

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

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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

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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

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

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

More on page 3

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
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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