its target of 91.5	Maintain a Funeral Excellence Score (FES) of at least 91.5

Suppliers

Targets

See [Ethical trade](#), [Fairtrade](#), [Biodiversity](#), and [Backing British Food](#) sections

Ethics and sustainability management

Our strategy

2015 target	Progress against target	2016 target
		Carry out a review of our policies and their implementation across our material sustainability and ethical issues (as identified by the prioritisation exercise we conducted in early 2016). Overseen by the Co-op Way Policy Committee, agree a programme of work to further embed each of these in a consistent way across the business
Continue to set new standards for openness and honesty globally	Target achieved Our 2014 report came 4th in the Corporate Register Reporting Awards (CRRRA) 'Openness and honesty' category 2016	Continue to set new standards for openness and honesty globally