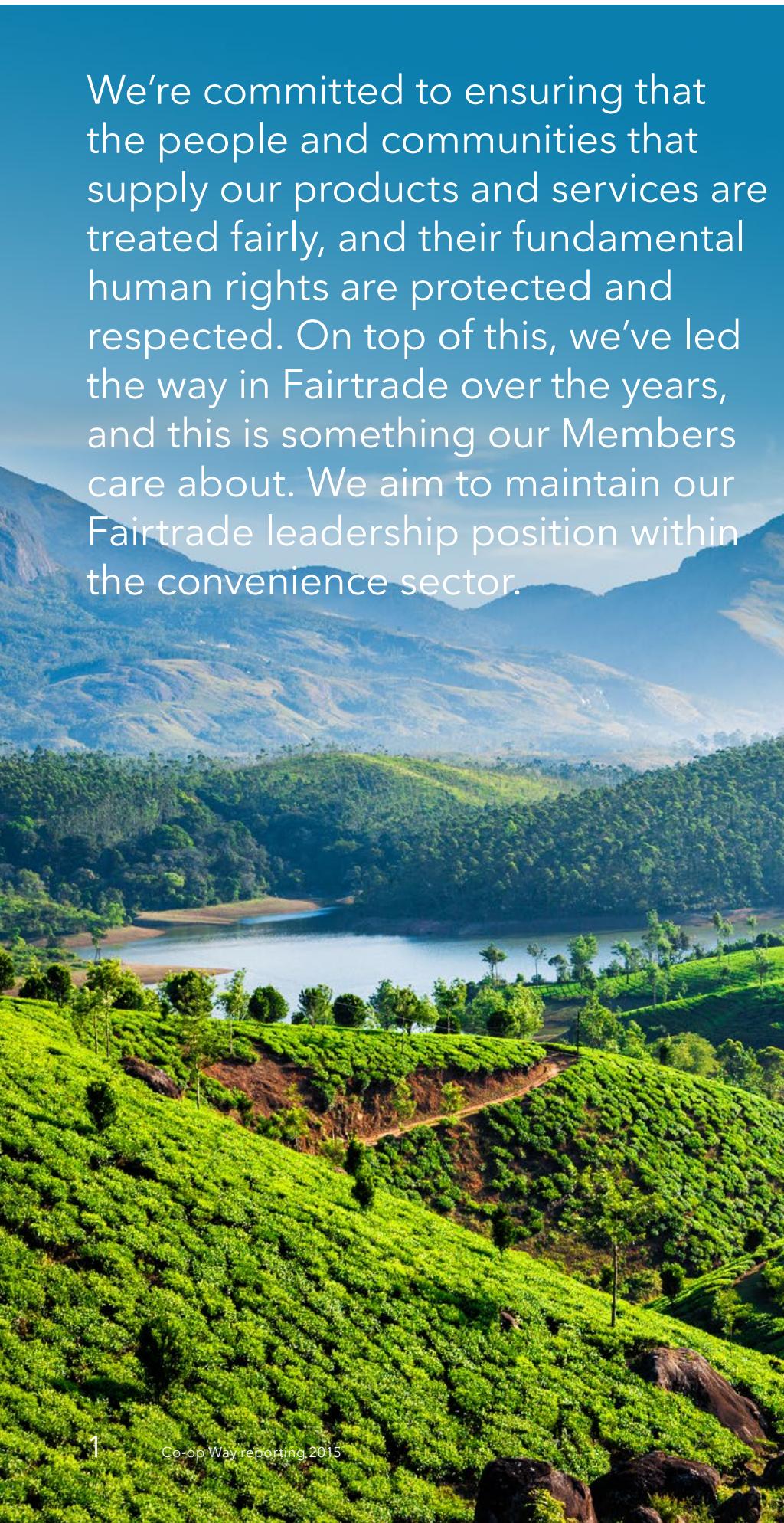


A close-up photograph of a woman's hands holding a bunch of green, unripe bananas. She is wearing a dark-colored, patterned cloth wrapped around her waist. The background is dark and out of focus.

co  
op

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 3](#)

**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 5](#)

**No.1**

We're the largest global convenience seller of Fairtrade products

[More on page 7](#)

**£2.8m**

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

[More on page 10](#)

# 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 sites<sup>1</sup> 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-one<sup>2</sup> 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 suppliers<sup>3</sup> 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 audits<sup>4</sup> to monitor compliance with our sound sourcing criteria. A total of 512<sup>5</sup> 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-announced<sup>6</sup>.

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
<b>Total</b>	<b>1,709</b>	<b>568,962</b>	<b>512</b>	<b>1,675</b>



3. Suppliers deemed to be 'in scope' include all tier-one and tier-two sites in high-risk product categories.
4. 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).
5. 512 sites with valid audits (342 tier-one; and 170 tier-two).
6. 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-two<sup>7</sup>) 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		Tier-one		Tier-two	
Exploitation of labour	5	4	1	2	1	1	-	3	2	-	-	-	-	-	-	-
Freedom of association	12	8	3	2	3	2	5	4	1	-	0	-	-	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	-	1	-	-	-
Living wages to be paid	152	20	27	8	45	4	72	7	3	-	5	-	5	1	-	-
Working hours are not excessive	221	29	48	12	57	10	104	3	7	3	4	-	4	1	-	-
No discrimination	10	-	3	0	2	-	3	-	0	-	2	-	2	-	-	-
Regular employment	155	93	60	44	41	21	49	23	2	2	3	-	3	3	-	-
No harsh or inhumane treatment	11	8	5	6	1	-	3	2	1	-	1	-	1	-	-	-
Other issues	29	24	17	9	3	6	7	6	0	1	2	-	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 <sup>8</sup> 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 produce<sup>9</sup> 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	<b>Target achieved</b>	Carry out a review of our SPSP and its role in helping us meet our commitments on ethical procurement

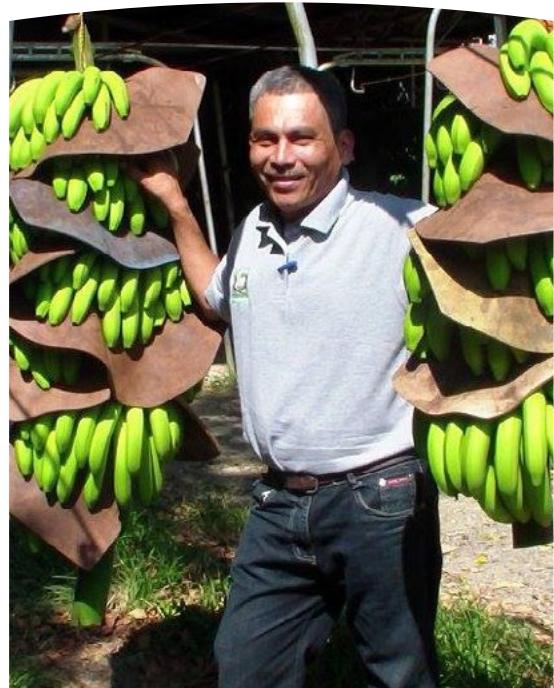
## Modern slavery

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 products<sup>1</sup>.

**Largest**  
global retailer of  
Fairtrade wines<sup>2</sup>.

**£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 format<sup>3</sup>, 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 stores<sup>4</sup>.



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:

						
<b>wine</b> World's largest retailer of Fairtrade wine (32% of world market)	<b>bananas</b> 100% Fairtrade	<b>chocolate</b> 100% Co-op brand chocolate bars are Fairtrade. For Easter 2016, all our Co-op brand Easter eggs will be Fairtrade <sup>5</sup> ; and in 2016, we will investigate how we can support cocoa farmers beyond our chocolate category	<b>coffee</b> 100% Co-op brand is Fairtrade	<b>tea</b> 100% Co-op brand is Fairtrade	<b>sugar</b> From 2016, all bags of sugar sold in our shops (Co-op brand and other branded) will be Fairtrade	<b>flowers</b> 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%<sup>6</sup>.



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, northwest 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](http://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	<b>Target achieved</b>	Continue to promote Fairtrade and Fairtrade products, and promote Growing Stories in store until the campaign ends in November 2016