

Co-op Way Report 2018

Our ethics and
sustainability performance



co
op

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33% reduction in our direct greenhouse gas emissions since 2016

It's important to our members that their business is run in an ethical and sustainable manner. For over a decade we've been committed to providing members with a comprehensive report on our ethics and sustainability performance to help them understand how we're doing on the issues that matter to them.

We recognise that many members want to receive this information in a short summary, while others welcome, and indeed require more detail and full transparency on our performance, to evaluate how we're doing. So our report is in two parts: an Overview and a Performance Data Report.

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£39m raised for local causes since the launch of our Local Community Fund in 2016

Page 7

Co-op Academies Trust ran 18 academy schools at end of 2018



Page 13

1st UK retailer to ensure that Fairtrade producers benefit where coffee, tea and bananas are used as an ingredient in our products



About us

Our main markets

Food retail

Over **54,000** colleagues
2,582 Co-op Food stores
Sales: £7,247m

Insurance¹

Over **1,100** colleagues
Revenue: £323m

Funeral services, legal services and life planning

Over **2,000** colleagues
1,049 funeral homes
Sales: £317m

Our Annual Report provides more detail.

We're the UK's largest consumer co-operative, with 4.6 million active members and a presence in every postal area in the country.

We're a major food retailer and wholesaler; we're the largest funeral provider in the UK; we provide life planning services and sell insurance products. Our businesses are all UK-based and our main support centre is in Manchester.

Since 1844 our Co-op has always been a business with a clear social commitment. We exist to create value for our members and the communities in which we trade and can only achieve this by running a successful Co-op. We launched our 'Stronger Co-op Stronger Communities' ambition at the beginning of 2018:



“ We're building a stronger Co-op and stronger communities

▼

By championing a better way of doing business

▼

Because we care about the world we share

▼

So when you spend with the Co-op it does good ”

Our purpose is **championing a better way of doing business for you and your communities.**

Co-operative values and principles

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

The co-operative principles are guidelines by which we put our values into practice.

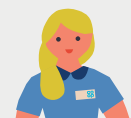
1. Voluntary and open membership



2. Democratic member control



3. Member economic participation



4. Autonomy and independence



5. Education, training and information



6. Co-operation among co-operatives



7. Concern for community



¹ At the beginning of 2019 we announced the sale of our insurance underwriting business to Markerstudy for £185m which is expected to complete in the first six months of 2019.

CEO Statement



This year we'll celebrate 175 years of the consumer co-operative movement in Britain.

Today, the challenges we face in our communities, as a nation, and globally, mean the values of co-operation are looking more relevant and more urgent than at any time in our history. More and more people expect to see big business operate in ways that are both just and responsible.

Our business was set up to address unfairness and social injustice through an ethically-driven commercial enterprise owned by its members. It's a model of doing business that we sum up as the 'Co-op difference' and it continues to inspire millions of people all over the world.

Our co-operative way of thinking means that traditional measures such as growth, sales and profit are important to us - but not sufficient. Our ambition is far greater. We set out to create 'value' for our members in its broadest sense and respond to the issues that most concern them.

For us, being a co-op means taking a fully-rounded view of the role we play in society and the potential impact our business has - both good and bad.

At the beginning of 2018 we began to express our long-term thinking as the desire to build a Stronger Co-op and Stronger Communities. We see the relationship between our business and the communities we serve as reciprocal and mutually beneficial.

Highlights in 2018 included:

- We returned £19m back to 4,000 local causes through our Local Community Fund in 2018. Since the fund was launched in 2016, more than 1.2 million members have chosen to support a cause that matters to them. In 2019 we'll be setting out our community strategy and long-term targets to focus our future efforts on areas where we can have the biggest impact.
- A cornerstone of our commitment to ethics and sustainability was put in place with the launch of our Future of Food ambition, setting out our commitments to 2030 for our Food business across a range of issues from product sourcing to treating people fairly. As part of our ambition we set stretching commitments to tackle plastic packaging, including our launch of the UK's first compostable carrier bag, replacing conventional single-use plastic carrier bags in a move which will remove 60 million conventional plastic carrier bags a year. And in the spirit of co-operation, we're sharing the information needed to bring this to market with anyone who wants it, free of charge. Further details of how we'll unite our businesses in our approach to ethics and sustainability will follow in 2019.
- We have a long history of campaigning for social justice. During 2018, we've continued our campaigns to tackle loneliness with the British Red Cross, and to address modern slavery. We've also launched a new campaign to help make our colleagues and communities safer.

We also need to reflect on challenges faced during the year. Following the disappointing news that the Groceries Code Adjudicator found that we had contravened the Groceries Supply Code of Practice, we've taken decisive steps to ensure we treat suppliers fairly and have taken the issues which gave rise to this very seriously.

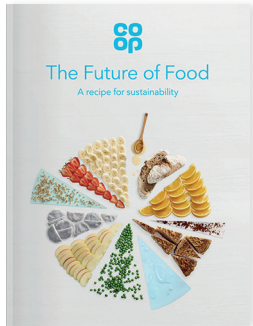
We continue to support the UN Global Compact and are committed to its ten principles. The Co-op Way report brings together our commitments and our progress as we work to be a business that fully understands the role we must play in our world.

I'd like to thank our colleagues and members for their continued championing of the values that have made us a truly distinctive business for 175 years... and counting.

Steve Murrells
Co-op CEO

Our approach to ethics and sustainability

The Future of Food



The Future of Food story plays out in three chapters – how we source and create with care, how we treat people fairly and how we learn about and celebrate food together. For each chapter we've established our ambitions, and as we build on the Future of Food plan, the targets and initiatives that we report back on will fall under these goals.

Member engagement is crucial to the work we do

None of this work would be possible without the involvement of our members. In 2018, members helped shape our work in lots of different ways – examples are given on pages 6, 37, and 60.

We have a long history of taking the lead on the issues that matter most to our members, from being one of the first businesses recognising the need to tackle climate change, to our many 'Fairtrade firsts', and our campaigning for social justice.

At the beginning of 2018 we set out our ambition for 'Stronger Co-op, Stronger Communities', which is setting the scene for our work on sustainability, ethics and social impact. And this agenda will see even more focus in the coming year, as we look to articulate our story with more clarity and conviction to help people understand our Co-op difference.

Setting out our direction and commitments

We recognise that how we source, supply and share food has a major impact and part to play in achieving a Stronger Co-op and Stronger Communities. We launched Future of Food in September, to be clear about our ambition in this space and set our ethical and sustainability commitments to 2030 for our Food business. The ambition brings together our current commitments but also sets the direction of future thinking. Its development involved wide-ranging stakeholder engagement, as well as making sure the goals that we have set out have a distinct Co-op difference, and align with the UN Sustainable Development Goals (SDGs).

We also carried out research on what really matters to communities and our members, in developing our Community Wellbeing Index. This has enabled us to identify three focus areas for our community investment: creating and protecting social spaces for local communities; creating inclusive communities through physical and mental wellbeing; and enhancing people's chances for success by improving their life skills. We'll be developing co-operative programmes of activity and establishing ambitious targets in these areas.

Having already halved our greenhouse gas (GHG) emissions, we've set new targets to reduce both our direct and indirect emissions in line with the scientific basis to keep global warming below 2°C. We also set out our environment and resource use strategy for Co-op Property, aligning with the SDGs.

In 2017, we started to look at how we might measure the shared value we create for our members, communities and wider society. In 2018, we started to include social value criteria in selected procurement tenders. Our broader work on shared value was paused during 2018, but remains a firm commitment, which we'll progress during 2019 and we hope to be able to report on progress in next year's report.

Co-operation and campaigning

We were founded to address social injustice, and continue to use our influence to campaign on those issues that matter most to our members and their communities. We're currently campaigning on three issues, which are covered in more detail within the relevant sections of this Report:

- Tackling modern slavery (page 12)
- Loneliness (page 10)
- Safer colleagues, safer communities (page 26)

2019 targets:

- Using insight from the Community Wellbeing Index, launch a new national charity partnership to respond to a national issue affecting our local communities in 2019
- Retain Fair Tax Mark accreditation in 2019

Membership and democracy



Our approach to doing business in an ethical and sustainable way is rooted in our co-operative values and principles.

All co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Their members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Democratic member control

Democratic member control is achieved both in our governance structure and in other less formal ways. All of our Board directors are members themselves and they must meet both membership and eligibility requirements. Our Member Nominated Directors are elected through a direct ballot of our members. Our Independent Non-Executive Directors¹ are appointed by the Board and subsequently submitted for election by members at our AGM.

We also have 100 members elected to our National Members' Council. They are elected by individual and society members and hold our Board to account for our performance, as well as influencing our policies and strategies. When matters need approval from our members, it's gained through our system of 'one member, one vote' and 94,725 (2017: 76,883) members voted in our 2018 AGM and elections.

Outside our Rules and Regulations, members get involved with a wide variety of issues. They can 'Join In' to give us their view on decisions we make and things we do. During 2018, 97,403 (2017: 20,800) members joined in with activities from testing digital solutions for Co-op Food coupons and helping Co-op Funeralcare tackle some of the taboos around death, dying and bereavement to reducing waste and packaging.

How our governance works



Executive: Key members of management running the business on a day to day basis in accordance with the strategy determined by the Board.

Board: Responsible and accountable for determining strategy and holding the Executive to account.

Council: Responsible for holding the Board to account. Acts as a guardian of our values and principles, our purpose and our constitution.

Members: As a co-operative, we're owned by individual members and other co-operatives, not by shareholder investors. This means that as well as being rewarded for trading with us, our members have an opportunity to shape the business, from who represents them on our National Members' Council to which causes we champion on their behalf.

Case study: Member engagement on waste and packaging





We asked members to share their ideas for reducing waste and packaging and committed to piloting popular suggestions in stores.

Over 4,000 members got involved, giving us a prioritised list of initiatives that we are now exploring and developing for testing. The activity also informed our Future of Food ambition. See page 37.

Member economic participation

Every time a member buys selected Co-op branded products and services, they get something for them and something for their community. £60.4m was earned by members for themselves and £19m paid out to local causes² in 2018. Over the coming years, we'll continue to evolve our member rewards to make sure they help grow the business and make our communities even stronger.

2019 targets:

-  Maintain our active membership base of 4.6m members
-  Build and trial a new online 'Join In Community' forum, to provide a platform for safe and secure engagement between members and Member Pioneers in their local area, by the end of 2019

¹ A person who is appointed as an Independent Non-Executive Director or an Executive Director may act as such before becoming a member but it is deemed a condition of his/her appointment that he/she becomes a member within two months of his/her appointment.

² This includes a combination of members' 1% (£11.9m paid out) and carrier bag levy.

Co-operation among co-operatives

As a co-operative, we're part of a global movement of some three million co-operatives with over one billion members.

This gives us the opportunity to build partnerships that push the principles of co-operation forward, champion a better way of doing business and let us work together for social and environmental progress. It's our ambition to be at the forefront of this movement, driving it forward using our scale and influence to help others.

Developing co-operative partnerships

We continue to build our partnerships nationally and internationally, supporting growth and recognition for co-operatives. As part of this, in 2018, we paid £2.35m (2017: £1.97m) to support representative and affiliated bodies of the co-operative movement.

In the UK, we are supporting progression of the National Co-operative Development Strategy to raise awareness of and support the development of co-operatives and social enterprises. In 2019 we will be working with organisations from the wider co-operative movement to ensure that we have strong support structures to meet the needs of the whole co-operative sector for this and future generations.

We've taken part in initiatives like Co-operatives Fortnight and Social Saturday. We've shared the economic advantages of our size and scale with others through a federal model of purchasing between ourselves and other large retail co-operatives in the UK and created £51m of trade with other co-operatives in 2018 (2017: £58.9m)¹. We aim to increase our commercial relationships with other co-operatives and social businesses in the future.

We are one of 300 co-operatives that have pledged support for Co-ops for 2030 - the International Co-operative Alliance (ICA) initiative that brings together the full extent of the global co-operatives' commitment in support of the UN's Sustainable Development Goals.



Co-op Academies Trust

We're proud that, by the end of 2018, the Co-op Academies Trust ran 18 academy schools (2017: 11) in Greater Manchester, Yorkshire, Wirral and Staffordshire through the Co-op Academies Trust. The Trust provides an education based on co-operative values and principles for over 10,000 young people and it's our vision to inspire a new generation of high-achieving, aspirational, skilled and confident co-operators.

We hope to employ almost 250 apprentices from the Co-op Academies by 2022 and aim to grow the Co-op Academies Trust in 2019. We will provide even more support and advice to the governance of the schools and it's our ambition to have 40 academies as part of the Trust by the end of 2021.

2019 target:

- Increase the number of academies in the Co-op Academies Trust to at least 40 by the end of 2021

¹ Figure excludes FRTS activity with Independent Society Member partners which was £1,532m in 2018 (2017: £1,683m).

Community



£31.7m

Total invested in communities (2017: £29.7m)

£28.8m

Invested in UK communities (2017: £27.6m)

£2.9m

Invested in international communities (2017: £2.1m)

As a member-owned and values-led organisation, we connect with the communities served by our food stores and funeral homes, and throughout our supply chain.

We're looking at ways to improve the wellbeing of our communities by listening to our members, colleagues and customers, helping them to build strong, meaningful relationships and connecting communities through our Local Community Fund, Member Pioneers, and campaigning.

Drawing on insight from our Community Wellbeing Index, over the coming year, we'll start to focus our UK community investment around three themes that our research and consultation with members tells us will make a real difference in communities.

Our support for global communities is just as important. We aim to strengthen our relationships with the communities we source our products and services from, both in the UK and overseas. We also support the wider international community, including the most vulnerable at times of crisis.

Local Community Fund

We give 1% of what our members spend on selected Co-op branded products and services to community causes across the UK. Since the fund was launched in 2016, local community causes have been chosen for support more than 1.6 million times by more than 1.2 million members (670,000 cause selections made in 2018).

Through the 1% and money from the sale of our single-use carrier bags, members and customers raised £19m for over 4,000 local community projects during 2018 (£39m for over 12,000 projects since we re-launched membership in 2016).

Member Pioneers supporting our communities

Since we launched our Member Pioneer proposition in 2017, we have recruited 300 Member Pioneers across the UK and we're continuing to grow this number significantly. Member Pioneers bring our members, colleagues and local causes together to find new ways to co-operate. They focus their activity on key areas that matter most to our members and help improve the wellbeing of their communities.

We've learnt that our Member Pioneers need support with planning and co-ordination of activity in order to make the most difference, so in 2019 we plan to recruit 120 Member Pioneer Co-ordinators who will manage our Member Pioneers. Introducing this co-ordinator role will give our Member Pioneers support and direction so they can have a greater impact in local communities.

By the end of 2020, we hope to have a Member Pioneer in all 1,500 Co-op communities working with members, colleagues and causes locally.



Community wellbeing

We've been talking to our members and people across the UK to find out what matters most, and what could be improved, where they live and work. The result is our Community Wellbeing Index. We published the findings for communities across the UK on a website (communitywellbeing.coop.co.uk). The Index has already given us an insight into what's important to people in their local communities, from the quality of education, housing affordability and public transport to the amount of green space and the number of community centres. We will be using the Index to continue the conversation with our members about our wider community and campaigning activity in 2019.

Listening to our members

The opportunity for our members to shape and influence the business they own and tell us what they think of Co-op products and services is an important part of our membership. We want to create new ways for our members to stay in touch with each other and grow networks of co-operation across the country.

During 2018, we held 24 'Join In Live' events across the UK inviting members and customers in our communities to come together and connect with each other. The events were hosted by our National Members' Council and provided an opportunity to join in with business initiatives, and share any ideas and issues they'd like us to champion to help build stronger communities. We also heard from over 1,000 members who joined in to help shape our future community strategy. And members have been among the first to explore our Community Wellbeing Index.



Looking ahead

Our Community Wellbeing Index has helped us to identify three areas where we think our community investment can make a greater difference:

- Creating and protecting social spaces for local communities
- Creating inclusive communities through physical and mental wellbeing
- Enhancing people's chances for success by improving their life skills

We've had positive feedback on these themes from the 1,500 members who tested the Index, and in 2019 we'll start to develop national programmes of activity and establish ambitious long-term targets.

Our Community Wellbeing Index

International communities

We provided £2.9m of support for international communities in 2018. This included support for water and sanitation projects in Africa; money raised for the Disasters Emergency Committee appeal for people impacted by the Indonesian Tsunami; and projects funded by carbon offsets from our insurance and funeral businesses.

In 2018 we continued to donate 3p from every litre of Co-op branded water sold,

to The One Foundation. We've increased our total donation to £1.45m a year (2017: £1.2m), mainly to fund water projects in Africa, including some supporting our Fairtrade producer communities. As UK founder members of the Global Investment Fund for Water, we also donate 1p per litre of branded water sold (generating a further £628,000 a year to fight water poverty across the world).

In addition, we continue to support international communities through our commitment to Fairtrade.

The Co-op Foundation

The Co-op Foundation is the Co-op's charity, run by an independent group of Trustees, who are appointed by our Co-op. It is helping disadvantaged communities work together to make things better. In 2018, the Foundation grew its 'Belong' programme to tackle youth loneliness, including a new match-funding partnership with government. Belong is now expected to connect and empower more than 7,500 young people by 2021, as well as strengthen local youth services and break down the stigma of youth loneliness. In 2018, the Foundation also launched new interest-free loans for community spaces UK-wide, and a support programme for social enterprise start-ups in Manchester.

2019 targets:

- Give back at least £15m in 2019 to local causes through our Local Community Fund¹
- By 2020 have a Member Pioneer across all 1,500 Co-op communities
- Set out long-term targets as part of a new Community Plan

¹ Our target for Local Community Fund is lower for 2019 as the introduction of compostable bags, as a key part of our environmental sustainability agenda, has reduced the funding generated through sales of carrier bags.



£9.3m

Our partnership with The One Foundation has raised £9.3m from sales of Co-op bottled water over 12 years, supporting over 1.9 million people



Our campaigning

Tackling loneliness

In 2015, our members told us that loneliness is an issue that is affecting communities across the UK.

80,000 members and colleagues had a say and overwhelmingly voted for us to tackle loneliness in partnership with the British Red Cross. Since then we've raised £6.7m to help thousands of people reconnect with their communities. And we've secured lasting change on the issue through our British Red Cross Community Connector services in 38 locations across the UK. The results have been positive, with people reporting a notable reduction in their loneliness.¹

7,029

people experiencing loneliness have received support through our British Red Cross Community Connector services



Supporting our colleagues, members and customers

We've changed the way we operate as a business to support people who are experiencing loneliness. We support colleagues through our employee assistance programme and we're developing and expanding our social groups for the bereaved in our funeral business. And we've shared more than £6.6m between 2,634 local projects that are responding to loneliness and promoting social inclusion in their communities through our Co-op Local Community Fund since it launched. Meanwhile our charity, the Co-op Foundation, is tackling youth loneliness through its UK-wide Belong network. And we're continuing to investigate links to other societal challenges such as social exclusion to inform our future campaigning work.



2,634

local causes responding to loneliness and promoting social inclusion have been funded

Advocacy

We've also been advocating and campaigning. We were a founder member of the Jo Cox Commission on Loneliness. As part of this, we launched a report calling on the government to recognise and respond to loneliness as a major issue in society.

As a result, the UK government announced the appointment of a minister with responsibility for loneliness and published a strategy to tackle loneliness across all ages. We co-chair the Loneliness Action Group with the British Red Cross, which helped the government shape and implement its new loneliness strategy.

We are also supporting an All Party Parliamentary Group on Loneliness to provide cross party parliamentarians with a forum to engage on the issue.

Research

Our activity is underpinned by valuable insight from our partnership's research, Trapped in a Bubble, which shows that loneliness affects all ages, is likely to impact nine million people in the UK, and that ordinary life events such as becoming a mum and experiencing a bereavement or health issue can be triggers for loneliness.

Impacts of our campaign to tackle loneliness

- Through our research, we've evidenced that loneliness affects all ages
- The UK Government announced a strategy for tackling loneliness rooted in our framing of the issue
- Reduction in loneliness for those accessing our British Red Cross Community Connector services

¹ Measured using the University of California, Los Angeles (UCLA) Loneliness Scale.

Ethical trade and human rights

Trade, when undertaken fairly, can significantly improve quality of life and empower communities.

We're committed to ethical trade, making sure those who provide the products and services we buy and sell are treated fairly, and that their fundamental human rights are respected. We focus on labour rights including fair reward, safe and decent working conditions, and protection from forced labour, modern slavery and harsh or inhumane treatment.

Our main responsibility is towards our Co-op brand suppliers and supply chains. This is where we have the greatest chance to make positive change and monitor performance. We have a long-standing commitment to Fairtrade, supporting better prices, working conditions and terms of trade. We also recognise there are exceptional circumstances under which we would withdraw trade from a state or region.

Upholding labour standards

We source the Co-op brand products that are sold in our food stores from 1,984 sites¹ around the world that employ more than half a million workers. Our Co-op Food ethical trade programme has been in place for over 20 years. We set out the key components of our programme for Co-op brand suppliers on our (food.coop.co.uk/food-ethics/people/ethical-trading).

Supply chain transparency and human rights risks

As a convenience retailer with a wide range of own-brand products in different categories², our supply chain is complex and varied. It includes farms, abattoirs, fishing vessels, processing factories, finishing, packing facilities, canning and assembly units across 74 countries. The scale and complexity of our supply chain means that there are significant differences in the ways categories are managed.

For our defined high-risk categories - produce, protein and non-food - we look beyond Tier 1 suppliers, and we also

collect data on our growers due to the known risk of high levels of casual labour and seasonality in those supply chains.³

We have expanded our programme over the past year, and are committed to providing greater transparency on the things we do to address modern slavery and human rights risks in our global supply chain. We'll be sharing a list of our Tier 1 suppliers on our website, by mid-2019, along with our plans to mitigate the most significant human rights risks in our supply chain.

In 2019, we will continue to focus our Food ethical trade work around four strategic priorities:

- Driving innovation in supply chain transparency
- Embedding ethical trade into core business processes
- Building capacity and resilience of our supply base to address the underlying causes of human rights issues
- Tackling modern slavery, and delivering on human rights goals set out in our Future of Food ambition

Further detail of progress made against these priorities in 2018 can be found on page 42.



→ Visit our website for more information on our Food ethical trade monitoring programme. (food.coop.co.uk/food-ethics/people/ethical-trading)



¹ 1,984 sites: 862 Tier 1 and 1,122 beyond Tier 1. A Tier 1 site is a production site where goods are finished, ready for supply to, or sale by, the end company. A Tier 2 site is a production site that supplies goods or materials to a Tier 1 site for incorporation into the finished product. Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

² Defined at the Co-op as bakery, beer, wine and spirits, dairy, food to go, grocery, prepared non-food, produce, and protein.

³ Using information from our suppliers, audits and self-assessment questionnaires (SAQs) - see page 42 for more information on our risk-based approach.

In 2018, we continued to embed our commitment to ethical trading within our processes for buying the goods and services we use in our own business (such as uniforms, facilities management, and transport and logistics). As part of this, we extended our ethical sourcing training for procurement colleagues to include an additional 42 supplier managers across the business. We have incorporated the management of ethics and sustainability into our new supply management framework, which will be rolled out in 2019.

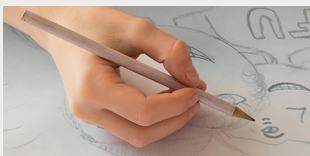
We've also recognised the opportunity to use our procurement activity to help deliver social, economic and environmental benefits and have started to include social value criteria in selected tenders. We'll be embedding our approach over 2019 and 2020, piloting collaborative social value programmes with selected key suppliers and engaging more suppliers on the topic.

Our campaigning

Bright Future

Bright Future in 2018

- 25 charity and referring partners
- 17 businesses engaged - including six of our suppliers
- 77 referrals to Bright Future
- 72% of those who have completed a placement (18 candidates) secured a permanent role



We held a challenge for students at our Co-op Academies to design a logo for Bright Future, which reflects the programme and what it represents



£50,000 raised for Stop the Traffik through sales of our festive sandwich

Modern Slavery

For the past two years we have been raising awareness of modern slavery, and campaigning for better support for victims.

Bright Future

Central to our campaign is our Bright Future programme, which offers victims of modern slavery a paid work placement and the opportunity of a job in our business. Since we launched Bright Future in 2017, our partnership with the charity City Hearts has grown into a multi-charity, multi-business partnership, coordinated through a 'National Matching System' - with the needs of victims at its heart.

Our focus in 2018 has been on:

- Creating new work placements within the Co-op and with our new Bright Future Business Partners
- Supporting other businesses and charities to join us - 42 organisations are now co-operating to support victims into work throughout the UK
- Sharing experience - we've held two 'Bright Future Summits' for our business and charity partners to share experiences, discuss challenges, and help shape the programme

Engaging with government and lobbying for change

We're proud of what we're achieving through Bright Future. But without changes to the wider support available to victims from the government, thousands of individuals are at risk of homelessness, poverty and re-trafficking¹. During 2018 we continued to push for change through new partnerships, forums and targeted campaigns, including:

- Joining the 'Free for Good' coalition to support Lord McColl's 'Modern Slavery (Victim Support) Bill' to increase government support for victims
- Partnering with **Global Citizen** to help gain support for the Bill
- Organising a **Parliamentary Roundtable** hosted by Rt Hon Frank Field MP, to bring businesses together to discuss support for survivors

See our Modern Slavery Statement for more on our awareness raising and other campaigning activities (co-operative.coop/downloads/modern-slavery-statement-2018.pdf).

¹ House of Commons Work and Pensions Committee, 'Victims of modern slavery: Twelfth Report of Session 2016-17', HC 803, 30 April 2017; C. Beddoe, L. Bundock and T. Jordan, 'Life Beyond the Safe House for Survivors of Modern Slavery in London: Gaps and Options', Review Report, Human Trafficking Foundation, 2015.

Empowering communities through Fairtrade

We've been a pioneer of fairly traded goods since before the Fairtrade Mark was introduced and we have a host of 'Fairtrade firsts' that we're proud of. We were the first supermarket to sell Fairtrade bananas in the UK and the first to convert an entire own brand range of hot beverages to Fairtrade.

6.3%

increase in Fairtrade sales compared to 2017 (against market decline of -8.3%) and in 2019 we have a 21% share of the UK Retail market in Fairtrade



1st

In 2018, we were the **first UK retailer to ensure that Fairtrade producers benefit where coffee, tea and bananas** are used as an ingredient in our products

Today, we focus on the categories where we can have the biggest impact on producers. This is in line with, and beyond the Fairtrade Foundation's own focus.

Wine
World's largest retailer of **Fairtrade wine**



Bananas
100% of Fairtrade and Fairtrade producers benefit where bananas are used as an ingredient



Flowers
All our **African rose bouquets and African single stem roses** are Fairtrade



Cocoa
100% of Co-op branded chocolate is Fairtrade marked and all the cocoa in Co-op branded products is sourced under Fairtrade terms



Tea
100% of Co-op branded tea is Fairtrade and Fairtrade producers benefit where tea is used as an ingredient



Sugar
All bags of **Co-op branded sugar** are **Fairtrade**



Coffee
100% of Co-op branded coffee is **Fairtrade** and Fairtrade producers benefit where coffee is used as an ingredient



We are also working with Traidcraft to bring new product categories into the market – such as rubber gloves, charcoal and coffins. While some major brands have opted to move away from certification and progress their own schemes, we have continued to increase our commitment to Fairtrade.

The Fairtrade Mark is well recognised and trusted by our members and customers and we believe that the independence it provides is critical to its success. Despite new and alternative schemes emerging, producers continue to tell us that the empowerment Fairtrade gives them, alongside the economic security of a minimum price and premium, makes it the most effective certification for them.

Case study

Fairtrade cocoa



Our leading commitment to sourcing all cocoa used in Co-op branded products on Fairtrade terms means we've seen an estimated sales increase of over 400% and a significant amount of additional premium for cocoa farmers, (we estimate £450k additional annually).

Through this, one of the projects supported has been the launch of the Fairtrade Women's School of Leadership in Côte d'Ivoire. Although women make up almost half of the agricultural

workforce in developing countries, just 20% are registered farmers in Fairtrade producer organisations.

Nineteen female and three male local cocoa farmers have recently graduated from the first year of the school. Thanks to the life-changing programme, these women are now in the position to take up leadership jobs in their cocoa co-operatives and do amazing things such as stand for election and fight for their own land.

2019 targets:

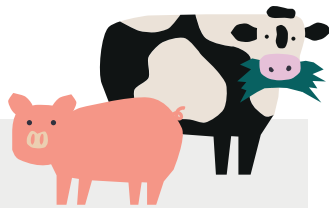
- By 2020 we'll embed training on effective workplace communication, grievance mechanisms and providing access to remedy in our supplier engagement programme
- We will develop a Social Value Charter and communicate it to our strategic suppliers of goods and services not for resale
- Continue our commitment to Fairtrade producers with our ingredient sourcing work
- Report on the impacts of projects undertaken with Fairtrade producers

Food and farming



Performance benchmark

Tier 2 achieved in the Business Benchmark on Farm Animal Welfare (BBFAW) in 2018, for the fifth year running (1-6 scale, where 1 is the highest). BBFAW classifies businesses that reach Tier 2 as having 'farm animal welfare as an integral part of business strategy'.



£114m

sales of higher welfare fresh, frozen and prepared products (2017: £76m)

We know members and customers are concerned about animal welfare and where the food they buy comes from.

As part of our Future of Food commitments, we continue to invest a significant amount in British sourcing. This helps us establish strong relationships with producers through our Farming Group farms (see page 45) and offer everyone products produced to good animal welfare standards, regardless of their budget. We also take a stance against animal testing for cosmetics and household products.

Respecting animal welfare

Respecting animal welfare is an important part of our work in agriculture. For all our Co-op branded fresh, frozen and prepared meat and poultry products, our minimum welfare standard, and our main focus, is Red Tractor. For higher welfare, we use RSPCA Assured or equivalent. In 2018 we developed our Co-op Pork Farming Group, moving to 100% RSPCA Assured, outdoor-bred pork.



Cruelty Free
INTERNATIONAL

No Co-op brand toiletry or household products (or their ingredients) have been tested on animals

All farms that supply our meat, dairy or poultry products, whether they're part of our Farming Groups or not, may be subject to announced and unannounced visits or audits by us or an appointed independent audit body to check compliance with our animal welfare requirements.

In 2018, our agricultural team made approximately 147 (2017: 117) site visits to monitor animal welfare at sites such as farms, hatcheries and abattoirs. You can read more about our standards and how we monitor compliance in our Performance Data Report. To benchmark our performance and provide a measure of how we're doing, we use the Business Benchmark on Farm Animal Welfare.

Antibiotics

Antimicrobial Resistance is an increasing global challenge and threat. Food retailers in particular have a responsibility to take action and we recognise there are further opportunities to improve antibiotic usage performance across the supply chain. We've been engaging and working collaboratively with industry bodies and within our supply chain to approach this in a holistic manner. We've established key projects to reduce the antibiotic usage levels within the different species areas and we publish our performance in antibiotic usage within our Farming Groups on an annual basis.

Supporting British farming

We're committed to sourcing Co-op branded British meat, produce and dairy products, which we know is important to our members and customers. This year we've expanded this and since December 2018 all meat used in Co-op branded frozen products, including party food, has been British.

We've continued to support British farming financially and collaborated with a range of industry stakeholders to deliver on our commitments to British farmers. We've also continued working with our suppliers on our traceability capabilities to underpin our British commitments and expanded our Farming Pioneers programme, working with the next generation of farmers to build their skills.



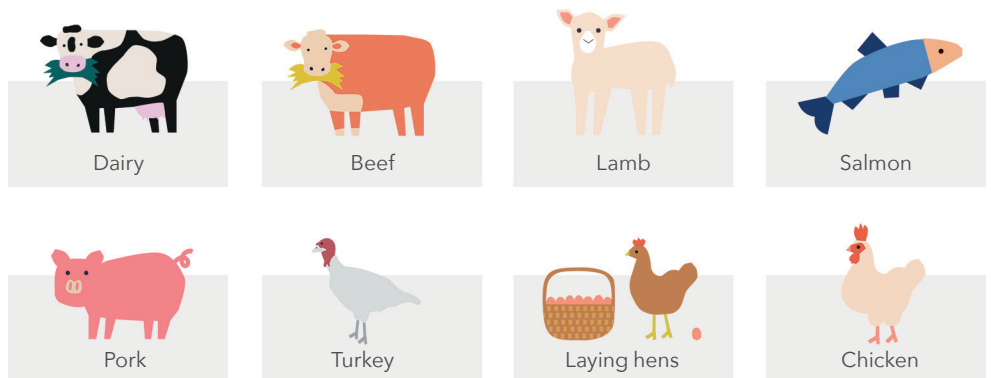
Developing our Farming Groups

More than 3,700 farmers and growers feed into our own brand fresh supply chain, and that includes just over 400 British farmers and growers in our Farming Groups. By working with our Farming Groups we can support British farming and, at the same time, address issues such as animal welfare, environmental impacts and supply chain transparency.

Our Farming Groups are based on five pillars¹, our farms are audited against them and rated Bronze, Silver or Gold according to performance. In 2018, 348 independent audits were conducted of our Farming Groups' compliance to our five-pillar model (2017: 199).

We also report on compliance for animal welfare, which in 2018 was 92.2% based on data available (2017: 91%). The number of audits has increased this year as the Dairy Farming Group is now included. We've also changed the measures we use in our audits and raised the standards we set for Farming Groups to meet. As a result compliance has decreased slightly.

We had eight Farming Groups by the end of 2018 (2017: eight)



Farming groups

In 2018 we launched two new Produce Grower Groups - Field and Vegetable Crops Grower Group, and Fruit and Protected Crops Grower Group, to get closer to our growers.

We've invested in longer-term contracts with growers which has helped us extend the availability of British produce and horticulture across 23 lines.



Produce grower groups

Co-op Enviro-Map

We have now completed Year 2 of our Co-op Farming Enviro-Map project, which measures carbon footprints and biodiversity across our Farming Groups. Our farmers will soon be able to use their individual reports to see how their carbon footprint has changed between Year 1 and Year 2. They can also benchmark themselves against the average performance for their group. As we move into the final year of the project, we will be looking to set targets for our Farming Groups to help them make significant gains in reducing their carbon emissions, as well as improving business performance, efficiency and reducing their impact on the environment.

2019 targets:

- Maintain Tier 2 in BBFAW
- Publish three years of data on our carbon footprint of our Farming Groups
- Have 100 young farmers in our Farming Pioneers programme by the end of 2019

100%

- 100% of Co-op branded fresh meat has been British since May 2017
- 100% of Co-op branded frozen meat has been British since December 2018
- 100% of Co-op branded eggs, milk, farmed salmon, yoghurt, butter and cream are British - we're the only UK retailer to offer this
- We were the first retailer to launch 100% British grow your own cherry tomatoes, beef tomatoes and strawberries selling in pots

Environment and resource use



100%

of our electricity is from renewables¹

1.32 million

tonnes of carbon emissions offset for our Insurance customers since 2006²

33%

reduction in our direct³ GHG emissions since 2016 (20% since 2017)

There are limits to the Earth’s resources, from the materials we can extract to the waste that can be absorbed. Exceeding these limits is ultimately unsustainable. As a co-operative, we’re led by our values and principles and that means part of our approach is to minimise our impact on the world.

We report on three areas of performance: climate change, waste and resource use. We recognise it’s not enough simply to comply with legislation, we must go beyond this to make sure we’re doing everything we can.

We aim to:



Reduce the environmental impacts of our direct operations

Set high expectations of our suppliers, and reduce the impact of our own products and services



Campaign and champion issues where appropriate, such as when an industry-wide or national response is needed

Climate change

Greenhouse gas (GHG) emissions from human activity are causing the climate to change. This is something we contribute to through our operations, supply chain, products and services and it poses a risk to our business, as well as communities across the globe.

We recognised the need to act on climate change long before most businesses and we’ve reported on our climate impacts since 2005, and we’ve consistently set stretching GHG reduction targets and met them.

Doing our fair share to keep global warming below 2°C

Our long-term aim was to halve our direct GHG emissions by 2020 compared to 2006 and we achieved this target three years early, in 2017.

We are now going even further, and are aiming to reduce both our direct and indirect emissions, in line with the reductions needed to keep global warming to below 2°C, a threshold for some of the most dangerous impacts of climate change.

We’ll halve our direct emissions again by 2025, through a multi-million pound investment in natural refrigeration and associated technologies, as well as low-energy LED lighting. At the same time, we’ll reduce our product-related emissions by 11%, from field through to fork through to waste.



1 Renewable Energy Guarantees of Origin (REGOs) have been allocated for electricity consumption to March 2018. REGOs for April 2018 - March 2019 are to be allocated in April 2019.
 2 We offset 10% of new customers’ CO₂-equivalent emissions from their car or home energy use, for motor or home insurance customers respectively, for the first year of their policy. This is based on government-published national averages and DFBEIS conversion factors.
 3 Scope 1 and 2 emissions are our direct emissions from energy use, transport and refrigerants. We are targeting an absolute reduction in GHG emissions based on the ‘location based’ approach, ie with electricity emissions counted at UK grid average rather than accounting for our 100% renewable electricity.





In 2018 we won **Green Initiative of the year** at the Grocer Gold Awards, and **CSR Initiative of the Year** at the UK Packaging Awards for our work on packaging recyclability



97%

of our total operational waste was reused, recycled or recovered (2017: 96%)

Our food waste strategy and reporting has followed best practice under WRAP/IGD's Food Waste Reduction Roadmap

We've also bought renewable electricity for many years, and in 2018, 100% of our electricity was from UK wind farms including five wind farms which we directly support⁴.

We've risen to the challenge of dealing with GHG emissions from our own operations. Today, the greater challenge is to deal with our wider reach, and the emissions we do not create directly, be it in our supply chains or from our customers' impacts.

- We're mapping the GHG footprint of our entire value chain (from suppliers right through to waste disposal) and will share this in detail next year, along with our steps taken to reduce this impact
- We've extended our carbon offset offer to cover all new home and motor policies purchased through Co-op Insurance at no extra cost to our customers, funding carbon reduction projects in the developing world. To date these projects have avoided 1.32 million tonnes of GHG emissions
- We're signatories to the Courtauld 2025 Commitment, to cut system-wide waste and GHG emissions associated with food and drink by at least one fifth by 2025

Waste

We generate waste across our businesses, with the majority coming from Co-op Food due to its scale. While much of our direct waste impact is from our own operations, we also pay particular attention to the packaging of our food products, which is ultimately disposed of by our customers, as set out in our Future of Food commitments.

The amount of waste we produce has decreased by 41% since 2006 and decreased by 6% compared to 2017. This is due to a significant reduction in food waste, offset slightly by an increase in recycled paper as a result of GDPR compliance work.

We know food waste is of particular interest to our customers and members, so for the first time we are separately reporting our food waste and setting a target to reduce this.

Case study



29%

reduction in food waste generated since 2015

In 2018 we produced **19,162** tonnes of food waste⁵ (2017: 23,689)

Food waste

We've developed a new strategy to make sure we always follow the food waste hierarchy and take the best step for the environment:

- To prevent food waste in the first place we've put in place new processes and data systems so we can track waste more accurately, record our food waste in detail and forecast and manage our stock to make sure we don't have too much.
- When food's about to go past its 'use by' or 'best before' date, we've got a new system to reduce the price - making sure it gets sold and eaten is always better than binning it.
- We've rolled out Co-op Food Share to donate unsold food to local causes across the country.
- If we get incorrect deliveries to our depots, we donate what our stores can't use straight to FareShare who distribute to local charities.
- Finally, if we can't avoid excess food, sell it, or donate it to a charity or cause, then we use it to make green energy.

⁴ We have direct power purchase agreements with five UK wind farms, two of which we helped to originally construct and held an ownership stake in.

⁵ For 2017 onwards we have put in place new systems to allow us to accurately track food waste based on the weight of products from all of our stores scanned out as being binned. This is a 'product only' weight and doesn't include packaging. For our 2015 baseline we have used weighed 'whole bin' food waste data from our waste contractor, with a proportion removed for packaging based on our new accurate product weights.

Case study

Compostable carrier bags



In 2018, we were the first UK retailer to replace single-use carrier bags with fully certified compostable carrier bags. This has been rolled out to all areas where local authorities accept these bags for food waste collections, covering 1,069 of our stores. This change will remove an estimated 60 million conventional

plastic carrier bags a year and support local authorities to increase food waste collection. The new material is a biodegradable plastic and starch mix, which is as strong as conventional plastic bags. In the spirit of co-operation we are sharing the information required to bring this to market with anyone who wants it.

Plastics

We were one of the first retailers to highlight the plastics problem with our Tipping Point Report in 2016. We have ambitious commitments and a detailed Action on Plastics Plan. Our long-term target is for all our own-brand packaging to be 'easy to recycle'⁶ by 2023, and 80% (by product line) to be 'easy to recycle' by 2020.

Supporting this we have a number of practical steps we are taking to make a difference on this critical issue including:

- eliminating own-brand CPET, black and dark plastic by 2020
- eliminating all hard-to-recycle plastics from our own-brand products as well as from packaging by 2023
- making sure we use a minimum of 50% recycled plastic in all our PET bottles, pots, trays, punnets and HDPE bottles by 2021

Having made good progress into 2017, we are now working through more difficult changes which means the rate of improvement becomes slower. In 2018, 72% of our packaging was 'easy to recycle' (2017: 71%).



Water

We're working to reduce the amount of water we use, and as of 2018, we have reduced average water used per site by 6%⁷, since 2016⁸. However, we also recognise that we use more water in our supply chains, particularly in agriculture. We have eight Farming Groups (page 15) in Co-op Food, made up of just over 400 British farmers and growers. 84% of these have active plans in place to reduce the amount of water they use, and 100% of these have water pollution controls in place. We're also working with WWF to understand our water impact in the supply chain and will start some global projects in 2019.

Resource use

Sourcing the ingredients and raw materials we use can have a significant impact on the natural environment and on biodiversity, whether that's in waterways, agricultural land, soil or forests. As set out in our Future of Food ambition, we are committed to care for the environments our ingredients are sourced from. We focus on the responsible sourcing of those ingredients that are most important and at risk, where environmental impacts are greatest, as shown on page 19.

We acknowledge there have been different approaches to tackling the sustainability of palm oil. To reach our position on palm oil and soy we engage across the industry and with environmental NGOs to understand the best approach to take. The advice from NGOs is to source responsibly as this is the best way to drive change within the industry. Furthermore, alternatives to crops such as palm oil are often more environmentally damaging with regards to their land use.



Performance benchmark

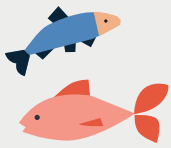
In 2017, we received the WWF UK Timber Scorecard Benchmark 'Three Trees' for our commitments to Forest Stewardship Council and recycled timber, timber products and reporting.

⁶ We define 'easy to recycle' as being labelled 'widely recycled', 'recycle with carrier bags in larger stores' or, for beverage containers, 'widely recycled at collection point, check locally for kerbside'. See OPRL. Our packaging recyclability is counted by product, not by weight. Many others measure by weight which shows a much higher percentage.

⁷ Site in this context means buildings operated by the Co-op, including food stores, funeral homes, depots and support buildings.

⁸ We've previously set water reduction targets against a 2010 baseline, and made progress against this previous target, though did not meet it. We noted in previous reports that our water data showed considerable annual variation (both up and down) over this period. We have made significant changes to our water data collection over the course of the decade and feel it is more accurate to set a new target based on 2016 data.

How we manage resources



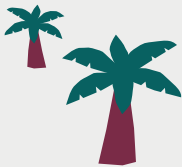
Fish
We aim to be one of the UK's most responsible retailers of fish

In 2018, 52% of Co-op branded fish was wild caught and 48% was farmed. Wild-caught fish brings environmental challenges, with overfishing and destructive catch methods. Since 2008, we've risk-assessed the fish we source and addressed any issues in our supply chain. In 2018, 99% of Co-op seafood (wild caught and farmed) was from low or medium-risk fisheries (2017: 99%).



Wood and paper
We ensure that the wood and paper used in our products comes from a responsible source

100% of the wood and paper used in products for Co-op Food is of known origin. 95% comes from Forest Stewardship Council (FSC) or recycled sources (2017: 95%). And 96% of coffins manufactured by our funeral business were made from FSC-certified wood⁹ (2017: 95%).



Palm oil
We aim to use sustainably sourced palm oil in our products

Palm oil production has impacts on communities, deforestation, climate change and habitat loss. To make sure we don't contribute to this, 100% of the palm oil in our food products has been certified by the Roundtable on Sustainable Palm Oil since 2012, and non-food has been included since 2016.



Soy
We work with suppliers to find a way to make sure soy is sourced responsibly

Global demand for soy production has been linked to the destruction of natural habitats and communities, and intensive farming. Our most significant use of soy is in animal feed. In 2018, we joined the UK Round Table on Soy and footprinted our entire supply chain for soy use for the first time. This revealed we use 80,000 tonnes of soy – most of which comes from animal feed. We will be reviewing our approach, with the new mapping information that we have compiled.

Case study

Supporting sustainable British fisheries

We understand the importance of working with the seafood industry to bring about collective change and we're working on a number of industry initiatives to responsibly source our seafood. In 2018, we along with others, funded round two of the Project UK fisheries improvement projects, having already provided funding for round one.

Project UK is a multi-stakeholder initiative supporting eight UK fisheries to achieve MSC certification. Scampi and plaice found in Co-op branded products, for example, are sourced from these fisheries. Once complete, the project will help deliver more sustainable British seafood options and support well managed and healthy marine ecosystems.

- 2019 targets:**
- Reduce food waste generated in our stores and depots by 50% by 2030 compared to 2015
 - 100% of our packaging (by product line) will be easy to recycle by 2023 (80% by 2020)¹⁰
 - Reduce our Scope 1 and 2¹¹ GHG emissions by a further 50% by 2025 compared to 2016
 - Reduce our product-related emissions by 11% by 2025, compared to 2016
 - Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell
 - Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits
 - Develop our Responsible Soy roadmap reviewing usage directly in products and in animal feed and publish in 2019 in line with the UK Round Table on Soy
 - Reduce water consumption across our properties by 10% by 2025 compared to 2016

⁹ FSC® C008811.
¹⁰ See footnote 6.
¹¹ See footnote 3.

Healthy living



We have an important role to play in helping our members, colleagues and customers lead healthy lives, and we do this through both the products we sell and campaigning.

We've led the way on clear and honest labelling over the years, which allows customers to make informed decisions about the things they buy. Our Future of Food ambition sets out our commitment to designing products with quality, sustainability and health at front of mind.

In 2018, we launched our new Well & Good range across categories including food to go and ready meals, to meet specific health needs of customers such as controlling calories, or eating more of their five a day. We also moved our 'green dot' scheme, highlighting nutrition claims to a more visually striking design, to help customers to choose healthier options.

Our traffic light labelling provides front-of-pack, colour-coded nutritional information at a glance. At the end of 2018, 45% of our Co-op branded food and drink products carried no red traffic light (2017: 44%).

The UK government published Childhood obesity: a plan for action in June 2018, laying out far-reaching proposals to restrict the promotion and advertising of foods categorised as unhealthy. In light of these proposals, we're reviewing our Diet and Health Strategy and associated targets, including those relating to price and promotions.

We remain committed to helping our customers make healthier and more informed choices for example through reformulation and making healthier options more affordable through promotions such as our 'Fresh 3' and using our communication channels to promote healthier lifestyle choices.

In January 2019, we ran a campaign to highlight healthier choices by calling out nutritional benefits such as 1 of your 5 a day and by suggesting simple swaps to a healthier version of the same product. And we regularly support Change4Life campaigns, most recently, their sugar swaps campaign in January 2019.

Nutritional content

We continue to take responsibility for reducing salt, sugar and fat in key product categories. This product reformulation remains one of the cornerstones of how we can make sure our members and customers have access to healthier options.

We're also committed to selling alcohol responsibly. We work in partnership with the Drinkaware Trust, providing over £240,000 of funding to them in 2018, and we help to raise awareness of their campaigns.

Loneliness

When it comes to emotional wellbeing, loneliness is reported to be as bad for health as obesity. See page 10 for more detail on our campaign to tackle loneliness with the British Red Cross.

Alcohol and tobacco

The health impacts of smoking and alcohol are well documented. We sell e-cigarettes and smoking cessation products in the majority of our stores.

2019 target:

- Launch our Co-op health and wellbeing strategy which will set out the ways that we will make healthier choices easier for our customers



Health and safety



5,711 non-reportable accidents in 2018
(2017: 5,311)

That's 9,064 per 100,000 colleagues (2017: 8,229 ^R)

241 reportable accidents in 2018
(2017: 229)

That's 382 per 100,000 colleagues (2017: 360)



In 2018 our Property team achieved Gold in the RoSPA Health and Safety Awards, recognising their commitment to health, safety and wellbeing

The safety of our colleagues, members and everyone who visits our premises is a priority for our business.

Through our Health and Safety Transformation programme, we've embedded our new safety governance framework and our Health and Safety team is supporting colleagues with oversight and appropriate challenge, highlighting the need to fully report all incidents. We introduced new minimum safety standards to support our One Co-op Safety Strategy. These address common health and safety risks faced by customers, colleagues and members. We also launched our new campaign on Safer Colleagues Safer Communities.

Our new incident management system 'MySafety', a cloud-based incident management tool, has been launched across our Co-op. Designed by safety experts throughout the business, this is making it easier for our colleagues to report health and safety incidents and near misses. The number of accidents and crime-related injuries reported by colleagues has increased over the past year. And MySafety is giving us greater visibility of all incidents, providing a much more detailed view of how crime affects our colleagues from physical to verbal abuse and is enabling us to capture all aspects of a crime event.

We're also tackling the increasing levels of violence retail colleagues are facing, and have launched our campaign: Safer Colleagues Safer Communities.

How we manage safety

MySafety is giving us a better view of minor accidents and near misses and more data that helps us keep colleagues safer. We're also working on ways to use the information provided to continuously improve our ways of working. By improved reporting, we hope to gain a better understanding of how to keep driving a positive safety culture.

This year, we've introduced a number of new minimum safety standards to support our One Co-op Safety Strategy. These address common health and safety risks faced by our customers, colleagues and members.

We measure progress using a 'Balanced Scorecard' approach. Our monthly self-assessment looks at a number of leading and lagging indicators, for example how our colleagues are trained, to help us to track progress on how we're driving improvements. This is reported to the Board on a monthly basis.

Looking ahead

Our focus will be on continuous improvement, challenging ourselves to achieve the new Co-op minimum standards across our businesses.

Using MySafety will allow us to:

- Understand how accidents impact our colleagues, including time away from work
- Understand the impact of crime on our business as part of our Safer Colleagues Safer Communities campaign
- Use near miss data to put things right, making sure we have the right processes in place

2019 targets:

- Work with our businesses to look at ways to help our colleagues return to work sooner following an accident by using the data MySafety provides on lost working days
- Following the introduction of our minimum safety standards, work with our businesses to make sure they are reflected in their procedures, and accessible for all colleagues

^R Restated due to reclassification and backdated incidents which have been recorded during 2018

Diversity and inclusion

Equality has been a founding value of co-operatives since the Rochdale Pioneers gave all members equal rights and equal benefits in 1844. Today, equality and diversity are key in supporting us to create an inclusive Co-op and achieve commercial advantage.



Performance benchmark

In 2018 we were ranked 33rd in the first Social Mobility Employer Index - which ranks Britain's employers on the actions they are taking to ensure they are open to accessing and progressing talent from all backgrounds.

Diversity and inclusion is a key strand in the successful delivery of our 'Being a Co-op Colleague' strategy. In 2018, we took the opportunity to re-set how we talked about Diversity and Inclusion and have focused on making sure we have the right foundations in place to 'embrace modern society and reflect the communities in which we trade to help us stay relevant and ahead' - as set out in our strategy.

Our definition of diversity is 'anything that makes us unique and different' and is not exclusive to traditional characteristics such as gender, age, sexual orientation or religion. We define inclusion as how we create a true sense of belonging, where everyone feels valued and can be their best selves at work.

Our work in 2018 has taken a more holistic approach to how we create, embed and sustain a diverse and inclusive culture and we centred our activity on three key areas this year: Inclusive Culture, Inclusive Leadership and Attracting and Engaging our Colleagues.

Building a more inclusive culture

We've launched two new colleague networks - Rise, to represent Black and Minority Ethnic (BAME) colleagues across our business, and Youth Network to represent young colleagues. We used celebratory days to educate colleagues with toolkits that help them have the right conversations about building a more inclusive culture.



In September, we celebrated National Inclusion Week, and it was the first time that we encouraged colleagues to talk about inclusion. They shared what it meant to them and what they could do to create a more inclusive culture. We held over 40 events nationwide with around 4,000 colleagues involved.

Our Diversity and Inclusion Pioneers were recruited at the end of 2017 and in 2018 we aligned their activities with our Diversity and Inclusion Strategy to have a more focused impact across the business.

We will continue to benchmark our activity through external recognition. Disappointingly we did not appear in the Stonewall Top 100 index for 2019 but Stonewall have commended us for the work that we have done to be more inclusive and we will be reviewing our approach for future years.

Focusing on respect at work

To ensure that colleagues are treated fairly and respectfully, we revisited and relaunched our 'Respect at Work' policy, which covers bullying, harassment and discrimination.

We've also worked across the business to educate leadership teams to help them create more inclusive cultures. We've seen a reduction in the number of colleagues who feel that

they have experienced bullying, harassment or discrimination, from 12% of colleagues in 2017 to 10% during 2018 (based on Talkback responses).

We still have more work to do in this space, which is why we'll be launching new training for managers and colleagues to give them the tools and skills to build a more inclusive culture.

Attracting and engaging colleagues

We know that unless our recruitment, training and promotion processes are free from bias, we will never create, embed and sustain an inclusive culture. In 2018, we started to address this through reviewing our recruitment processes, from how we attract candidates, through to how we select, hire and induct new colleagues.

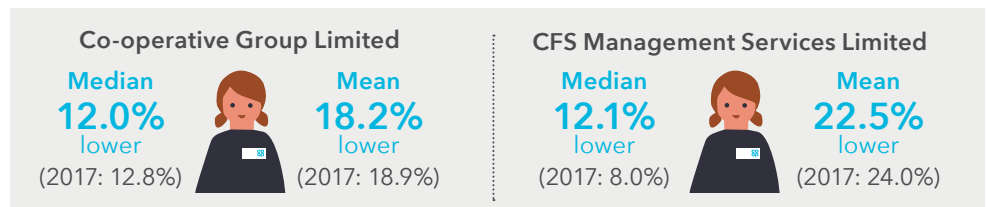
We've redesigned our recruitment processes to help us remove bias from the process, for example by removing CVs in some cases, we can look at expertise rather than experience of specific roles. We've also widened our search for applicants to ensure we are attracting a diverse group and we've created a new careers website that is more accessible.

In 2019, we'll launch our new One Co-op behavioural framework, which includes a specific focus on developing colleague and leadership behaviour around being inclusive. This will allow us to develop colleagues at all levels in this area. We'll equip all of our hiring managers with the tools to recruit more inclusively and also continue to review our talent and performance processes to make them more inclusive.

Gender pay gap

We've published our second Gender Pay Gap report in April 2019. You can read the full report online (co-operative.coop/ethics/gender-pay-gap-report).

Women's hourly rate compared to men's hourly rate¹



The median compares the hourly rate of the middle male role to middle female role, and the mean compares the average hourly male rate to the average hourly female rate.


Our 2019 priorities

Whilst progress has been made over the last year, we recognise that we have more work to do, and in 2019 we will review how we ensure our colleagues are experiencing a more inclusive culture, with a specific focus on:

- Gender - having more women in leadership roles
- BAME colleagues - attracting, recruiting and retaining and making sure we have a more diverse representation at all levels within the organisation
- Young people - retaining our future talent

2019 targets:

- Roll out training and support tools for all colleagues and managers to further reduce the incidences of bullying, harassment and discrimination across the business
- Work with colleague networks to understand barriers to progression and colleague experience
- Identify the methods and external partners to help us improve our work on inclusion



Performance benchmark

33rd in the Social Mobility Employer Index 2018

We're listed in the Times Top 50 Employers for Women 2018

55%

55% of our colleagues are female (UK population 51%)



¹ We have to produce data by employer. In our Co-op there are two employers: Co-operative Group Limited which employs most of our colleagues, and CFS Management Services Limited which is mainly made up of our Insurance colleagues.

Colleague wellbeing



62,578 colleagues

22.1%

Voluntary turnover across our business (2017: 22.5%)



Performance benchmark

Our engagement score of 76% has slightly increased this year (2017: 75%), whereas the retail sector benchmark has declined to 72% (2017: 73%).

4.1% absence rate (2017: 4.1%)

UK Retail average: 2.8% (CIPD*)

We want all our colleagues to feel valued and recognised for the part they play in our success. It's also important they feel healthy, motivated and at their best, not just at work but in everything they do. We believe the best way to support them is to listen, find out what matters most and focus on what they need.

Colleague engagement, rates of absence and voluntary turnover are all important indicators of how we're doing on colleague wellbeing, showing us where we're doing well and where we need to improve. In 2018, our engagement score rose to 76%, remaining ahead of a benchmark for other retailers (72%), the rate of voluntary turnover reduced slightly since last year and absence remained steady.

We've listened to our colleagues and improved their support package to include a new range of activities that focus on the things that matter to them, like physical and mental health, and financial wellbeing.

What colleagues are telling us

Colleague engagement helps us measure the commitment and motivation of our colleagues, and find out how they feel about working here. It's an important part of how we deliver a strong business performance. We measure engagement through surveys called Talkback, which gives us an index score.

In 2018 that score was 76% (2017: 75%). This continued high level is encouraging, but we know there is always room for improvement.

Our engagement score continues to perform above a benchmark of other retailers (72%) that includes Sainsbury's, Matalan, Morrisons, Asda and Boots.

In 2018, we introduced more frequent 'Talkback Pulse' measures as well as launching our Colleague Voice forum, a representative group of colleagues from across the Co-op that gives us data on engagement and how colleagues are feeling. This heightened focus on listening has helped us to make improvements to the experiences we provide our colleagues, such as in performance reviews, colleague communications and our wellbeing approach.

Our own and external insight has shown the crucial role line managers play in engaging colleagues, so we made this the focus of our all-colleague survey this year, which 74% of colleagues completed. There was positive feedback by colleagues on their team leaders - especially about leaders delivering on their promises, recognising success and encouraging team members to have their say. However, there was clear room for improvement on involving colleagues in decision making. 4,000 managers received insight on how colleagues are experiencing their leadership style, in a workbook format aimed at supporting behavioural change in line with our leadership capability framework.



Health and financial wellbeing

Our colleagues have told us they want support on health and financial wellbeing issues. In 2018, we launched a range of initiatives to increase the support colleagues receive in these areas, for example:

- Our wellbeing app and website, provided by LifeWorks, were made available to all colleagues in early 2018. 20% of colleagues have downloaded the app, which includes a range of factsheets that can support them through common life events
- We extended our absence support service trial, which provides nurse-led support by telephone, and a service that provides colleagues and their immediate family with 24/7 telephone and web access to GP consultations. In 2019 we'll be rolling this service out further
- We introduced a debt consolidation service, provided by Neyber, which gives colleagues access to low-cost, responsible borrowing and an alternative to sources like payday lending. We lent over £2.2m to 433 colleagues through this service in 2018

We know that issues around mental and physical health and financial wellbeing will always be important to our colleagues and we're committed to doing even more to support them. We'll increase the range of material we produce for colleagues to include mental health and resilience toolkits and information to help with the challenges of day-to-day life.

In 2019, we're expecting to launch a Workplace ISA (a tax-efficient savings plan) and continue our close relationship with credit unions, including the Co-op Credit Union, which provide savings and lending services to our colleagues.

Celebrating our colleagues


Our colleagues do amazing things for our members, customers and communities and we believe it's important to recognise and celebrate them.

In 2018 we introduced new, practical ways for colleagues and managers to simply say 'thank you' for a job well done both face to face and digitally. All colleagues are encouraged to demonstrate appreciation for others, for example using a digital thank you site to send messages of appreciation or nominate colleagues for our wall of fame. Since November, 2,300 cards have been sent to colleagues across all businesses.

In 2018 we launched our first ever Thank You for Being Co-op Awards, to celebrate outstanding achievements from our colleagues that make a real difference to peoples' lives. Nominations were open to both colleagues and Co-op Members. We will be continuing the awards in 2019.

Apprenticeships

We offer a range of apprenticeships and we've recruited over 4,500 apprentices since 2011 with 1,034 apprentices at the end of 2018. Two of our apprentices were recognised through external awards in 2018 (see left), and we were named as a Top 100 employer of apprentices by RateMyApprenticeship. Read more on page 58.



Performance benchmark

The reviews from our own apprentices helped us **retain a place on the RateMyApprenticeship 'Top 100 Apprenticeship Employer' list**



▲ Rachel Lee

Rachel has won the **Retail Week Apprentice of the Year award**



▲ Jasmine Joynt

Jasmine won the **Outstanding Intermediate Apprentice of the Year award** at the RateMyApprenticeship awards, and was highly commended in the same category at the National Apprenticeship Awards, North West Region

2019 targets:

- Continue our commitment to having 1,000 apprentices on our programme at any one time
- Maintain levels of colleague engagement as measured by our engagement index
- Increase the number of colleagues who have downloaded our wellbeing app from 20% to 50%

Our campaigning

Safer Colleagues, Safer Communities

Tackling violence and crime

We have noted with great concern the unprecedented levels of violent, weaponised attacks on Co-op colleagues in stores throughout the UK. This level of violence reflects that in wider society which has been so tragically highlighted in recent months.

Our ambition is to create a Stronger Co-op and Stronger Communities. Protecting our colleagues and making our communities safer places to live and work does just that. Our priority is to look after colleagues and make sure that they are safer at work. In December 2018 our National Members' Council approved Safer Colleagues Safer Communities as an official Co-op campaign and campaigning activity began.



Nothing is more important than protecting our colleagues now and in the future



Jo Whitfield
Retail Chief Executive.

£69m¹

has been spent since 2015 to reduce the impact of, and protect our colleagues from violent incidents

600

of our highest-risk stores are monitored with leading-edge approaches to protecting colleagues, delivered by our partnership with SECOM

£3.9m

Thanks to our members, we've invested £3.9m in over 1,200 local causes addressing some of the underlying issues that are fuelling rising crime across the country



We supported David Hanson MP's amendments to the Offensive Weapons Bill in October. This would make attacks on shop workers who are selling age-restricted goods an aggravated offence, carrying heavier sentences.

In November, we supported Usdaw's 'Respect for Shop Workers' week, hosting 48 Parliamentarians in our Co-op Food stores. These visits have helped them understand the realities our colleagues face and our determination to protect them.

Our Safer Colleagues Safer Communities report sets out why tackling crime against colleagues and the communities in which they live is so important to our Co-op, and shows what we will be doing in the coming months and years.

In 2019 we will:

- Build partnerships with colleagues, communities and Usdaw to strengthen our resources to tackle crime and build safer, stronger communities
- Collaborate with communities and organisations within them, working to tackle violence and crime at both a local and national level
- Work towards building a best practice model that helps tackle some of the root causes of violence and crime

¹ Comprises a range of tactical and strategic solutions, with particular focus on areas where there are elevated levels of crime, including store guards; installation of digital CCTV systems; remote monitoring system upgrades; crime reduction partnerships; and colleague training on conflict management.

Sustainable Development Goals

At a global level, we welcome and support the vision provided by the UN Sustainable Development Goals (SDGs) as a framework that allows for genuine long-term and collaborative action. During 2018, we aligned both our Future of Food commitments and Property Environment and Resource strategy with the SDGs.

We're a signatory to the UN Global Compact, signed up to the British Retail Consortium's Better Retail, Better World, and support the International Co-operative Alliance's Co-ops for 2030. Below we summarise our progress against the 17 goals. We'll look in more detail at how and where our material activities align with the SDGs and aim to create robust, long-term targets.

 <p>1 NO POVERTY</p>	<p>Our work on Fairtrade helps to ensure that workers in our global supply chains get a fairer deal. We saw a 6.3% increase in Fairtrade sales in 2018.</p>	 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Through our carbon offsetting we support wind farms in India, facilitating the development of sustainable infrastructure in the country.</p>
 <p>2 ZERO HUNGER</p>	<p>We're committed to safeguarding the security and supply of food. We aim to reduce the risk of environmental impacts on our business and in the wider supply chain.</p>	 <p>10 REDUCED INEQUALITIES</p>	<p>Our long-standing commitment to Fairtrade contributes to reducing inequalities, and we were the first business to sign Fair Funerals' new enhanced pledge to tackle funeral poverty.</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We've funded 2,634 local causes responding to loneliness and we're also supporting an All Party Parliamentary Group on loneliness.</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>In 2018 we invested £28.8m in UK communities and £2.9m in international communities.</p>
 <p>4 QUALITY EDUCATION</p>	<p>We offer a range of apprenticeships across our business and we've recruited over 4,500 apprentices since 2011. In addition we were proud that the Co-op Academies Trust ran 18 academy schools by the end of 2018.</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>By 2023 we want 100% of our food product packaging to be easy to recycle by product line, and our latest data shows we're at 72%. We've also set a target to reduce food waste generated in our stores and depots by 50% by 2030 compared to 2015.</p>
 <p>5 GENDER EQUALITY</p>	<p>55% of colleagues and 32% of those in senior leadership roles are female, and our colleague 'Aspire' network enables and encourages female peer support at work.</p>	 <p>13 CLIMATE ACTION</p>	<p>We achieved our target to reduce our direct greenhouse emissions by 50% compared with 2006, three years ahead of schedule. We've now set an ambitious new target to halve our direct emissions again by 2025 (compared to 2016).</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>We also report our Gender Pay Gap, and are using this data to inform and refine our initiatives in this area.</p>	 <p>14 LIFE BELOW WATER</p>	<p>We aim to be one of the UK's most responsible retailers of fish. In 2018, 99% of wild-caught fish was from low or medium-risk fisheries.</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Our partnership with The One Foundation has raised £9.3m and supported 1.9 million people over 12 years, through water, hygiene and sanitation projects in Africa. We were also UK founder members of the Global Investment Fund for Water.</p>	 <p>15 LIFE ON LAND</p>	<p>We're committed to the protection of natural resources, and aim to source responsibly wherever possible, from wood to palm oil and soy.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Through carbon offsetting for our insurance customers we support the provision of fuel-efficient stoves in Ghana.</p>	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Our Human Rights and Trade Policy identifies the exceptional conditions under which we will suspend trade with a nation state or designated region</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>We are a member of the Ethical Trading Initiative, a founder of Stronger Together, and we continue to support the fight against modern slavery.</p>	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>We support initiatives with the British Retail Consortium and the International Co-operative Alliance to further the aims of the SDGs through co-operation.</p>



Performance data report

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We aim to be open and honest in all that we do, including our reporting. This section of our report contains supplementary information and data to help readers understand more about our performance.



Business ethics and behaviour

Fair Tax Mark

We know that a responsible approach to tax is an issue of great concern to the UK public. We were awarded the Fair Tax Mark for the 4th consecutive year in 2018 and hosted a number of Fair Tax Fortnight events.



The Fair Tax Mark sets a standard for responsible tax practice and reporting, and demonstrates how we are open and transparent about our tax affairs. Our application for the Mark followed a recommendation made by our National 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.

Distribution of economic value added

'Economic value added' measures the financial benefits that commercial organisations deliver to stakeholders. Our reporting is based on the Global Reporting Initiative's indicator on 'direct economic value generated and distributed'.

Distribution of economic value added (£m)

	2015	2016	2017	2018
Colleague wages and pension benefits	1,174	1,323	1,353	1,332
Payments to government (mainly business rates, employers' National Insurance and irrecoverable VAT)	191	199	201	195
Distribution to members	28 (including 24 in promotional vouchers and 3.6 from Swipe and Win payments)	23 (including 4.4 redeemed through members' 5% reward, 15.2 in promotional vouchers and 2.9 from Swipe and Win payments)	61 (members' 5% reward)	60 (members' 5% reward)
Community investment	6	11	30	32
Payments to providers of capital (interest paid to bankers or bondholders for loans)	83	82	64 ^R	64
Set aside for capital maintenance and future growth (ie after accounting for other payments, including payments to government, members and community investment)	270	207	95 ^R	87
Total	1,752	1,845	1,804 ^R	1,770

^R Restated in-line with our statutory accounts to reflect the adoption of IFRS 15 (Revenue from contracts with customers) and because the results of Insurance are now shown as "discontinued" which is shown below profit before tax. Refer to the General Accounting Policies section of the Group Accounts for further details.

Public policy engagement

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. For reporting purposes, 'engagement' is restricted to instances where we've raised or supported a significant initiative relating to issues identified in our Co-op Way Policy Framework.

Issue	Audience	Engagement	Policy position
Business ethics and behaviour			
Expanding the social enterprise sector	Government, Shadow Ministers and opinion formers	Participation, alongside Nationwide, in a Social Enterprise UK research project and report entitled 'The Hidden Revolution'.	The UK economy could become more competitive and inclusive, if growth of the social enterprise sector is boosted by a few simple regulatory initiatives.
Doubling the size of the co-operative sector	Government, Shadow Ministers and opinion formers	Input to the work of the New Economics Foundation, commissioned by the Co-operative Party, to produce a report entitled 'Co-operatives Unleashed'.	Background support for policy initiatives designed to increase the size and scale of the co-operative sector.
Community			
Safer Colleagues, Safer Communities	Government Home Office	The Co-op is a long-standing member of the National Retail Crime Steering Group.	
	Members of the House of Commons	Briefings to MPs in advance of Report Stage of the Offensive Weapons Bill, and also a Ten Minute Rule Bill (October 2018).	The Co-op supports greater legislative protection for retail workers who take responsibility for the process of age-restricted sales.
	Members of the House of Commons, Scottish Parliament and National Assembly for Wales	Just under 50 visits to Co-op stores by Parliamentarians to mark Respect for Shopworkers Week, in partnership with Usdaw (November 2018).	Attacks on retail workers who are simply doing their job are unacceptable. We want to find solutions that will make a difference to how our colleagues feel at work so that violent incidents against them are taken seriously and are deterred.
Ethical trade and human rights			
Modern Slavery Support for victims	Government Home Office and Department for Work and Pensions (DWP) Members of the House of Commons and House of Lords NGOs	A series of Westminster interventions in the course of 2018 reflecting the significance of this national Co-op campaign, and including: <ul style="list-style-type: none"> - Parliamentary Roundtable organised by Co-op and hosted by Rt Hon Frank Field MP - bringing businesses together to discuss support for survivors (January 2018) - Joined the 'Free for Good' coalition to support Lord McColl's Bill (January 2018) - Submission of written evidence to the Public Accounts Committee 'Reducing Modern Slavery' inquiry - (February 2018) - Global Citizen Partnership to support Lord McColl's Bill. Film, produced featuring a Bright Future candidate, the then IASC shown and shared via social media afterwards (April 2018) - Submission of written evidence to the Home Affairs Select Committee 'Modern Slavery' inquiry (September 2018) 	Call on businesses and government to do more to support victims of slavery in the UK. Explicit support for provision in Lord McColl's PMB for extension of government support for victims up from 45 days to one year.

Issue	Audience	Engagement	Policy position
Ethical trade and human rights			
Modern Slavery Project Bright Future: employment opportunities for victims	NGOs	Two Bright Future summits held in 2018 (April and September 2018) involving 41 charity and business partners.	Call on businesses and government to do more to support victims of slavery in the UK.
	NGOs, Members of the House of Commons and House of Lords, Independent Anti-Slavery Commissioner	Bright Future highlighted by government as a positive example of business support by Home Office Minister in Parliament and by Prime Minister in Home Office press releases and in Home Office Annual Report. Victim support established as one of three areas of focus for Business Against Slavery Forum.	
Modern Slavery Business reporting under the Modern Slavery Act	Government Home Office, NGOs	Modern Slavery Statement 2018 published (April 2018) and widely distributed to stakeholders, including Home Office and IASC.	Call on government to promote business compliance with the MSA.
	NGOs	Anti-Slavery International Charter – Co-op became the first corporate to sign this Charter. Co-op wrote to the FTSE 100 companies to ask them to sign (May 2018).	
	Members of the House of Commons	Briefings led to positive mentions in ‘Transparency in Supply Chains’ Back Bench Business debate, 18 October 2018 and in Westminster Hall debate on 9 October 2018.	
Modern slavery The response of the UK business community	Government Home Office, Business community, Independent Anti-Slavery Commissioner	<ul style="list-style-type: none"> - ‘Highly Commended’ award for Bright Future at Ethical Corporation’s Responsible Business Awards on 9 October (Human Rights). - Shortlisted for Human Trafficking Foundation Anti-Slavery Day Award for Bright Future on 18 October 2018. 	Call on businesses in the UK to work together to combat modern slavery and to provide support for victims.
	Government (international)	Commonwealth Parliamentary Association Handbook on ‘Legislating Against Modern Slavery, Human Trafficking and Forced Labour’ – Bright Future case study in section on business support.	
	Government Home Office, Business community	Membership of Home Office CEO Business Against Slavery Forum led by the Home Secretary. Steve Murrells met with Minister Victoria Atkins (July 2018).	
Food and Farming			
Support for British food and farming	Government Department for Environment, Food and Rural Affairs	Jo Whitfield, Chief Executive of Co-op Retail, is a member of the Food and Drink Sector Council which is a formal industry partnership with government to create a more productive and sustainable food and drink sector.	

Issue	Audience	Engagement	Policy position
	Government Department for Environment, Food and Rural Affairs	Submission of response to consultation Health and Harmony: the future for food, farming and the environment in a Green Brexit (May 2018).	The Co-op has always encouraged the UK's farming industry to grow for the market and not for the subsidy. We believe that any new agricultural policy should be underpinned by publicly funded financial support for the provision of public goods. Co-op Members and customers have consistently told us that three issues are important in their purchasing choice, namely: health, British and animal welfare and these elements will be important in the development of UK supply chain outputs. The bar should be set high and, if needs be, baselines should be enshrined in regulation, with rigorous enforcement to ensure compliance.
Environment and resource use			
Plastics	Greater London Assembly Environment Committee	Oral evidence to the committee as part of its inquiry into plastic waste (March 2018).	
	Government HM Treasury	Written response to call for evidence on 'Tackling the plastic problem: Using the tax system or charges to address single-use plastic waste' (May 2018).	The Co-op has long championed environmental causes, especially in terms of packaging innovation. We have reduced the use of excessive plastics in our products and packaging and also worked hard to make sure that it is reusable, recyclable or compostable when and where appropriate. It is important to build understanding of the value of plastics in the context of a circular economy, rather than demonising all plastic per se.
Carbon reduction	Greater Manchester Combined Authority	Support for the Mayoral ambition to make Greater Manchester greener (March 2018).	Three years earlier than expected, the Co-op met its target to halve greenhouse gas emissions from its operations by 2020 (on a 2006 baseline). On the eve of the inaugural Greater Manchester Green Summit, the Co-op pledged to set an ambitious new greenhouse gas reduction target in 2018.
Healthy living			
Energy drinks and children	House of Commons Science and Technology Select Committee	Submission of a written response to the Select Committee's inquiry into energy drinks and children (July 2018).	The Co-op adopted a voluntary ban on the sale of energy drinks to children under the age of 16. We are ambivalent about whether there should be a legal ban on the sale of these products. But any legal ban should be precise in details and age restriction.
Business ethics			
Funeral costs/affordability	Government Department for Work and Pensions (DWP)	Engagement with Parliamentarians to brief on steps to promote affordability. Co-op steps referenced by Minister and MPs in Westminster Hall debate on 11 September 2018.	Call on government to improve Funeral Expenses scheme, making it easier for those in need to claim.
Funeral Plans Regulation	Government HM Treasury and DWP, Members of the House of Commons, NGOs	Engagement to discuss regulation of funeral plans prior to HM Treasury consultation (June 2018) and submission of evidence to HM Treasury consultation (August 2018).	Better regulation of funeral plan market to protect consumers and promote consumer confidence.

Screening of Co-op Insurance investment opportunities

Since 2011, all investments made by our insurance business in fixed-income bonds to underpin home and motor premiums have been screened against its Ethical Policy. The screening is carried out by the dedicated Responsible Investment team within Royal London Asset Management (CIS), which provides asset management services. Any potentially problematic investments are referred to our Policy Ethics and Sustainability team for assessment and final recommendation.

In 2018, 11 new fixed-income investment opportunities were screened (2017: 16). No companies were referred for assessment and none were declined (2017: two referred and one declined). During the year, the Responsible Investment team also carried out a full review of the companies currently held in the portfolio, to ensure they continued to reflect the Ethical Policy. As part of this process, one company was referred to our Policy, Ethics and Sustainability team for re-assessment. Following further research and engagement with the company, it was decided that the company remained suitable.

Compliance with Groceries Supply Code of Practice ('the Code')

We want our suppliers to feel that they have effective, collaborative and fair relationships with us. Our Food business's trading relationships with groceries suppliers are regulated by the Groceries Supply Code of Practice. Our Co-op is one of ten designated retailers in the UK that the Code applies to. The Groceries Code Adjudicator (GCA) is the regulator responsible for the Code.

In March 2019 the Groceries Code Adjudicator (GCA) found that we had contravened the Groceries Supply Code of Practice in relation to delisting and variation of supply agreements without reasonable notice. We've sent a full apology to our suppliers following the findings and had already taken decisive steps during 2018 to ensure we treat suppliers fairly, including providing refunds to those wrongly impacted by the introduction of charges. We've also retrained over 1,000 colleagues. We welcomed that the GCA found that we had not been, "malicious," or acted in a way, "intended to result in gain." You can read more about our response to the GCA report in our Annual Report.

Anti-corruption

Our commitment to comply with all relevant anti-corruption laws is outlined in our Financial Crime Policy, Anti-Bribery Policy and also in our Anti-Corruption control standard for our Insurance business.

Our [Code of Business Conduct](#) details our Board and Management's commitment to the elimination of any fraud within the organisation and rigorous investigation of any such cases, and we have an Anti-Fraud Policy and guidelines to support this commitment. Our Gifts and Hospitality Policy sets out our zero tolerance approach to bribery.

Speak Up

In line with best practice and to make sure we do the right thing by our values and principles, a whistleblowing procedure, known as Speak Up, has again been in operation during the year. Managed by an external independent company, this gives colleagues the chance to raise concerns about business practices confidentially should they not wish to talk to someone within the Co-op. It also allows suppliers to report on any wrongdoing in relation to the Co-op. The whistleblowing policy is included in the Code of Business Conduct, and is available on the colleague intranet and our website.

In 2018, we received 173 whistleblowing reports through Speak Up (2017: 74). In total Speak Up were contacted 319 times in 2018 (2017: 170). As well as whistleblowing reports this included the provision of additional information, requests for feedback and the seeking of advice. The increase in reports reflects the efforts we've made in the year to increase awareness of whistleblowing and raise the profile of Speak Up.

In addition to the whistleblowing reports made via Speak Up, 43 whistleblowing reports were made direct to colleagues at the Co-op (2017: 28). We have a procedure for recording and investigating whistleblowing reports, a summary of which is presented to our Risk and Audit Committee.

Food safety and quality control

We are working continuously with our suppliers to simplify our supply chains and strengthen our risk management, traceability and quality assurance processes. All Co-op Own Label suppliers are audited against British Retail Consortium (BRC) Global Standards. Food safety, legality and product quality requirements are delivered by working with our suppliers to ensure all products are compliant with relevant legislation and our own Co-op standards.

Our approach to authenticity which has been recognised¹ as industry leading, is one of collaboration. Working with our suppliers and an independent testing laboratory, we have established a comprehensive testing programme which covers origin, production system, species, variety, composition and adulteration. This ensures our Co-op branded products deliver against all aspects of authenticity and protect our customers and the Co-op brand.

¹ Recognised by Professor Chris Elliott, Queen's University Belfast, Northern Ireland. Director of the Queens Institute for Global Food Security and Chair of Food Safety and Microbiology. Led an independent review of the UK's food system, following the horsemeat scandal and is also a non-executive independent adviser to the Food Industry Intelligence Network.

Funeral affordability

We've been addressing funeral affordability for the last few years and offering greater choice in funeral arrangements. Our national survey into death and bereavement, the biggest ever carried out in the UK, suggested that four million people suffered financial hardship after bereavement. In September, as a response to these findings, we made further changes to our funeral prices in particular for our members. Co-op members were given £200 off when arranging a funeral (Simple, Traditional and Classic) and £200 off funeral plans and probate services, and £50 off Cremation Without Ceremony. For all clients we reduced the cost of our Simple Funeral by £100 across England and Wales, which followed a successful trial in Scotland, and introduced a 'best price guarantee'.

Data usage

Our members and customers expect us to demonstrate high ethical and sustainability standards. Our ability to lead relies upon effective and ethical handling of the data that we collect, create, analyse and use in our day to day work.

During 2018 we have developed our approach to Data Ethics hand-in-hand with our teams that design and deliver new products and services. So we've both met regulatory requirements (for example the recent enhancements to Data Protection Law) and grown our information management culture.

In 2019 we intend to expand the application of our Data Ethics approach and will publish a Data Ethics policy that will describe the key principles we will follow when making decisions from our data. These Data Ethics principles support our objective of being 'Trusted with Data' and describes how we will use data responsibly in a way that benefits our Members and communities in a modern, data-driven society.

Trade and business association membership fees

We disclose all of our principal memberships, subscription fees and donations to trade and business associations that engage in public policy activities. We report those with a value of £5,000 or greater.

Donations and subscriptions, 2018 (£)

Co-operatives UK	724,048
Drinkaware Trust	240,000
National Association of Funeral Directors	231,003
British Retail Consortium	164,459
Association of British Insurers	113,373
Institute of Grocery Distribution Services	72,500
International Co-operative Alliance	68,635
Funeral Planning Authority	80,600
Downstream Fuel Association	40,482
Ethical Trading Initiative	38,561
Incorporated Society of British Advertisers	30,500
The Wine and Spirit Trade Association	22,525
Waste and Resource Action Programme (WRAP)	20,000
The Law Society	15,088
British Institute of Embalmers	19,414
The Association of Convenience Stores	13,900
Inclusive Employers	11,995
The National Association of Pension Funds Limited	10,262
Marine Stewardship Council	9,000
Scottish Grocers Federation	8,994
Business In The Community (BITC)	8,017
RECYcling Of Used Plastics Limited (RECOUP)	7,750
British Nutrition Foundation	6,147
National Farmers' Union	6,000
Retailers' Soy Group	5,000
Retail Palm Oil Group	5,000

Membership and democracy

As a co-operative, we're owned by our members, and this makes us different from other businesses. Making membership meaningful and involving members through our democracy is 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.

	2016	2017	2018
Active members Those who have traded with us in the last year in Co-op Food, Electrical, Funeral and Life Planning, Insurance and Legal Services.	4.0m	4.6m	4.6m
New members	0.5m	1.0m	0.6m

Our Membership Scheme

Through our membership scheme, we give 5% of what our members spend on selected Co-op branded products and services back to them, and 1% to community causes across the UK.

In 2018, £60.4m was earned by members for themselves, of which £55.4m was redeemed (£141m earned cumulatively since the launch of the Scheme in May 2016).

And £19m was paid out for over 4,000 community projects in 2018, with causes across our 1,500 local communities (£39m for over 12,000 projects since we re-launched membership in 2016). The £19m included £11.9m from members' own brand purchases and £7.16m from the sales of our 5p carrier bags and reusable bags. This will support a wide range of projects including young people, community development and social inclusion, as well as health, education and arts and culture.

Democratic member control

Having a strong relationship with our members, giving them a voice and listening to their views is key to our success and helps us to define our unique Co-op difference.

Democratic member representation is achieved through One Member, One Vote. Eligible members are able to have their say on AGM motions and elect representatives to our National Members' Council and Member Nominated Directors to the Board.

All our Board directors are members themselves, needing to meet both membership and eligibility requirements. Our Member Nominated Directors are elected through a direct ballot of our members and our Independent Non-Executive Directors are appointed by our Board and subsequently stand for election following their appointment by members at our Annual General Meeting (AGM).

Council

Our National Members' Council, which is made up of 100 members¹, represents our wider membership base and acts as guardian of our Values and Principles.

In 2016, the Council launched its Co-op Compass, a monitoring framework to support the Council in its role of holding the Board to account. There are four lenses, with associated KPIs that are updated annually to align with our business strategy:

1. Member value
2. Member voice
3. Ethical and sustainable leadership
4. Co-operative leadership

The Co-op Compass is used to measure performance using KPIs agreed by Council and Board, with a committee looking at each of the four lenses. An example of this is the Ethical and Sustainable Leadership Committee, which looks at how the Co-op demonstrates leadership in ethical and sustainable performance. This Committee was involved in the development and launch of our Future of Food ambition, joining other stakeholders and providing input and feedback.

Our Join in Live events were also important in assisting Council in fulfilling its role of representing the views of members. Council members hosted 24 events in communities across the UK in autumn 2018 and these provided an opportunity for Council to hear feedback from 1,395 members (2017: 1,100) on key local and national issues.

AGM

94,725 members voted in our 2018 AGM and elections (2017: 76,883), with 730 voting in person at the AGM (2017: 800). Voter turnout among eligible members was 3.5% (2017: 3.5%).

Our members vote on motions at our AGM, which are put forward by our Board, Council or members. In 2018 members voted on motions including:

- Plastic recycling – a commitment to maintaining our leadership position on plastic recycling
- Political donations – agreeing political expenditure on items including donations and subscriptions to political parties
- Responsible advertising – to review the impact of our advertising policy

¹ Includes individuals elected by members by constituency, representatives of independent society members and eight Council appointed representatives.

Member voice

Members also have ongoing opportunities to get involved in our Co-op through channels that promote everyday participation. They can 'Join In' to provide us with a member view on decisions and approaches to product development, promotion, policy, service design and strategy. In this way, we can better understand member needs, priorities and preferences and members can impact on our overall decision making.

During 2018, 97,403 (2017: 20,800) members joined in with activities as diverse as testing digital solutions for Co-op Food coupons; helping Co-op Funeralcare tackle some of the taboos around death, dying and bereavement; developing the first member-designed Co-op Irresistible Pizza; and coming up with ideas to address waste. Members had the chance to 'join in' with 69 separate opportunities during the year (2017: 93). At the end of December, 32% of members who joined in during 2018 had done so on more than one occasion (Dec 2017: 16%).

In 2018, we explored member participation in five areas of the business, running test and learn activities simultaneously to share and learn quickly, and inform the development of our future strategy for participation. We tested a hypothesis for each area to help us understand the value to members and Co-op from member participation. The waste and packaging case study (right) details one of the tests.

Building on our successful member engagement with the 'Join In' programme in 2018, we'll build and trial a new online forum called the 'Join In Community'. The new forum will be designed to not only promote a richer conversation between Co-op and its members but importantly broker engagement between members, producing greater insight in shaping our future policy, products and services. In addition, for the first time we'll be able to connect Co-op Member Pioneers with the members in their local area and provide a platform for safe and secure engagement.

Young members

At the end of 2018, we had 157,134 active members aged 25 and under (2017: 158,441), of whom 5,283 had actively joined in with an opportunity to influence their Co-op (2017: 1,169).

We know that young people are under-represented in our Co-op Membership and this will be an area of focus in 2019 and beyond as we actively seek to recruit new young members. Our Co-op Young Members' Board (CYMB) is an advisory panel of 15 members aged 16-25 and helps to foster representation of young members in our business.

During the first half of 2018, our CYMB was tasked by the Chief Executive to find ways to facilitate conversations with a wider group of young people. On the back of the CYMB's recommendations, the Executive approved the creation of a new Co-op Young Members' Group (CYMG), which would replace the CYMB and be made up of six members, each of whom would be paid for four hours every week to work on CYMG activity.

The new Group (initially comprising six members of the old CYMB) began working with the Director of Communications to explore the relationship between young people and news, how they accessed it and what they were looking to hear about.

In December 2018, we recruited six new people to take up roles in the CYMG from January 2019. The first projects for the new group will be working with our Food events team to develop Co-op's presence at a range of music festivals across 2019; and working with our community team as it explores how young people engage with training, education and skills.

Case studies

Waste and packaging

We were keen to involve members in generating ideas for waste and packaging reduction and committed to trying some suggestions in stores. This activity provided a solid test of whether members had ideas and suggestions they were willing to share with us if we gave them the opportunity to do so. The first step was to ask members about their most pressing waste issues. 3,601 responded, with plastics, and packaging more broadly, dominating conversations. At the second stage, 1,277 members joined in to offer suggestions for how we could begin to address some of the identified issues. This long list was considered by the business and a shortlist produced containing 10 practical suggestions. These suggestions were then put back to members and 4,357 chose their preferred solution, giving us a prioritised list of initiatives that we are now exploring and developing for testing. Furthermore, 60 members responded to a request to sit on a Member Panel to share industry and third sector expertise. The activity also informed both our Future of Food ambition and content for communications. Members valued the opportunity they had to get involved in this way, validating the participation hypotheses we were testing.

Insurance

In 2018, Co-op Insurance took the decision to involve members in the development and redesign of all of its products and services. Members helped to shape the timetable for the schedule of work, joining in to share their experiences of insurance products, offering suggestions about how we could improve them in a distinctively 'Co-op' way and identifying gaps in the insurance market where they'd welcome a Co-op alternative. Following this, members have joined in to help shape a variety of insurance products, including: life, motor, motorbike, pet, small business, travel and car servicing policies. They even suggested the name for the latter, Co-op Car Care, which then became the name preferred by the majority of members who took part in the conversation.

Co-operation among co-operatives

Financial support

In 2018, we paid £2.35m to support representative and affiliated bodies of the co-operative movement.

Financial support for the co-operative movement (£m)

2015	2016	2017	2018
1.80	1.77	1.97	2.35

Breakdown of financial support for the co-operative movement (£)

Organisation	
Co-operatives UK	724,048
Co-operative Party	625,600
Co-operative Academies Trust	600,000 (NB One off payment of £500,000)
Co-operative Press	119,000
Co-operative College	102,000
International Co-operative Alliance	68,634
Co-operative Heritage Trust	18,000
Robert Owen Museum	3,000
New Lanark Museum	3,000
Peoples' History Museum	8,000
Wales Co-operative Centre	1,000
Plunkett Foundation	1,000
Social Enterprise UK	40,000
Other	33,000
Total	£2,346,282

Social Saturday was part of our wider partnership with Social Enterprise UK, which also included the publication of the 'Hidden Revolution' report, the 2018 Social Enterprise Awards and membership support.

Local Community Fund

We have extended the eligibility criteria for our Local Community Fund to allow co-operatives, social enterprises, community benefit societies and other community and co-operative organisations to apply for funding.

Federal Retail and Trading Service

Through Federal Retail and Trading Services Limited (FRTS), we provide services for our own business and 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, but allows us to share the economic advantages of our size and scale.

Co-op Academies Trust

We are the business sponsor of 18 academy schools in Greater Manchester, West Yorkshire, Staffordshire and the Wirral through the Co-op Academies Trust.

In 2018, we announced plans to grow the number of schools supported by the Trust to 40 by the end of 2021, and to align the branding of the Co-op Academies Trust with our own. We continue to provide governance expertise from our business, including 50 sponsor governors.

Our activities to support and promote co-operation and social enterprise

Co-operatives Fortnight

Co-operatives Fortnight ran from 23 June to 7 July 2018. It's the co-operative sector's national campaign to promote co-operation. We held an awareness event for colleagues, launching the Co-operative Economy Report 2018 from Co-operatives UK, and engaged audiences via social media, with a reach of 7.8 million (2017: 5 million).

Social Saturday and Social Enterprise UK

Social Saturday is an annual campaign to raise awareness of the difference that social enterprises are making in communities all over the world, and to encourage support for them. The campaign was held on 13 October 2018, led by Social Enterprise UK with Co-op.

In 2018, activities included over 100 social enterprise-led community events throughout the UK, including events from Member Pioneers and Co-op Food Ambassadors. It was supported by an extensive print, broadcast and social media campaign. Social media reach was 6.86 million (up one million on 2017).

Community

UK community investment

Our community activities in 2018 led to a total investment of £28.8m. We use the LBG methodology to collate and present our community investment data.

The figures captured in our community investment data represent what has been distributed during 2018.

Total UK community investment (£m)

	2015	2016	2017	2018
Cash	1.6	1.5	14.5	14.0
Colleague time	1.0	1.5	2.0	2.2
Gifts in kind	0.8	0.9	0.5	0.5
Management costs	0.2	-	-	-
Leverage (donations by members, customers, partners and suppliers)	2.2	6.9	10.6	12.1
Total	5.8	10.8	27.6	28.8

UK Community Investment remained a strong area of focus in 2018, with £19m of funding paid to more than 4,000 local causes through the Co-op Local Community Fund. This money was raised through a combination of 1% of what our members spend on selected Co-op products and services along with the funding generated by statutory charges on sales of our carrier bags and donations from our wider re-usable bag range.

2018 also saw significant further investment in the Co-operative Academies Trust, the Co-op Foundation Youth Loneliness initiative and our Modern Slavery Campaign.

International community investment

Total international community investment (£m)

	2015	2016	2017	2018
Cash	1.03	0.88	2.07	2.86
Colleague time	0.01	0.05	0.02	0.004
Leverage (donations by members, customers and suppliers)	0.04	0.06	0.05	0.01
Total	1.1	1.0	2.1	2.88

International investment rose in 2018, with funds continuing to be raised through sales of Co-op branded water to support water projects in Africa, and fight water poverty across the world. We continued to donate 3p from every litre of Co-op branded water sold to The One Foundation

(previously, donations were only made for sales of Co-op Fairbourne Springs Water, now it also includes flavoured and sparkling water). This means we've increased our total donation to £1.45m a year (2017: £1.2m). We've continued our role as founder members of the Global Investment Fund for Water, and have started to donate 1p per litre of branded water sold through our shops (generating a further £628,000 a year to fight water poverty across the world).

In 2018 we donated £60,000 from sales of Co-op bottled water to help restore water and sanitation facilities to communities in Kerala, India which were devastated by flooding and landslides. And we donated a further £65,000 to the Disasters Emergency Committee Emergency Appeal to support people in Palu, Indonesia where a tsunami flooded the city.

Through our 'Beyond Fairtrade' initiative we funded education projects in Kenya and Côte d'Ivoire, and also invested in Carbon Offset credits as part of our offering to new insurance customers.

Colleagues involved in community activity

We encourage all colleagues to play an active role in the community, whether that's volunteering through the Co-op Foundation, setting up, running or participating in community projects or taking part in civic duties. Colleagues can volunteer in the community for two days each year during working time.

In 2018, more than 7,000 colleagues supported their communities in this way, whether volunteering with local charities, organising fundraising events, serving as trustees or governors, or supporting causes participating in the Local Community Fund.

Colleagues involved in community activity during work time

	2015	2016	2017	2018
Number of colleagues	8,989	14,601	9,543	7,129
Number of days (hours)	9,629 (72,219)	14,180 (106,355)	17,757 (133,180)	16,348 (122,613)
Value of staff time (£m)	1.0	1.5	2.0	2.2

The overall number of colleagues involved in community activity during work time decreased in 2018, in part due to the conclusion of the fundraising activity linked to the national charity partnership with the British Red Cross. The relative increase in value of staff time reflects increased employee costs since the previous year.

Our community activity

Co-op Insurance community activity

Co-op Insurance continues to champion safer communities through delivering campaigns such as our Safe Used Car and Neighbour of the Year. This year we partnered with Thatcham Research to provide a list of the safest used cars for new parents. Alongside this, we worked with road safety charity Brake to put together a checklist with all the things parents need to know before buying a car.

In partnership with Brake, the road safety charity, we held sessions designed to highlight the issues associated with road safety and encourage students to think about the impact being involved in a serious incident could have on their lives. The workshops included engaging content combined with hard hitting facts and testimonials from bereaved families. They took place at several Co-op Academies throughout the country to educate young people on the importance of road safety and safe driving when they're beginning to think about learning to drive and/or starting to get into cars with their friends. We provided headline sponsorship of the Brake Kids' Walk in June 2018. More than 100,000 children, aged 4-11, took part to promote road safety and the health and planet-saving benefits of walking. To coincide with the launch of the walk, Brake and Co-op Insurance highlighted the true extent of child casualties on the UK's roads - on average, 39 children die or suffer injuries as a result of road crashes every single day.

As part of our aim to bring neighbours together to create strong, friendly and active communities, in 2018 we collaborated with Neighbourhood Watch on our Neighbour of the Year Award. We asked members what the main attributes of a good neighbour are, and used this criteria to judge nominations (from Co-op and Neighbourhood Watch members).

969 Insurance colleagues took part in Vulnerable Customer training, helping colleagues identify vulnerable customers and support them appropriately.

Co-op Funeralcare community activity

When members arrange a funeral or buy a funeral plan from us, we give 1% of what they spend to local community causes, but that's just part of the contribution we make to the communities we serve.

We also help communities discuss, understand and prepare for death so together we can tackle the taboo and provide support for people in dealing with and coming to terms with death, grief and bereavement.

During 2018 we hosted over 130 open days and 300 coffee mornings, opening our doors to encourage people to talk about death and funerals and to find out more about our profession. We also spent over 1,000 hours holding educational talks and awareness training with others who help the bereaved, such as healthcare professionals, police, hospice workers and nursing home teams; sharing our unrivalled knowledge of the funeral profession with the aim

of helping make the experience of the recently bereaved that bit easier.

Our work in supporting customers after funerals with bereavement support also continues. Over 360 activities were carried out through our 90 bereavement groups, and over 4,000 bereavement books for children were given out free of charge to customers and communities across the UK.

Co-op Food community activity

Our Food business continues to engage in and support local community activity across the UK, responding to local needs within our communities. Over 1,100 donations (with an average value of £210) have been made over the course of the year, including support of sporting leagues and teams; general maintenance and tidying up of gardens and public spaces; parades, fairs and carnivals; seasonal activities such as bonfire, Remembrance and Christmas events and supporting local organisations. There has been a key focus throughout the year on support for homelessness, food and period poverty, school support and learning, and social exclusion. We've also supported a Christmas community activity, sharing over 7,000 Christmas Food for Sharing bags with local community representatives.

Colleagues continued to fundraise for local initiatives across the UK with over £500,000 generated through colleague fundraising activities.

The Co-op Foundation

The Co-op Foundation is our charity, run by an independent group of Trustees who are appointed by our Co-op. It helps communities work together to make things better.

The Foundation's Belong programme builds on the Co-op's campaign to tackle loneliness, by focusing on how this issue affects young people. In 2018, the Foundation published new research that explored young people's experiences of loneliness and highlighted the importance of peer support to overcome stigma. This informed a second round of the Foundation's #iwill Fund, which awarded 19 grants totalling £1.39m for youth social action projects addressing loneliness.

Following the government's commitment to the recommendations of the Jo Cox Commission, the Foundation became a key partner in the Building Connections Fund, leading the £3.4m youth strand. This has made grants to 166 projects involving young people in co-designing improvements to how local spaces and services can help tackle loneliness.

Belong also aims to strengthen local youth services. In 2018, the Foundation funded research by UK Youth into how youth workers could be better supported to address loneliness. As part of the Building Connections Fund, the Foundation will create new learning resources informed by this research.

The Foundation launched two other major initiatives in 2018. It began offering interest-free loans for community

organisations developing trading activities to make local spaces more financially sustainable. With funding from Luminate, it also partnered with Co-op's digital co-working hub, The Federation, to support social enterprise start-ups and 'tech for good' events.

Carrier bag levy

We're putting proceeds of the carrier bag levy back into communities where those funds are raised. In England and Scotland we accrued £5.5m (2017: £7m) in funding from sales of carrier bags and distributed £7.1m to causes via the Local Community Fund (LCF).

From 2018, we're no longer directing the profits from our reusable bags range to local causes, though proceeds from the carrier bag levy continue to support LCF causes as previously. In addition, we have introduced our new compostable bags (page 18) to 1,069 stores, with plans to roll out to our entire estate over time. The law requires large shops in England to charge 5p for all single-use plastic carrier bags with the proceeds of the scheme directed to good causes, but there is no government levy on compostable bags. We sell these bags at cost, and proceeds cover the cost of manufacturing the bags.

In Wales, the Co-op Foundation will use proceeds of carrier bag levy funds raised in Wales (£679,000), since the end of our partnership with the Wales Wildlife Trusts, to create a dedicated fund for green spaces to improve their financial sustainability. Opening in 2019, the fund will offer a mixture of grants, interest-free loans and business support to community-led organisations in Wales that deliver environmental and social benefits.

In Northern Ireland, all money raised from the levy goes to the Northern Ireland Exchequer, to distribute to good causes of its choice. As this is a mandatory agreement, executed via the Exchequer, we do not include this total in our community investment data.

Ethical trade and human rights

Monitoring labour standards in Co-op Food (for Co-op brand suppliers)

We're founder-members of the Ethical Trading Initiative (ETI) and we adopt the ETI Base Code, which is founded on the conventions of the International Labour Organization and is an internationally recognised code of labour practice.

We require all Co-op brand suppliers¹ in our food business to join Sedex (Supplier Ethical Data Exchange).²

We identify suppliers for audit using a risk-based approach determined by supplier responses to Sedex self-assessment questionnaires, worker profiles, use of temporary workers, country of origin and industry sector, and external intelligence from experts, Trade Unions and NGOs.

100% of all Tier 1³ sites had completed a self-assessment questionnaire at the end of 2018 (2017: 100%), and 100% of high risk Tier 1 sites had been audited at the end of 2018 (2017: 98%).

Number of sites and workers on Sedex and location of audits in 2017/18

	Sites	Workers	Audits	Issues
Africa	223	102,980	93	472
Asia	103	48,362	82	352
Europe	1,370	287,769	557	1,578
North and Central America	69	18,008	28	199
Oceania	24	3,159	2	5
South America	195	85,325	50	341
Total	1,984	545,603	812	2,947

Status of improvement actions identified in valid audits in 2017/18

The Co-op Food sound sourcing - Improvement Actions Provisions	Total improvement actions raised		Improvement actions completed and verified		Improvement actions completed by supplier; verification due in 2019		Improvement actions due for completion in 2019		Overdue improvement actions			
									Tier 1		Beyond Tier 1 ⁴	
	Critical/Major	Minor	Critical/Major	Minor	Critical/Major	Minor	Critical/Major	Minor	Critical/Major	Minor	Critical/Major	Minor
Exploitation of labour	24	10	12	3	4	4	4	2	4	1	0	0
Freedom of association	31	34	22	17	8	15	1	2	0	0	0	0
A safe and hygienic working environment	881	683	665	499	101	92	102	83	9	3	4	6
Child labour	12	10	9	8	1	1	2	1	0	0	0	0
Living wages to be paid	172	139	51	36	47	48	55	48	11	5	8	2
Working hours are not excessive	229	95	78	37	52	33	83	20	8	3	8	2
No discrimination	35	24	14	12	5	8	14	4	1	0	1	0
Regular employment	179	45	84	25	37	11	57	8	1	0	0	1
No harsh or inhumane treatment	31	13	16	5	5	3	8	5	1	0	1	0
Other issue types	153	147	82	91	33	25	30	25	7	5	1	1
Sub Total	1,747	1,200	1,033	733	293	240	356	198	59			35
Total	2,947		1,766		533		554				94	

¹ Suppliers 'in scope' include all Tier 1 and beyond Tier 1 sites in high-risk product categories. Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

² Sedex is a web-based database where suppliers upload labour standards information, including self-assessments and site audit reports.

³ A Tier 1 site is a production site where goods are finished, ready for supply to, or sale by, the end company. A Tier 2 site is a production site that supplies goods or materials to a Tier 1 site for incorporation into the finished product. Sites 'beyond Tier 1' include sites at Tier 2 and further down the supply chain, depending on the nature and complexity of the supply chain.

⁴ See Footnote 1.

Supplier capacity building in Co-op Food

Our Food business 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 our Sound Sourcing Code of Conduct requirements
- Share best practice in addressing common labour standards issues

During 2018, 18 supplier events were carried out in the UK, Spain and Kenya. These events reached 903 delegates, including 624 sites, amounting to over 5,900 hours of supplier training/engagement (2017: 27 events, 1,005 delegates, 621 sites and 7,000 hours) as part of our global supplier capacity building programme to address underlying causes of human rights issues.

Also in 2018

- We prioritised and shared our most significant labour rights risks and will be sharing our Tier 1 supplier sites on our food website
- We piloted the use of worker voice technology and participatory techniques to help improve our effectiveness in identifying modern slavery
- We joined two new collaborative alliances to tackle labour abuses in the seafood industry - Seafood Ethics Action (SEA) Alliance, and the ILO-ETI Ship to Shore Rights Project
- Held a roundtable on 'labour shortages and Brexit' for key suppliers and senior Co-op HR, buying and technical colleagues

Goods and services we use in our own business and operations

In 2018, we further developed and embedded our Ethical Sourcing Strategy for goods and services not for resale (GSNFR). We rolled out a programme to monitor and engage with suppliers in our higher-risk categories through Sedex. This work highlighted some challenges for services providers completing the standard Sedex questionnaires. We therefore began a collaborative project with other major retailers to help Sedex develop a more appropriate service provider Self-Assessment Questionnaire (SAQ).⁵ We expect this to be launched in 2019.

One of our highest risk categories is construction. In 2018 we worked closely with our business leaders to better understand and manage ethical risks associated with construction. We have also been taking a proactive

approach to tackling modern slavery in this sector, and in July 2018 we became the first client signatory to the Gangmasters and Labour Abuse Authority's Construction Protocol, committing us to work in partnership to address slavery and labour exploitation in the building industry.

Human Rights and Trade Policy

We continue to implement our Human Rights and Trade Policy, which identifies the exceptional conditions under which we will suspend trade with a nation state or designated region.

One such condition is where there is 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. As a result, we do not source any produce (fresh fruit, vegetables and flowers, whether whole or prepared) or Co-op brand products from the Israeli or Moroccan settlements. However, we remain committed to sourcing produce from Israel and Morocco, and continue to use suppliers that do not source from the Occupied Territories and Moroccan settlements.

Our support for Fairtrade

Focusing on core categories

Since 2015 our strategy has been to focus on core categories (wine, bananas, cocoa, coffee, tea, sugar and flowers) in line with the Fairtrade Foundation's own focus on where the impact on producers is greatest.

Our UK market share in Fairtrade

Our Fairtrade market share among UK convenience stores was 83%⁶ in 2018 (2017: 80%).



Performance benchmark

We're the UK's largest convenience seller of Fairtrade products.

Fairtrade Premiums

Over and above the Fairtrade price, Fairtrade Premiums are an additional sum of money that provides a communal fund for workers and farmers to improve their economic, social and environmental conditions. In Belize, for example, Fairtrade Premiums are supporting our sugar producers and their communities. The premium enables farmers to diversify their produce, helps vulnerable children with bursaries, develops community projects and provides technical support to farmers to help increase crop yields and reduce environmental impact.

Beyond Fairtrade

We continue to go beyond simply providing producers with the Fairtrade Premium. Our investment in our wine

⁵ This project was carried out through our active involvement in the 'Indirect Procurement Human Rights Forum' - a group of a retailers with ambitions to address ethical trade in GSNFR ('indirects') supply chains.

⁶ Kantar, data based on 52 weeks ending 31 December 2018.

producing communities has enabled the construction of a major new community centre in South Africa and preparatory work continues paving the way for a new healthcare facility in Argentina. Using funds raised from our Growing Stories social media campaign, we launched a health and nutrition project with a coffee co-op in Colombia, and we're developing a community centre for tea farmers in Kenya. We also invested funds in a Women's School of Leadership in partnership with Fairtrade Africa to improve women's opportunities in cocoa-growing communities in Côte d'Ivoire.

Promoting Fairtrade

We continue to promote Fairtrade and to share stories with our customers about Fairtrade producers and the impact Fairtrade is having. We include Fairtrade as part of our wider activity, such as promoting Fairtrade Flowers on Mother's Day and Fairtrade chocolate during Easter. In 2018 we held events to support Fairtrade education at Co-op Academies, and distributed 3,000 Fairtrade packs for free to Co-op stores, members and customers to help them celebrate Fairtrade Fortnight. We also returned to Westminster to continue our support for the All Party Parliamentary Group for Fairtrade, Human Rights and Trade Policy.

Food and farming

Number of UK farms and suppliers

More than 3,700 farmers and growers feed into our own brand fresh supply chain, supplying us with meat, dairy, poultry, fresh produce and prepared products for our Co-op branded products.

Respecting animal welfare

Monitoring animal welfare

All farms, whether part of our Farming Groups or not, 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 Co-op welfare standards. The total number of meat, dairy and poultry inspection visits in 2018 was approximately: 500 (2017: 377) and the total number of visits to monitor animal welfare at sites such as farms, hatcheries and abattoirs was: 147 (2017: 117).

We also conducted 348 independent audits (2017: 199) across our Farming Groups (see 'Developing our Farming Groups' below).

Our sourcing and assurance standards

All our Co-op branded fresh, frozen and prepared meat and poultry products are produced, as a minimum, to Red Tractor Farm Assurance Scheme standards (a UK accredited body), or equivalent when sourced outside the UK. We've also developed additional requirements that apply to our Co-op branded products. Read more about our animal welfare and antibiotics policies (co-operativefood.co.uk/globalassets/food-matters/co-op-animal-welfare-standards--performance-and-co-op-antibiotic-policy.pdf).

2018 welfare assurance standard

	Standard range	Irresistible range
Beef	Red Tractor	Red Tractor
Lamb	Red Tractor	n/a
Dairy	Red Tractor	n/a
Pork	RSPCA Assured*	RSPCA Assured*
Chicken	Red Tractor	RSPCA Assured
Turkey	Red Tractor Quality British Turkey	n/a
Eggs	RSPCA Assured/Free Range	n/a
Salmon	Global GAP	RSPCA Assured and Global GAP

*since July, previously Red Tractor

Higher welfare sales for fresh, frozen and prepared 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. We also continue to monitor and report higher welfare sales data.

Higher welfare sales (£m)

2015	2016	2017	2018
95 ^R	88 ^R	76 ^R	114

^R Figures restated to exclude organic milk

Our total higher welfare sales have increased this year due to moving all our pork to outdoor-bred from RSPCA Assured farms from July (previously Red Tractor).

Co-op branded eggs and milk sales

Since 2008, all shell-eggs sold (Co-op branded and branded) have been free range as a minimum, and we only use free-range eggs as ingredients in Co-op branded products. In 2018, 94% of Co-op branded shell-egg sales were RSPCA Assured. The remainder of shell-eggs sold were certified organic.

Proportion of sales by welfare standard

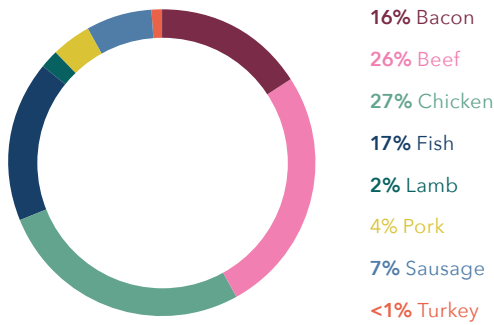
	National Dairy Farm Assured Scheme	RSPCA Assured/Free range	Certified organic
Milk	94%	-	6%
Eggs	-	94%	6%

Our Dairy Farming Group maintains welfare standards in compliance with our grazing policy.

Co-op brand fresh meat, poultry and fish sales (by value)

The charts below show the proportion of Co-op branded fresh protein sales by protein type, and by welfare standard.

Proportion of fresh protein sales, by protein type



Proportion of fresh protein sales, by welfare standard (%)

	Red Tractor Farm Assurance	RSPCA Assured
Bacon	37	63
Beef	100	0
Chicken	97	3
Lamb	100	0
Pork	49	51
Salmon	89	11
Sausage	17	83
Turkey	100	0

Wild vs farmed fish

Farmed fish accounted for 48% (2017: 43%) of the fish used in Co-op branded food products in 2018; the remainder was wild caught.

Animal testing

No Co-op branded toiletry or household products or their ingredients have been tested on animals. All of these Co-op branded products continue to carry Cruelty Free International’s (CFI) Leaping Bunny certification. CFI conducts audits every three years to monitor compliance and audited our products most recently in February 2015. Due to changes in the standard in 2018 we are now due our next audit in 2019.

Developing our Farming Groups

We have just over 400 British farmers and growers in our eight Farming Groups. In developing our groups we aim to encourage best practice and create profitable returns among our farmers, and provide our members and customers with high-quality fresh British meat, poultry and milk. In 2018, we continued to develop our Farming Groups by introducing a benchmarking pillar model and audits to the Dairy Producer group, moving to 100% RSPCA Assured outdoor-bred pork in our Pork Producer Group and through research and development programmes.

Farming Groups - KPI data on animal welfare

We collate key performance indicator (KPI) data from our Farming Group farms to monitor the impacts of our animal welfare standards. 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.

Compliance

We saw an increase in overall compliance from 91% in 2017 to 92.2% in 2018. We’ve moved to a new platform where suppliers upload data on a monthly and quarterly basis, which has improved data accuracy. As a result, we’ve seen a slight increase in overall compliance on most species, with the exception of chicken and turkey. In the chicken Farming Group we worked with our supplier to change and tighten KPIs to drive continuous improvement in animal welfare and we predict the KPI performance in this group will improve in 2019. We’re also continually working with our other suppliers to review our Sourcing Standards and KPI measures to encourage our Farming groups to strive for greater compliance.

Animal welfare KPI data from our Farming Groups: Levels of compliance (%)

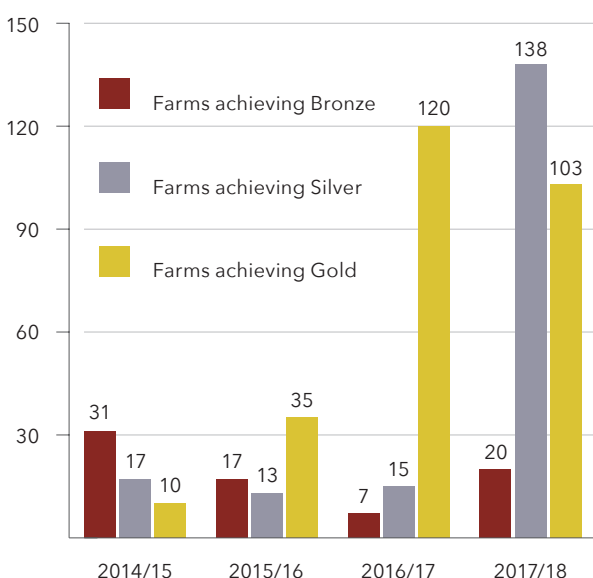
	Input (compliance with Co-op sourcing standard)	Outcome (animal health and wellbeing)	Quality (of the product)	Overall Measures 2018
Beef	99.9	100	94.3	97.5
Chicken	96.4	67.5	78.9	77.2
Dairy	88.4	97.9	99.6	96.8
Egg	100	96.4	100	98.3
Lamb	95.4	97.9	91.4	94.4
Pork	97.7	94.0	86.8	93.0
Turkey	98.2	81.8	91.5	88.2
Overall	96.6	90.8	91.8	92.2

We also monitor performance in our Farming Groups through independent audits. Performance is based on five pillars: Health, welfare and quality; Community; Responsible resources; Environmental; and People and skills. Farms are audited against the pillars, and rated according to their performance as Bronze, Silver or Gold. Regardless of their rating, farms are required to meet our Health, welfare and quality pillar. For a farm to be rated Bronze, the first two pillars must be met. The other three pillars (Responsible resources, Environmental, and People and skills) 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.

Of the 357 audits in 2018, 29% of farms achieved Gold, 35% achieved Silver and 3% achieved Bronze but 27% of farms did not receive a rating (2017: 29%), primarily due to not meeting set KPIs.

The number of audits completed this year has increased as we are now including the Dairy Farming Group. We've also changed the measures we use in our audits, based on learnings from previous years. These changes have raised the standards we set for Farming Groups to meet at each level. As a result the number of farms achieving Gold has decreased slightly, and the proportion is reduced.

We are continually working with these producers to meet KPI requirements. Progress is monitored closely and action plans are discussed with producers. Continuous improvement is key to the progression and development of our Farming Groups.



The following table shows the percentage of producers that had completed each pillar during the audits.

Producers completing each pillar

	Health, welfare and quality	Community	Responsible resources	Environmental	People and skills
2017	88%	73%	85%	94%	88%
2018	79%	84%	82%	94%	72%

Enviro-map: A study into our Farming Groups

We have now completed year two of the Co-op Enviro-Map project, providing our Dairy, Beef, Lamb, Pork, Chicken, Egg and Turkey Farming Groups the opportunity to complete environmental assessments online. 95% of the Farming Group members completed the self-entry assessments.

The data provided from Enviro-Map gives us a detailed insight into the environmental impact of our supply chain as well as offering carbon reduction and efficiency improvement suggestions to the producers.

The project will continue in 2019 with year three assessments taking place across Farming Groups, in turn completing Phase 1 of this three-year project. The comparative data set created will highlight any reductions that have taken place across the duration of the project as well as our biggest opportunities to further reduce the carbon footprint of Co-op Farming Group farms.

Farming Group carbon footprints

	Year 1	Year 2
kg CO ₂ e/kg live weight		
Beef	11.17	10.66
Pork	3.37 ^R	3.99
Lamb	11.15	10.95
Chicken (broiler)	2.29	2.31
Turkey	3.95	4.00
kg CO ₂ e/kg egg		
Chicken (layer)	2.93	-*

*Data not recorded for year two due to hen laying cycle.

Our Dairy Group was involved in an initial trial of the project, and is therefore one year ahead of our other Farming Groups.

	kg CO ₂ e/kg milk		
	Year 1	Year 2	Year 3
Dairy	12.10	11.86 ^R	11.78

Across our Farming groups, there are now 455 hectares of wetlands and watercourses, 1,400 hectares of woodland, 116 hectares of wild flowers meadows and 1,633km of hedgerows, all providing habitats for wildlife.

^R Restated due to correction in reported figure

Farming Pioneers programme

We've expanded our Farming Pioneers programme, working with the next generation of farmers to build their skills. With 54 young members currently on the programme we will have 100 completed or taking part by 2019. The first group of 20 young farmers have graduated the two and half year programme this year.

Research and development

During 2018, we continued working with the Food Animal Initiative (FAI) on the following research projects:

- Beef: Herd health
- Broilers: The use of qualitative behavioural assessment
- Laying Hens: Different perch types and quality of life

These projects will be completed in 2019 and we will then work with FAI and our partner suppliers to focus on the next round of research and development. We're also members of the Centre of Innovation Excellence in Livestock for research and development. Find out more at (food.coop.co.uk/farming-and-fisheries/sustainability).

Antibiotics

Through our Farming Groups, we are actively addressing the use of antimicrobial medicines in our supply chains. We recognise the potential risks to human healthcare of the overuse of antibiotics in livestock supply chains. We fully support the need to protect our antimicrobial medicines and reduce the threat of antibiotic resistance to global human health. Antimicrobial resistance is a key global challenge for which we recognise our responsibility to curtail. Antibiotic resistance and stewardship is a pre-competitive issue for the entire agricultural industry and must be tackled collaboratively.

In 2018 we launched our new Antibiotic Policy at the Co-op Antibiotic forum. Participants to the forum included our strategic suppliers and their key veterinary surgeons, as well as industry experts¹.

Understanding antibiotic usage within our supply chain is key to determine trends and track progress over time. That's why in 2018 we also published our 2017 performance for annual antibiotic usage from our Farming Groups. We will update these figures annually.

During 2018, we've continued working on projects with our supply chain on antibiotic usage. Within our chicken Farming Group we've continued and expanded a trial project to improve bird health and as a result reduce the amount of antibiotics that are required as well as lowering the mortality seen within a flock. This is done by ensuring that the gut health of the birds is as good as possible, we achieve this by introducing the correct flora into their drinking water supply. This has been in place over seven crops of birds and we have seen a consistent reduction in both antibiotic usage and mortality.

Over the last two years, our Dairy Group has been working with Solway Vets to calculate and benchmark an average animal daily dose (ADD) for antibiotics per herd. Each of the 175 farmers receives a report every six months that compares them to other farms and identifies areas to use antibiotics more responsibly. During this period we have run on-farm training events and farmers have worked with their own vets to achieve a 26.8% decrease in the total use of antibiotics in the group.

Local sourcing and wider engagement

Our members are keen for us to build and develop our innovation, range and choice of local products. They tell us that provenance, quality and trust are important to them. From a successful trial in Yorkshire in late 2015, our local sourcing programme has now rolled out to every county in the UK, with new relationships formed with local butchers, bakers, brewers and ice cream makers. In 2018, we introduced 97 new local suppliers and 436 Local products. We have a market-leading local and craft beer offer along with local ambient products in over 1,850 of our stores, introducing more than 500 new local suppliers to our members, customers and communities.

This year, we've again partnered with the Quality Food Awards to search for the nation's Small Producer of the Year, a platform on a national stage to support, champion and showcase smaller suppliers and their locally loved products that are made with a mix of ingredients including passion, quality and pride. We've also committed to working with and supporting the winner towards gaining a listing at the Co-op.

Our investment in celebrating, supporting and showcasing local producers is a cornerstone of our food strategy, getting closer to the need of our members and customers, what they want, need and care about. All those things that matter most to our members and customers in the communities in which they live and work. Our approach is focussed on building deeper relationships with our smaller suppliers who frequently tell us that our work with them helps to raise awareness of their brand and supports their business development. Unlike others, we don't demand exclusivity, as we want to see local businesses grow and thrive in our communities, create jobs and benefit the local economy. During 2018 we sold £171m worth of locally sourced products across the UK (2017: £164m).

We communicate on a whole range of other food and farming activity throughout the year, from our annual Open Farm Sunday, agricultural shows, 'FaceTime a Farmer' and British Food Fortnight, through to our local sourcing activity.

We also provide information on different aspects of our performance and approach on the Co-op Food website including, for example, how we respond to issues such as campylobacter.

¹ University of Bristol, AHDB, FAI Farms, Promar, Kite Consulting, the Co-op agricultural team and Co-op Farming Pioneers.

Environment and resource use

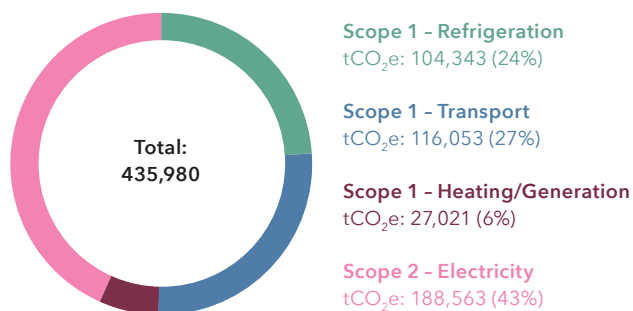
We report on our performance in three areas - climate change, waste and resource, and water use. We recognise it's not enough simply to comply with legislation; we must go beyond this to ensure we minimise our impact on the environment. Our impacts extend across our operations, through to our products and services and our supply chains.

Climate change

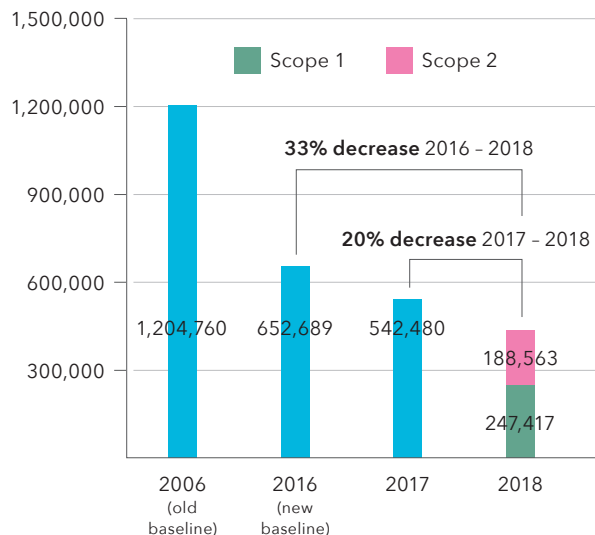
Our direct greenhouse gas (GHG) emissions have reduced by 33% since 2016 and by 20% compared to 2017. This is due to using less energy¹, the UK grid electricity mix being significantly less carbon-intensive in 2018², and a significant reduction in fugitive emissions from refrigeration (in large part due to using less GHG-intensive refrigeration gases).

We publish our GHG inventory in two ways, showing our direct emissions if our electricity were to be counted at UK grid average (known as location-based reporting), and also if we were to account for our purchase and generation of renewable electricity (known as market-based reporting).

Scope 1 and 2 GHG emissions by source - UK grid average electricity



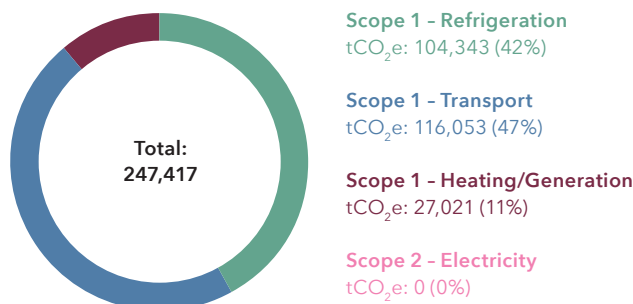
Scope 1 and 2 GHG emissions by source - UK grid average electricity



¹ We used 3% less energy (total MWh) in 2018 than in 2017, and 52% less than in 2006.

² In 2018 the DFBEIS emission factor for UK grid electricity was 0.28 kgCO₂e per kWh (2016: 0.35), a 20% reduction year on year.

Scope 1 and 2 GHG emissions by source - accounting for renewable electricity



Scope 3 indirect GHG emissions by source (from operations) (tCO₂e)

Generation, transmission and distribution emissions for electricity used	46,423
'Well to tank' emissions for fuel used (transport, heating and generation)	31,318
Indirect emissions from non-owned or operated transport	4,848
Indirect emissions from waste disposal	3,701
Indirect emissions from water supply and treatment	1,325
Total indirect emissions from operations	87,615

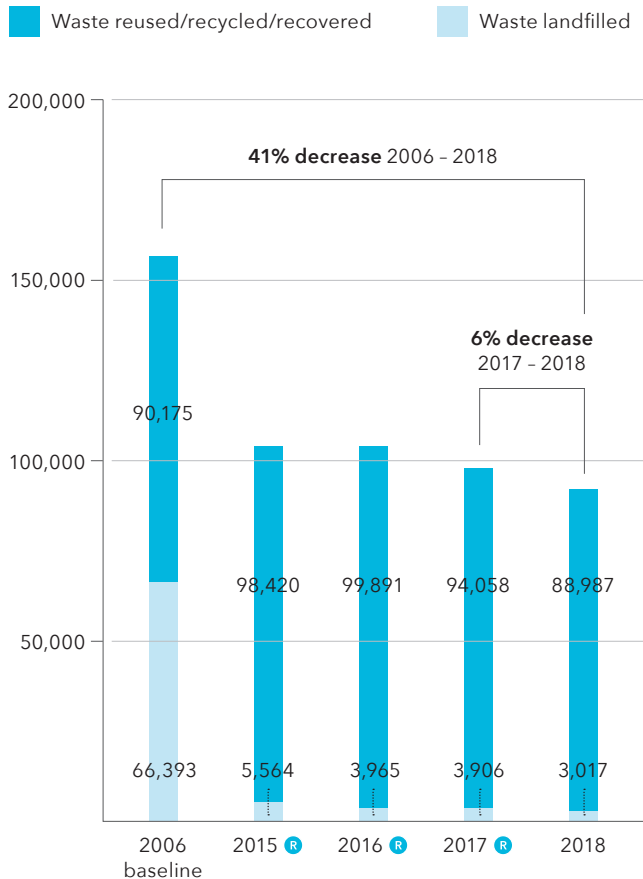
GHG emissions savings through positive action (tCO₂e)

Emissions avoided through carbon offset of Co-op Insurance customer emissions	151,635
Emissions avoided through recycling, reuse and recovery of waste rather than landfill	49,329
Emissions avoided through offset of our funeral business operational emissions	10,533

Waste

The amount of waste we produce has decreased by 41% since 2006 and decreased by 6% compared to 2017. This is due to a significant reduction in food waste, offset slightly by an increase in recycled paper as a result of GDPR compliance work.

Total waste from our operations (tonnes)



Ⓜ Restated, based on more accurate data for previously estimated collections

Waste diverted from landfill (reused/recycled/recovered)

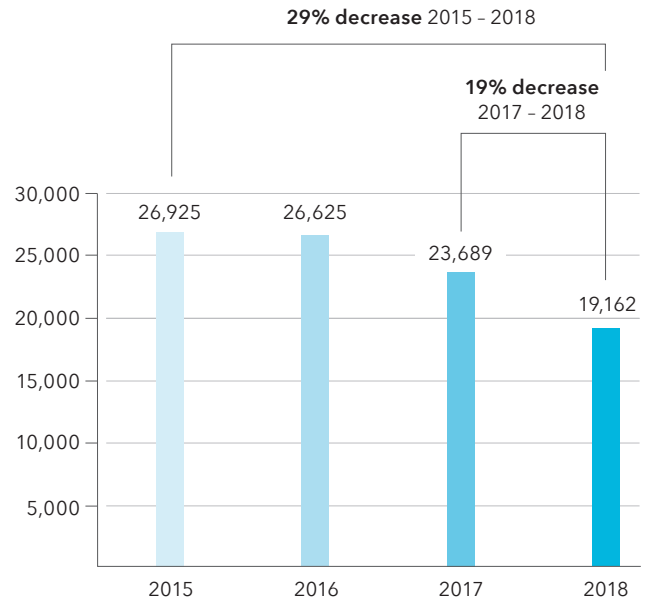
	2006	2015 Ⓜ	2016 Ⓜ	2017 Ⓜ	2018
Landfill diversion (%)	58	95	96	96	97

Ⓜ Restated based on more accurate data for previously estimated collections

Food waste

We know food waste is of particular interest to our customers and members, so for the first time we are separately reporting our food waste and setting a target to reduce this.

Food waste (tonnes)³



We've reduced food waste by 29% since 2015, due to significant work at all levels of our business to make sure we follow the food waste hierarchy. This has included:

- new processes and data systems so we can track waste more accurately
- new systems to reduce the price effectively to ensure food is sold if possible
- a new platform (Co-op Food Share) to redistribute surplus food to local charities and community groups directly from our stores.

Food surplus redistribution (tonnes)

	2018
Food surplus redistributed through FareShare	449
Food surplus redistributed through Co-op Food Share	391
Total	840

Food surplus redistributed has increased significantly in 2018 due to the roll-out of Co-op Food Share.

This is on top of our existing work to reduce customer food waste, our partnership with FareShare to distribute incorrect deliveries from our depots to local charities, and our long-standing commitment to send any leftover food waste to anaerobic digestion to create green energy.

³ For 2017 onwards we have put in place new systems to allow us to accurately track food waste based on the weight of products from all of our stores scanned out as being binned. This is a 'product only' weight and doesn't include packaging. For our 2015 baseline we have used weighed 'whole bin' food waste data from our waste contractor, with a proportion removed for packaging based on our new accurate product weights.

Packaging

Overall, total packaging handled has increased by 2% year-on-year, and own-brand packaging has increased by 4%, however this is in the context of increased sales. A total of 72% of our own brand packaging is now easy to recycle (2017: 71%).

Packaging handled by material

	2006 baseline	2015	2016 ¹	2017	2018
Glass	128,027	90,164	93,990	91,746	94,283
Plastic	78,492	41,715	43,495	42,886	43,985
Paper	42,794	23,982	26,193	26,069	26,485
Steel	27,381	8,550	8,261	7,575	6,310
Aluminium	8,285	5,936	6,331	6,209	6,738
Total	284,979	170,347	178,268	174,485	177,801

¹ 2016 Data for each material has been rounded, but the total (178,268 tonnes) is an exact figure.

Resource use

Fish

Responsible fish sourcing: We aim to be one of the UK's most responsible retailers of fish. We apply a risk assessment process to all our fish products, which ensures we continue to source seafood responsibly. We're members of the Sustainable Seafood Coalition and we use their voluntary codes of conduct for the responsible sourcing and labelling of fish and seafood products. We take part in the Sustainable Fisheries Partnership's Ocean Disclosure Project - which means we're transparent about where we source our fish, and all our source fisheries are publicly available. We also take part in industry roundtables and directly support Fisheries Improvement Projects such as Project UK to support wider industry improvements.

For Co-op branded food products in 2018:

- 52% of fish was wild caught and 48% was farmed (2017: 57% and 43% respectively)
- The number of Marine Stewardship Council (MSC)-certified food products increased to 55, and four in pet food (2017: 49)
- 70% of wild-captured seafood is sourced from MSC fisheries (by volume) (2017: 67% ^R)

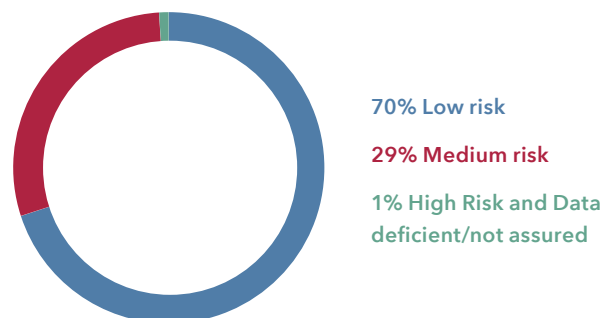
^R Restated to calculate as wild captured seafood from MSC fisheries as a percentage of total wild volume (wild only)

Our responsible fish sourcing standard applies to wild caught and farmed fish. The standard applies to risk assessments for all fisheries that supply Co-op brand fish, shellfish and molluscs. This process requires us to examine individual products based on 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
- Data deficient or not assessed

In 2018, 99% of the fish used to supply our wild fish and seafood products was sourced from low-risk or medium risk fisheries as detailed in the chart below (2017: 99%). The rate reflects the work we've done to implement appropriate management actions such as those detailed in the table below.

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



The status of high-risk sources of fish 2018

Source	Certification
Norway lobster	A small volume of Norway lobster (scampi) in our supply chains is from high risk or data deficient sources. This is in a Fisheries Improvement Project which we are supporting through Project UK co-ordinated by MSC.
Indonesia wild prawn	One product was sourced from a prawn fishery in Indonesia. We have worked with our supplier and the fishery is now in a comprehensive Fishery Improvement Project (FIP).

Our aquaculture sources (for farmed fish)

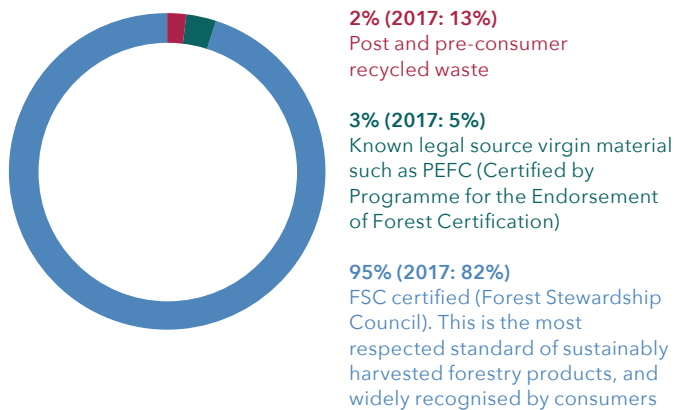
Source	Certification
Atlantic salmon (Scotland)	All Scottish salmon is certified to the Global GAP (Global Good Agricultural Practice) or Aquaculture Stewardship Council (ASC) schemes, including salmon used as an ingredient in our food products. Additionally, all our Irresistible salmon was certified to RSPCA Welfare standards in 2018
Mussels (Scotland)	Source is MSC certified
King prawns (Thailand, Vietnam, Indonesia, Nicaragua, Honduras)	All of our King prawns are certified to either the Global Aquaculture Alliance Best Aquaculture Practices (GAA BAP) 4* or ASC standards
Tiger prawns (Madagascar)	ASC certified
Scallops (Peru)	ASC certified
Seabass (Turkey)	Global GAP certified

Wood and paper

In our food business, we're Graduates of the WWF UK Forest and Trade Network Benchmark - the first retailer to achieve this. This means we've committed ourselves to tracing all our timber and paper products back to the forest source. In 2017 we received the WWF UK Timber Scorecard Benchmark 'Three Trees' for our commitments to Forest Stewardship Council and recycled timber, timber products, and reporting. The next scorecard will be published in 2019.

Our food business purchased 40,415m³ of wood and paper products in 2018 (2017: 28,361m³)⁴, all of known origin, with credible evidence that they were harvested legally.

Co-op Food: sourcing of wood and paper, by origin



We saw an increase in barbeque sales during 2018. These are FSC^{®5} certified resulting in an increased proportion of the wood and paper we sourced, and an increase in the total amount of wood sourced.

Wood and paper purchased for Co-op Food that was FSC certified or recycled (%)

2006 baseline	2015	2016	2017	2018
50	95	97	95	98

Our funeral business: coffins

In 2018, 96% (2017: 95%) of the coffins manufactured by our funeral business were made from FSC[®]-certified wood.

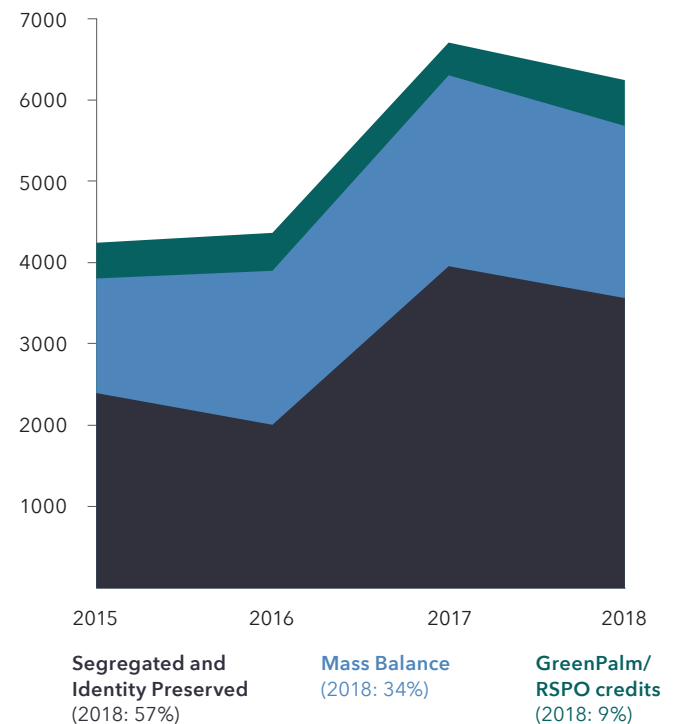
Palm oil

We work with the Roundtable on Sustainable Palm Oil (RSPO) to improve the sustainability of palm oil in our products. In 2018 we used 6,206 tonnes of palm oil in 793 Co-op branded food and non-food products (2017: 6,654 tonnes in 1,038 Co-op branded food products). All the palm oil in these products was certified as sustainable under one of the RSPO certification schemes.

The graph shows how we are managing the change from Credits to Segregated or Mass Balance, to support our aim of making palm oil more segregated and sustainable. In 2016 GreenPalm certification began transitioning into

RSPO certification, and we therefore used a combination of both. Before 2016 this graph did not include cleaning and cosmetic products, but these are since included.

RSPO sourcing in Co-op brand food (and, for 2016-2018 also including non-food products) (tonnes)



Soy

Monitoring soy use in our Co-op branded products is challenging because it has so many uses across the food chain. We're members of the Round Table on Responsible Soy (RTRS) and the Retailers' Soy Group and continue our support of RTRS through credit purchases. In 2017 we became signatories of the Cerredo Manifesto - a group of companies committed to protecting this area of Brazil. We've started the process of mapping our soy use and tracking the tonnes used. In 2018 we joined the UK Round Table on Soy and as part of this will be publishing our roadmap on sustainable soy in April 2019.

We completed our most up to date soy mapping which for the first time goes beyond animal feed in our Farming Groups, meaning we have an estimated 80,000 tonnes of soy embedded in our supply chain. In 2018 we purchased 4,495 tonnes of RTRS credits which covered around just over 5% of our use. We are reviewing this with the new mapping information which we have.

Our most significant use of soy by far is in animal feed for livestock for our meat products. The responsible soy market is relatively young and, to date, little responsibly sourced soy has been used in UK animal feed.

Soy used in our food products (tonnes)

2015	2016	June 2016 to May 17	2018
54,356	58,909	70,360	80,000

⁴ Wood raw material equivalent.
⁵ FSC[®] C008811.

Peat

Peat is an important natural resource, providing carbon storage and natural flood defences. We've been working on phasing this out of our products and in 2018 we offered a peat-free compost and two products that contained 20% peat (in 2017, peat represented 50% of our Co-op branded bagged growing media). We support the government's target to completely phase peat out of the amateur gardener market by 2020.

Water

Water scarcity is a global concern, with serious environmental, social and economic consequences. We use water within our own operations, and report on this, but we also recognise that our biggest impact is in our wider supply chain.

Estimated water consumption from our operations

	2015	2016 ⁶	2017	2018
Average water used per site (m3)	325	341	330	320

6% decrease (average water used per site) 2016-2018

3% decrease (average water used per site) 2017-2018

Chemicals

Pesticides protect 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. We're committed to the safe and responsible use of pesticides; since the 1980s we've adopted a precautionary approach towards their use. We monitor and manage how and where they are used, restricting and banning pesticides that have the most harmful effects on human, animal and environmental health. In our food business, our policy and pesticide control system is implemented by independent specialists, who assess every proposed instance of pesticide use by our fresh fruit and vegetable suppliers. Risk assessment is based on extensive research and those pesticides deemed to be high risk are not allowed (based on their potential risk to consumers, operators and the environment - including pollinators such as bees). We also deploy management plans for lower-risk pesticides - for example, to ensure that the application of a pesticide does not harm beneficial insects. These plans can involve precautions around how and when the pesticides are applied and stored. In parallel, we have launched a new pesticide residue testing programme: in 2018, we tested a sample of 470 across a range of fresh fruit and vegetables in our supply chain. No residues were detected in 29%; (2017: 28%) we detected nine pesticide residues at levels that exceeded the Maximum Residue Limit set for the product by the European Food Safety Authority (2017: eight). All transgressions were fully investigated and appropriate actions taken.

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

In our food business, we continue to restrict or ban chemicals of concern, promoting a strategy for the progressive removal of chemicals with safety or environmental concern. Some of the chemicals detailed in our policy are banned by law, but in other instances we go beyond compliance. Inclusion of chemicals contrary to this policy, in any parts of a product (including all internal components and packaging), is not permitted.

Chemicals listed include those in the Stockholm convention on Persistent Organic Pollutants, the Water Framework Directive priority substances list and the SIN or substitute it now list. For others, we base our policy on emerging evidence of damaging impacts, regularly reviewing the lists and adding new chemicals as evidence becomes available.

6 We've previously set water reduction targets against a 2010 baseline, and made progress against this previous target, though did not meet it. We noted in previous reports that our water data showed considerable annual variation (both up and down) over this period. We have made significant changes to our water data collection over the course of the decade and feel it is more accurate to set a new target based on 2016 data.

Healthy living

Traffic light labelling

Our traffic light labelling provides nutrition information for Co-op products at a glance. The colour coding allows customers to check if the product is low, medium or high in fat, saturated fat, sugar or salt.

Proportion of Co-op branded products carrying traffic light labelling that are healthy (ie carry no red traffic lights)

2015	2016	2017	2018
42%	44%	44%	45%

Change4Life

We've been partners with Change4Life since it launched in 2009 and we regularly support their January health campaigns through our digital media channels. In January 2018, we supported their 100kcal snacks campaign and at the beginning of 2019, we supported their sugar swaps campaign.

Meat free

With the rise in those following flexitarian/vegetarian and vegan diets, we continued to reviewing our meat-free offering. We've refreshed options in our Food to Go and ready meal fixtures over the past year to keep the ranges

interesting for customers who want a meat free option. We also launched a frozen meat free range in 2018 consisting of vegetarian and vegan lines.

Peas Please and Veg Power

We continue to find opportunities to add more vegetables to our products, and inspire customers to use vegetables through our communications, as part of the Peas Please campaign.

In January 2019 we supported the Veg Power advertising campaign launch via till screens, instore radio, Co-op Food magazine, social media and the Co-op Food website. We'll continue to back Veg Power through our ranges, promotions and customer messaging.

Free from

We have been focusing on our 'free from' offer to support customers who don't eat milk or gluten, either by choice or medical requirement, and we've increased our number of dairy and egg-free lines.



We won two Good Choice Quality food awards. A bronze award for retailer of year at the Free From awards as well as two Silver and three Bronze for individual products.

Health and safety

Accidents

We report on colleague accidents as it's a key indicator of how effectively we're managing workplace safety. The number of reported incidents affecting colleagues, in particular minor accidents and crime-related injuries has increased this year. In 2018 we raised awareness amongst colleagues of the need to report incidents through our Health and Safety Transformation programme and in 2018, we launched a new safety management system, MySafety, that makes it easier for colleagues to report all health and safety incidents and near misses. The new system is providing a much more detailed view of how crime affects our colleagues and is enabling us to capture all aspects of a crime event.

It's important we have this greater visibility of incidents as it helps us understand how we can continue to improve our safety culture. Figures represent all incidents reported via our internal reporting system. This includes casualty accidents and crime (although only reportable and non-reportable incidents are included in this report). Our internal reporting system covers all Co-op colleagues as well as contractors, work-experience and agency staff.

Accidents per 100,000 colleagues

	2015	2016	2017	2018
Reportable	544	483	360	382
Non-reportable	7,272	8,344	8,282	9,064

Data has been restated due to reclassification and backdated incidents which have been recorded during 2018.

To calculate the accidents per 100,000 colleagues, total headcount of colleagues including those employed through recruitment agency Rullion has been used.

Customer accidents

We also record customer accidents. We've seen a decrease in both Reportable and Non-reportable accidents this year, reflecting our work to drive continuous improvement and provide a safe environment for members and visitors to our sites.

Customer accidents

	2015	2016	2017	2018
Reportable	49	41	35	32
Non-reportable	3,123	3,507	3,485	2,899

Diversity and inclusion

Colleague diversity data

We're required by law to capture information on colleagues' gender and age. However, it's up to colleagues if they want to share more about their backgrounds such as their ethnicity or disability.

In 2018, we changed our core HR system, allowing us to collate all of our diversity data centrally, rather than through our engagement survey.

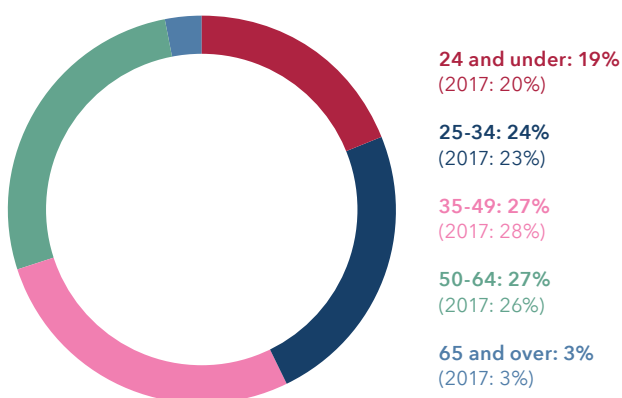
However, as we move to a new way of reporting, not all colleague data is in the system and currently it's not a true representation of our colleague base. For reporting purposes we are including the 2017 data for ethnicity, disability and caring responsibilities as the most representative data. Data for gender and age is reported for 2018.

2018 data:

55% of colleagues are female

32% of colleagues in senior leadership roles¹ are female

Proportion of colleagues in each age group



2017 data²:

4% of colleagues identify as having a disability

(UK population: 9%) (2016: 4%)

10% of colleagues identify as belonging to an ethnic minority group (UK population: 14%) (2016: 9%)

33% of colleagues have dependant or caring responsibilities (2016: 34%)

Gender pay gap reporting

We've published our second Gender Pay Gap report in April 2019. You can read the full report at co-operative.coop/ethics/gender-pay-gap-report, where we explain our results and how we're addressing our gap. The regulations mean that we have to produce data by employer and in our Co-op there are two employers, which are reported separately:

- Co-operative Group Limited which employs most of our colleagues
- CFS Management Services Ltd which is mainly made up of our insurance colleagues

Women's hourly rate compared to men's

Employer	Median	Mean	2017 comparison
Co-operative Group Ltd	12.0% lower	18.2% lower	Median - 12.8% lower Mean - 18.9% lower
CFS MS	12.1% lower	22.5% lower	Median - 8.0% lower Mean - 24.0% lower

- The median compares the hourly rate of the middle male role to the middle female role and the mean compares the average hourly male rate to the average hourly female rate
- Nearly 78% of our relevant employees are on fixed rates of pay for their job
- In Co-operative Group Limited we have seen a modest reduction in both our median and mean gaps gender pay gaps since we reported 2017 data.
- In CFS Management Services Ltd we have seen a modest reduction in our mean gap but an increase in our median gap since we reported our 2017 data. The main reason is our headcount has reduced by nearly 10% which has resulted in a change in the median male and median female comparators used for the calculation.

Quartiles

Quartile	Co-operative Group Limited		CFS Management Services Limited	
	Men	Women	Men	Women
Top quartile	69.2%	30.8%	64.2%	35.8%
Upper middle quartile	48.5%	51.5%	48.0%	52.0%
Lower middle quartile	34.7%	65.3%	48.0%	52.0%
Lower quartile	30.6%	69.4%	46.6%	53.4%

- We have sorted our colleagues in order from the highest to the lowest paid and then split them into four groups of equal numbers of people. This shows that we still have more men than women in our most senior roles. Having more men in senior positions is impacting our gender pay gap.

¹ Defined as those in grades A-C.

² Comparisons to UK population are given by way of context, but it should be noted that comparisons on a regional level may vary from this.

Bonus Pay

	Co-operative Group Limited		CFS Management Services Limited	
	Median	Mean	Median	Mean
Women's pay gap (based on bonus)	55.9%	42.5%	17.7%	6.8%

	Co-operative Group Limited		CFS Management Services Limited	
	Men	Women	Men	Women
No. of people who received bonus pay	18.3%	12.8%	36.3%	44.2%

What we are doing about closing the gap

Our Co-op values are built on equality, equity and inclusion. We encourage people to be themselves. Therefore our work in 2018 has taken a more holistic approach to how we create, embed and sustain a diverse and inclusive culture and we have centred our activity on three key areas this year:

- Attracting and Engaging our Colleagues
- Building an Inclusive Culture
- Equipping our leaders with the tools that enable them to lead more inclusively

Our achievements this year have included the following:

- We have started using 'Textio' a software that helps to write more gender balanced adverts. This has resulted in a 50/50 balance of male to female applicants
- External female senior leadership hires have increased from 35% in 2017 to 37% in 2018
- We have also actively reached out to female candidates for areas that we need to have a greater gender balance, in particular in IT, digital and property
- We created a One Co-op event to celebrate International Women's day and used this event to build awareness of the need to balance gender and to ensure that women had the opportunity to progress and we launched a senior women's talent programme
- Our PACT (Parent and Carers Together) network was also launched in 2018, where our colleagues can discuss and get advice on flexible working, and how they balance work and family. The network is inclusive to both men and women

Colleague networks and Diversity and Inclusion Pioneers

Our colleague networks are a strategic resource that helps us reach our 60,000 colleagues. We have four colleague networks: Aspire (our gender network), Respect (our LGBT network), RISE (our BAME network) and Youth (our young colleagues network). In total we have over 2,000 members across all of our networks.

Our colleague networks:

- Have a specific interest in a diversity strand (women, BAME, LGBT+, young people) and they create activities to help connect those colleagues
- Help to ensure under-represented colleagues can get support and create networking opportunities
- Help to educate us on the importance on having a more diverse and inclusive Co-op in line with the overall inclusion strategy
- Help us understand the colleague experience and the risks, issues and barriers that are making it difficult to create a more inclusive culture.

Our Diversity and Inclusion Pioneers

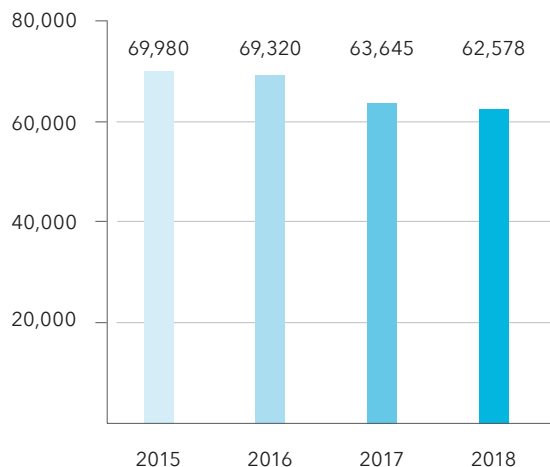
Our 106¹ Diversity and Inclusion Pioneers are set up by business area. Each Pioneer group has a senior leader in the area and they focus on the following:

- Leading the conversation in our business areas and helping leaders and colleagues understand the value and importance of having a more diverse and inclusive Co-op
- Supporting the implementation of the Diversity and Inclusion Strategy and priorities in our business areas
- Collaborating with other Pioneers to connect colleagues through events and activities

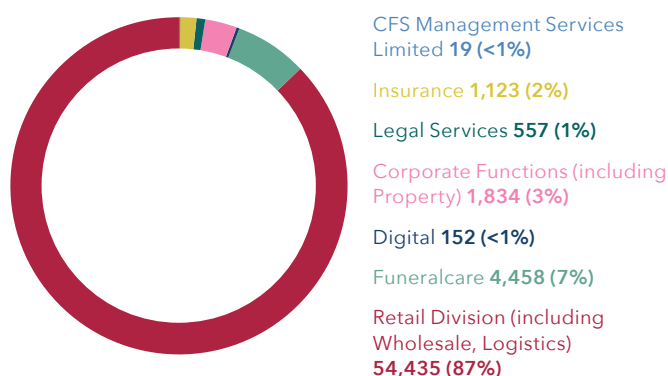
¹ As at end January 2019.

Colleague wellbeing

Total colleague headcount at year end



Total colleague headcount by business area (and percentage)



Voluntary turnover

Voluntary leavers are all colleagues who resign or leave the business through a mutually agreed settlement. It does not include redundancy and retirement. Voluntary turnover is calculated as a percentage and is the number of voluntary leavers in the year divided by the average headcount, per business, over the same period.

Voluntary turnover by business area

Business Area	Voluntary Turnover
CFS Management Services Limited	0%
Insurance	18%
Legal Services	22%
Corporate Functions (including Property)	12%
Digital	22%
Funeralcare	16%
Retail Division (including Co-op Wholesale, Logistics)	23%

Engagement with trades unions

We have formal recognition agreements with trades unions (UNITE and USDAW) across all areas of our business. During 2018, NACO, the union that represented our management group, merged with USDAW and so recognition for those colleagues transferred to USDAW.

We actively encourage colleagues to become union members but also respect the right of colleagues not to join a union. We communicate and consult with each union regularly to maintain positive and constructive relationships.

Colleague engagement

We measure colleague engagement using an index. In 2018, our overall engagement score was 76%, up one point since 2017 and it remains high and above a UK retail benchmark of 72%.

Based on their business area's results in the survey, our colleagues create action plans in their teams. This helps colleagues use the information from the survey to reflect on what's working well and what could be done to improve things.

Reward

We've always believed that people should be paid a fair wage. Our Co-op has always supported the principle of a statutory floor for basic pay, and campaigned for the introduction of the national minimum wage. We are increasing our investment in front-line colleague's pay in 2019 to move further beyond the National Minimum Wage, and we will continue to apply our minimum rates to all colleagues, unlike many other employers who reduce rates for younger colleagues or apprentices. We want every colleague to feel proud to work here and be recognised for the part they play in our success. We also want them to know that we genuinely care about their wellbeing so we have doubled our efforts (and our investment) in our wellbeing proposition for colleagues providing a range of health and financial wellbeing support.

We know that some members want to see pay ratios and we are publishing figures using the same methodology as last year as well as in line with the government's guidelines. For further details please refer to our Directors Remuneration Report in our 2018 Annual Report.

Engagement score

Year	2015	2016	2017	2018
Engagement Score	74%	78%	75%	76%

Pensions

Our pension scheme is also responsible for pension members who have left the business, and in 2018 this comprised 47,500 pensioners (2017: 51,000) and 61,000 deferred pensioners (2017: 64,000). 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.

In 2018 the Pace pension scheme was separated between the Co-op and Co-op Bank. Co-op Bank became responsible for its own members, hence the reduction in pensioner and deferred populations. The figures above only reflect Co-op pension scheme members.

Percentage of colleagues in a pension scheme

2015	2016	2017	2018
58%	60%	60%	65%

In 2018 we re-enrolled colleagues who had opted out of the pension schemes but who still met the automatic enrolment criteria. Combined with impact of business wide changes, this has seen the percentage of colleagues who are members of the pension scheme increase.

Pension fund investment in social housing

In November our Co-op pension trustees announced their decision to invest up to £50 million into the social and affordable housing market over the next 12 months. This will provide much-needed support for a sector where demand is clearly outstripping supply. Further detail can be found in our Annual Report.

Employee Assistance Programme

We offer colleagues free access to an independent and confidential Employee Assistance Programme provided by Lifeworks. This offers colleagues free 24/7 support across a range of areas, including health and wellbeing, work and personal issues, legal and financial wellbeing. Telephone and face-to-face counselling is also available if required.

In 2018, 3,166 calls were received, covering 1,188 individual cases - approximately 2% of our colleagues (2017: 2,427 calls, 1,250 cases). Of the 1,188 cases, 398 were referred for follow-up counselling with a trained counsellor (2017: 193).

Apprenticeships

In 2018, 572 colleagues started apprenticeships¹ (2017: 742), taking our total number of apprentices to over 4,500 since 2011². We ended the year with 1,034 apprentices on programmes. Of our apprentices 40% were male and 60% female.

In 2018, we expanded our offer into other parts of the business as well as growing the numbers in existing areas. There are now over 400 apprentices in Food, covering Customer Team Members on level 2 programmes, Team Leaders and Managers on level 3 programmes³ and over 50 Managers on the chartered manager degree apprenticeship programme. In our Support Centre, we have started new programmes in Project Management as well as Software Development apprenticeships within our IT teams. We are also now running Team Leader apprenticeships within our Logistics business, for first-line managers. Within Funeralcare and Legal Services, we continue to train over 500 apprentices each year and are leading on the new standards with the Institute for Apprenticeships to ensure they are fit for purpose in the sector.

We continue to identify suitable opportunities in our business for young people from our Co-op Academy Trust schools, and four young people started their apprenticeship with us in August 2018. We're working to grow this number for 2019.

¹ Includes new recruits and existing colleagues starting apprenticeships.

² This excludes apprenticeships through The Co-operative Bank plc, Co-op Pharmacy, Co-op Farms.

³ Apprenticeships range from Level 2 to Level 7. A Level 2 programme is set at the same level as approximately 5 GCSEs.

Our approach to ethics and sustainability

At the beginning of 2018 we set out our ambition for 'Stronger Co-op, Stronger Communities'. During 2019, we'll start to articulate this story with more clarity and conviction, to help people understand our Co-op difference.

In last year's Report, we set out seven goals that we've set to help shape our activity over the next few years and help us deliver our purpose, championing a better way of doing business for you and your communities. Our Annual Report sets out more detail on progress against these.

Our governance of ethics and sustainability

Our governance of ethics and sustainability is structured as follows:

- Our Board determines the strategy for the Co-op, consistent with our purpose, values and principles and is responsible for final approval of our Co-op Way Report
- Our National Members' Council holds the Board to account. This includes reviewing and commenting on our sustainability reporting as part of its 'holding to account' role. Its approvals role includes approving how values and principles are embedded within Co-op based on recommendations submitted by the Executive
- The framework that supports the Council in its role of holding the Board to account is called the Co-op Compass, a shared way to monitor and measure business performance against four key co-operative lenses - Member Value, Member Voice, Co-operative Leadership and Ethical and Sustainable Leadership. The Council has formed a number of sub-committees to aid it in this work, including the Ethical and Sustainable Leadership Committee
- Our ethical decision making tool is used to support decisions requiring Board and Executive approval. The tool prompts users to consider the following when making a decision: what our members would think of the decision, whether it creates commercial and social value for members, the potential impact on our communities, and whether members could understand what we have done and why
- The development of policies and programmes relating to ethics and sustainability is delivered by forums, for example our Food Policy Group, which oversees progress on issues relating to food ethics such as healthy lifestyles, animal welfare and Fairtrade

In addition to our formal governance framework, our colleagues and Executive have regular dialogue with members of our Council on our approach to ethics and sustainability.

This was initially through our Co-op Way Policy Committee and is now through our Council Co-op Way Advisory Team which our colleagues use to obtain input and feedback on planned initiatives in these areas. In addition, a dedicated ethics and sustainability Management Forum was established in 2018 and met twice. A review of our management oversight of ethics and sustainability will take place in 2019.

Our material issues

We're a diverse group of businesses which means that our impacts are extensive and varied, and we know that we can't lead on every aspect of sustainable development. That's why we focus on our most significant social, environmental and economic impacts and the issues that matter most to our stakeholders, in particular our members, and our business.

We take an evidence-based approach to decision-making when it comes to deciding on our material issues. We're influenced by a range of stakeholder, business and society interests including:

- Our values and principles
- Our co-operative model and approach Member Voice
- Other stakeholder views
- Our purpose and business strategy
- Our risk management framework
- Legislation and the regulatory landscape
- External standards and benchmarks
- Societal norms and emerging issues

We engaged leaders from across the business, along with elected members from our National Members' Council, to review our existing policies and the issues that were most material for our business during 2016 (and we believe the results remain relevant and valid). We did this through a series of scoping and prioritising exercises and calibration workshops. The results of this work provided the basis for our Co-op Way Policy Framework through which we articulate our approach, develop and review policy and set future targets. Our Co-op Way Policy Framework sets out the issues that matter most to us, and to our stakeholders, and on which we want to make clear our Co-op difference. The issues are not ranked in any priority order. Given the range of perspectives among stakeholders involved in the development of the Framework, and the diversity of our business, no clear prioritisation emerged from the materiality work that we conducted.

Co-op Way Policy Framework: material issues

The material issues set out in our Co-op Way Policy Framework are: Business ethics and behaviour; Ethical trade and human rights; Health and safety; Colleague wellbeing; Environment and resource use; Healthy living; Diversity and inclusion; Community; and Food and farming. In addition, we report on our membership and democracy and co-operation among co-operatives. We have not reported on customers this year, but will review for next year’s Report.

Developments to our approach

During 2018, we launched our Future of Food ambition. It was drawn up collaboratively with partners and suppliers, and sets out our aims under three headings: Sourcing and Creating with care; Treating People Fairly; and Learning and Celebrating Together.

We will report on our progress against the targets and initiatives within these areas annually in this Report. Our commitments to 2030 are set out in our Future of Food report, along with more detail on our approach.

We also set out an Environment and Resource Strategy for Co-op Property, aligning with the SDGs.

We took steps to better consider the social value associated with procurement decisions as set out on page 12.

We also identified key themes for our community focus going forward and will set long-term targets as part of a new Community Plan in 2019.

Our stakeholders

Engagement with stakeholders is key to creating an accountable and strategic approach to ethics and sustainability. We have identified five main stakeholder groups: Members, Communities, Partners, Customers and Colleagues.

Examples of how engagement with our stakeholders has helped to shape our approach are included throughout the Report, for example:

Stakeholder group	Issue	Engagement	Business response	Page
Members	Plastics, waste and packaging	AGM motion - Members voted on an AGM motion on a commitment to maintaining our leadership position on plastic recycling, with 99% of voting members supporting the motion 'Join in' - online engagement around how we can tackle waste and packaging issues	We've made progress against this commitment as set out on page 18, and have also received industry recognition for our work in this area We're exploring and developing initiatives arising from the engagement for testing	18 and 37
Members and Communities	Wellbeing	Tested our Wellbeing index online	Helped us to identify three areas where we think our community investment can make a difference	8
Partners, colleagues, members	Priority sustainability issues for our Food business	Colleague round-tables; workshops for expert contributors, elected members and suppliers; customer and member research	Our Future of Food ambition	5

Our reporting

For over a decade now, our sustainability reporting has set out how we are addressing sustainability and ethics. The process of accounting, assurance and reporting is important to drive performance and it provides crucial information to our stakeholders.



Winner of the Sustainability Reporting award at the edie Sustainability Leaders Awards 2018 and shortlisted in 2019

Openness and honesty

We’re committed to reporting transparently on our performance, be it good or bad. As well as tracking progress against targets, we believe it’s easier to get a sense of how we’re doing if we compare our performance to our peers.

We include relevant performance benchmarks throughout this report, showing not only where we lead, but also where we can improve. And, where possible, we include four years of performance data to give year-on-year comparisons. We set ourselves 31 targets for 2018, 27 of which have been achieved or are ‘on track’, and we’ve set 33 targets for 2019. We hope to be able to report progress on setting longer-term targets next year.

Assurance

We engaged DNV GL to carry out assurance of our sustainability performance in this Co-op Way Report. Using their assurance methodology, VeriSustain, DNV GL evaluated how our reporting adhered to the principles of stakeholder inclusiveness, materiality, sustainability context, completeness, reliability and quality. Their Assurance Statement gives an overview of the areas of performance data in scope.

Case studies

Future of Food Stakeholder engagement

The Future of Food is a holistic ambition that touches all aspects of the food system, so it was only right that we consulted external and internal stakeholders from the food industry to build the plan together.

To challenge us to look beyond immediate commercial incentives and help to inform our long-term strategy, we held a series of roundtable sessions with external experts, Co-op colleagues and representatives from our National Members' Council. We started to engage stakeholders in June 2017, when we held a workshop for each pillar of the ambition: Sourcing and Creating, Treating People Fairly and Learning and Celebrating. These sessions included 50 external experts, 10 world class speakers, 15 attendees from suppliers and internal colleagues from across the business, plus representatives from our National Members' Council and Young Members Board. We wanted to be challenged and inspired to add stretching goals and targets to our future strategy.

Our headline findings from these sessions showed us that sustainable sourcing, workers' rights, climate change, waste and healthy customer behaviour ranked highly as issues stakeholders would like us to play our part in tackling. At the same time we ran our annual research with customers and members, who told us that packaging, waste, recycling, British sourcing and honest labelling ranked highly on issues they would like retailers to focus on.

We took these challenges and ideas away and worked them into a first draft of the ambition, drawing out where we felt we could make the most impact. We then held a second round of workshops with internal colleagues, to check they still felt comfortable with the direction of the ambition, and that it was challenging enough to the business. Throughout the process we also worked with expert consultants to shape the ambition and make sure the goals have a Co-op difference, and they guide the business to provide a healthy, safe and sustainable food future.

External frameworks

We report in accordance with the GRI Standards core requirements and this will be published online.

The United Nations (UN) has set clear sustainable development objectives for 2030. The UN Sustainable Development Goals (SDGs) are designed to focus government, civil society and business on addressing the world's biggest challenges such as ending poverty and hunger, protecting the environment and improving living

standards of people everywhere. We have a long history of supporting many such causes through our business activities, charity partnerships and initiatives, and as an interim approach to reporting on our contribution to the SDGs, we include a summary of this activity within this report. We are aiming to align our future activity more directly to the SDGs. During 2018, this included aligning both our Future of Food ambition and Property Environment and Resource strategy with the SDGs.

In 2018, we became a signatory to the UN Global Compact (UNGC). Further details of the work we've done in support of the UNGC Principles can be found throughout this report.

Scope of reporting

Performance relates to the 52 week year ending 5 January 2019 (unless otherwise stated) and to our operations and stakeholders. It covers those businesses wholly owned by the Co-operative Group Limited as at 5 January 2019.

This Report relates to the performance of the business as a whole unless otherwise stated (in some instances we refer to a particular business unit, and this is stated clearly). Reporting on products sold by Co-op Food focuses on Co-op branded products. Co-op branded product sales accounted for 47.1% of total Co-op Food turnover in 2018 (2017: 47.9%). Like other retailers, we have greater influence over Co-op branded than we do other branded products, and our priority continues to be to improve the sustainability of these products.

We operate only in the UK and our main offices are in Manchester.

Business change

We completed our acquisition of Nisa in May 2018. Nisa Partners own and operate their own convenience stores and these remain independent of Co-op. We acquired ownership and control of a warehouse property and head office, and these fall within scope of our reporting.

As of spring 2018, we became the exclusive wholesale supplier to Costcutter Supermarkets Group (CSG) and the 2,200 Costcutter, Mace, Simply Fresh, Supershop and kwiksave convenience stores across its network from spring 2018. These stores are not under Co-op's operational control and are out of scope of our reporting, with the only exception being a small number of stores newly covered by direct logistics and distribution, the impact of which is included in our 'Scope 1' greenhouse gas data.

In 2018 we re-entered the healthcare market in an innovative and capital light way, through the acquisition of the digital start-up Dimec. This gives us a digital platform to help patients connect to their GPs which makes ordering repeat prescriptions easier. This new venture will begin trading nationally in 2019, so is out of scope of our reporting.

Performance against 2018 targets

2018 target	2018 progress	2019 target
Business ethics and behaviour		
Retain Fair Tax Mark accreditation in 2018	Achieved - We retained our Fair Tax Mark in 2018	Retain Fair Tax Mark accreditation in 2019
		We will publish a Data Ethics policy, and work to expand our Data Ethics approach across our businesses
Members		
		Maintain our active membership base of 4.6m members
		Build and trial a new online 'Join In Community' forum, to provide a platform for safe and secure engagement between members and Member Pioneers in their local area, by the end of 2019
Co-operation		
Increase the number of academies in the Co-op Academies Trust to at least 16	Achieved - by the end of 2018 we sponsored 18 academy schools	Increase the number of academies in the Co-op Academies Trust to at least 40 by the end of 2021
Campaigning		
Explore opportunities for a new national campaign to launch in 2019	Achieved - In addition to our loneliness campaign, in December 2018 we launched our Safer Colleagues, Safer Communities campaign	
		Using insight from the Community Wellbeing Index, launch a new national charity partnership to respond to a national issue affecting our local communities in 2019
Community		
Give back at least £20m in 2018 to local causes through our Local Community Fund	Close to target - We gave £19m to local causes in 2018 which was just short of our target. This was due to a reduction in funds from the sale of carrier bags	Give back at least £15m in 2019 to local causes through our Local Community Fund
Launch a Community Wellbeing Index to help us listen to, and understand, what matters most to our members, and inform what we do locally and nationally	Achieved - The Community Wellbeing Index (CWI) report was published in 2018 and the data was made available through a dedicated website. We also discussed the CWI with members at Join in Live events 2018 and invited online feedback	
Have a Member Pioneer across all 1,500 Co-op communities by 2020	On track - We've recruited over 300 Member Pioneers to date and will be ramping up the recruitment in 2019 and 2020 to hit our target of a Member Pioneer in every community by 2020	By 2020 have a Member Pioneer across all 1,500 Co-op communities
		Set out long-term targets as part of a new Community Plan
Ethical trade and human rights		
By the end of 2018 we will have requested all new high-risk suppliers of goods and services not for resale to complete a Sedex self-assessment questionnaire (SAQ)	Achieved - All of these high-risk suppliers have been requested to complete an SAQ	By 2020 we'll embed training on effective workplace communication, grievance mechanisms and providing access to remedy in our supplier engagement programme
Reach 1,000 delegates in 20 events as part of our global supplier capacity building programme to address underlying causes of human rights issues	Achieved - We ran 18 supplier events in three countries, reaching over 900 delegates. We also reached over 200 suppliers through best practice training webinars and workshops (including on employee engagement, responsible recruitment and handling of forced labour).	

2018 target	2018 progress	2019 target
		Develop a Social Value Charter and communicate it to our strategic suppliers of goods and services not for resale
All the tea, coffee and bananas we use in Co-op branded recipe production will benefit Fairtrade producers and their communities	Achieved - we have plans in place to support coffee growers with a health improvement programme, banana growers on sustainability and tea growers with sanitation	Continue our commitment to Fairtrade producers with our ingredient sourcing work
All roses we source from Africa - whether marked as Fairtrade or not - will be purchased on Fairtrade terms (rose bouquets, single stem roses and roses for mixed bouquets)	Achieved - all African roses are purchased on Fairtrade terms	
		Report on the impacts of projects undertaken with Fairtrade producers
Food and farming		
Use 100% British meat in Co-op branded frozen products by 2019	Achieved - 100% of Co-op branded frozen meat has been British from December 2018	
In 2018, all Co-op branded fresh pork, bacon, sausage, gammon and ham to be sourced from 100% outdoor-bred pigs on RSPCA Assured farms	Achieved - We moved to 100% Outdoor Bred, RSPCA Assured Pork in July 2018	
Maintain Tier 2 in the Business Benchmark on Farm Animal Welfare (BBFAW)	Achieved - Continual improvement in our animal welfare policies and key performance in out compliance has allowed us to retain our Tier 2 status	Maintain Tier 2 in the Business Benchmark on Farm Animal Welfare (BBFAW)
Publish Co-op performance in antibiotic usage within our farming groups	Achieved - In March 2018 we published our antibiotic usage data from our eight Farming Groups along with our revised antibiotic policy on our website	
		Publish three years of data on the carbon footprints of our Farming Groups
		Have 100 young farmers in our Farming Pioneers programme by the end of 2019
Environment and resource use		
Climate change		
Set an ambitious new target to reduce our remaining GHG emissions, to be reported next year	Achieved - We will reduce our Scope 1 and 2 GHG emissions by 50% by a further 50% by 2025 compared to 2016	Reduce our direct GHG emissions by a further 50% by 2025 compared to 2016
		Reduce our product-related emissions by 11% by 2025, compared to 2016
Waste		
80% of our packaging (by product line) will be easy to recycle by 2020	On track - 72% of our own brand packaging (by product line) was easy to recycle at the end of 2018	100% of our packaging (by product line) will be easy to recycle by 2023 (80% by 2020)
Publicly report annual food waste tonnage for 2018 calendar year onwards	Achieved - We've reported our food waste of 19,162 tonnes produced in 2018	Reduce food waste generated in our stores and depots by 50% by 2030 compared to 2015
Roll out a process for redistributing surplus food from our stores to charities and community groups	Achieved - We launched Co-op Food Share in 2018	

2018 target	2018 progress	2019 target
Resource use		
Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell	<p>On track - We apply a risk assessment process to all our fish products, which ensures we continue to source as responsibly as possible. We are members of the Sustainable Seafood Coalition and work with the Sustainable Fisheries Partnership</p> <p>We also take part in industry roundtables and directly support Fisheries Improvement Projects such as Project UK to support wider industry improvements. Our high risk sources have remained at 1% (2017: 0.7%) and we've also increased our number of MSC-certified products from 49 in 2017 to 55 food and 4 pet food products in 2018</p>	Maintain our position as one of the UK's most responsible retailers of fish, and increase the number of MSC-label products we sell
Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits	<p>On track - 57% of our palm oil is now RSPO Segregated (2017: 59%) and our reliance on credits is up from 6% to 9%, but we are on track to achieve our 2020 target</p>	Ensure palm oil used in all Co-op branded products comes from a sustainable, segregated Certified Sustainable Palm Oil source by 2020 by reducing reliance on credits
Develop our Responsible Soy roadmap reviewing usage directly in products and in animal feed - this will include exploring the options around certification, project work and reductions in soy use	<p>On track - In 2018 we joined the UK Round Table on Soy and we completed our most up to date soy mapping which for the first time goes beyond animal feed in our farming groups. We are reviewing this with the new mapping information and will set our roadmap out in 2019</p>	Develop our Responsible Soy roadmap reviewing usage directly in products and in animal feed and publish in 2019 in line with the UK Round Table on Soy
Reduce water consumption across our properties by 10% by 2025 compared to 2016		
Healthy living		
A minimum of 50% of price based promotions (for food and non-alcoholic drinks) will be for healthier offerings by 2020	<p>Under review - We haven't monitored the % of price-based promotions for healthier offerings during 2018, as we focussed on reviewing our Diet and Health Strategy and associated targets, including those relating to price and promotions, in light of publication of the Government's childhood obesity plan</p>	Launch our Co-op health and wellbeing strategy which will set out the ways that we will make healthier choices easier for our customers
Health and safety		
A new accident and incident management system will be used by all our businesses by the end of 2018	<p>Achieved - Our new safety management system, 'MySafety' launched across the Co-op in October</p>	Following the introduction of our minimum safety standards, work with our businesses to make sure they are reflected in their procedures, and accessible for all colleagues
Set a minimum safety standard with our new policies, to be achieved across our Co-op	<p>Achieved - Building on last year's launch of our new health and safety framework, we introduced a number of new Co-op Minimum Safety Standards this year</p>	Work with our businesses to look at ways to help our colleagues return to work sooner following an accident by using the data MySafety provides on lost working days
Reset our KPIs to drive a stronger safety culture	<p>Achieved - We introduced our monthly Health and Safety Self-Assessment - A balanced score card in line with the HSE recommendations including KPIS on training and compliance</p>	

2018 target	2018 progress	2019 target
Diversity and inclusion		
Continue the focus of increasing 'respect at work' measured by colleagues telling us they are treated fairly via our colleague survey Talkback	Close to target - While we've seen a slight decrease to 76% (2017: 79%) in colleagues feeling they are treated fairly, we've also had a slight fall in colleagues that have experienced Bullying, Harassment and Discrimination to 10% (2017: 12%)	Roll out training and support tools for all colleagues and managers to further reduce the incidences of bullying, harassment and discrimination
Launch two additional colleague networks representing ethnicity and early career	Achieved - 'RISE' (our BAME colleague network) and 'Youth' (our young colleague network) were launched at our AGM	Work with colleague networks to understand barriers to progression and colleague experience
Launch our Inclusion Council formed of internal and external parties	Under review - During the year we've reviewed whether the Inclusion Council is the right approach. We focused on aligning our Diversity and Inclusion Pioneers and understanding the type of experience and expertise that we need from external partners	Identify the methods and external partners to help us improve our work on inclusion
Colleague wellbeing		
Provide colleagues with new services and tools to support their health and wellbeing and to help them improve their finances	Achieved - We launched our wellbeing app and website, as well as introducing a debt consolidation service	
Provide 1,000 apprentice opportunities each year from 2018	Achieved - at the end of 2018 we had 1,034 apprentices on programmes	Continue our commitment to having 1,000 apprentices on our programme at any one time
Introduce new ways to recognise and celebrate the great work our colleagues do every day across our Co-op businesses, including launching Thank You for Being Co-op Awards	Achieved - We launched our first ever Thank You For Being Co-op Awards in 2018	
		Maintain levels of colleague engagement as measured by our engagement index
		Increase the number of colleagues who have downloaded our wellbeing app from 20% to 50%

Independent Assurance Statement

The Co-operative Group Ltd (“the Co-op”) commissioned DNV GL Business Assurance Services UK Limited (“DNV GL”, “we”, or “us”) to undertake independent assurance of the Co-op Way Report 2018 (the “Report”) for the year ended 31st December 2018.



Our 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 of stakeholder inclusiveness, sustainability context, completeness, materiality and reliability.
- In terms of reliability of the performance data, 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.

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.

The Co-op’s unique and democratic membership structure continues to provide a foundation for stakeholder engagement. The Members’ Council provided input to the sustainability programme during 2018, such as through the Ethical and Sustainable Leadership Committee which met with management on a regular basis.

The report includes several other examples where stakeholder engagement helped shape strategy, notably the roundtables and workshops to identify priority sustainability issues for the Future of Food strategy and in the development of the Community Wellbeing Index.

Sustainability context

The presentation of the organisation’s performance in the wider context of sustainability.

The Co-op launched the ‘Stronger Co-op, Stronger communities’ ambition at the start of 2018 and has developed a number of new, related strategies throughout the year. From a sustainability context perspective, the most significant of these was the Future of Food. We also noted the development of the Environment and Resource Strategy for Co-op Property and the planned development of the Community strategy in 2019.

The Co-op should ensure that the development and governance of the business-wide approach to ethics and sustainability brings together the commitments and targets made in the different strategies, including the non-food parts of the business. The next Report should include detailed targets that support the delivery of the 2030 Future of Food commitments. Targets should be specific and measurable and cover both short and long-term, focus on the biggest impacts and include mapping to the Sustainable Development Goals.

Notable achievements this year include the new operational greenhouse gas emissions target and the development of compostable carrier bags with the open sourced sharing of this technology.

Completeness

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

The Report was comprehensive, offering stakeholders confidence that the issues in scope are managed appropriately.

The reporting of food waste and setting a food waste target is a positive step, providing more transparency in an area of growing stakeholder concern.

Materiality

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

The formal process to determine issues that are most material for the Co-op was last conducted in 2016. We recommend completing a further review of materiality, to consider any adjustments in the relative priority of issues, as well as emerging issues and the significance of recent changes in the business.

We found that the management approach for priority issues was well embedded within the business, and the Report format provided an accessible summary of this.

While tools for ethical decision making and delivering shared value continue to be developed and rolled out, we recommend that their impact be reviewed and commented upon in future.

Reliability and quality

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

Overall, for the data that is in scope, we had confidence in the processes and systems to ensure the information presented in the Report was accurate. This year the Co-op has documented and published the basis of reporting for the indicators in scope for assurance. This has added to the transparency of the report, and we recommend expanding this in future.

Data collection processes were documented in some areas and particularly for more complex data sets, such as waste and fish, we recommend this approach is extended.

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Scope and approach

We performed our work using DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the 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, sustainability context, completeness, and reliability. We evaluated the performance data using the reliability principle together with the Co-op's basis of reporting for how the data are measured, recorded and reported.

We understand that the reported financial data and information are based on data from the Co-op's Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

Data in scope

- Community (total UK community investment split by cash, colleague time, gifts in kind, management costs, leverage; number of colleagues, days and value of staff time for colleagues involved in community activity during work time; total investment in international communities)
- Ethical Trade and Human Rights (number of sites and workers on Sedex; % Tier 1 sites completed self-assessment questionnaire and audited; location of audits; number of supplier events carried out; number of delegates; hours of supplier training; total % increase in Fairtrade sales)
- Climate Change (Energy Use; Greenhouse Gas (GHG) emissions including emissions by source; % electricity from renewables; % reduction in GHG emissions)
- Resource use (% fish used to supply wild fish and seafood products sourced from low-risk or medium-risk fisheries)
- Waste (Total waste from operations; % waste reused / recycled; food surplus distributed; packaging handled by material; % reduction of own brand packaging)
- Food and farming (£m higher welfare sales; proportion of sales by welfare standard of own-brand eggs and milk, own-brand fresh protein; % fresh beef, pork, chicken, sausages, duck, turkey, milk and eggs sourced from UK farmers)

This year we continued to rotate some data in scope and excluded data from healthy living; colleagues; diversity; health & safety, and included only fish data from resource use. We continued to review key claims in the chapters relating to the excluded data, including the outputs of data systems, but didn't test these data systems in depth. The review of any data from prior years is not within the scope of our work (this includes any data in scope in previous years that has been re-stated).

Basis of our opinion

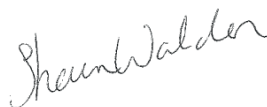
A multi-disciplinary team of sustainability and assurance specialists performed work at head office. We undertook the following activities:

- 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;
- Review of information provided to us by the Co-op on its reporting and management processes relating to the Principles;
- Interviews with seven selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and functions covered property, community, policy and campaigns, food policy, Co-op brand, and two members of the board;
- Review of supporting evidence for selected claims in the Report, including reported performance against all 2018 targets. Selected claims were chosen based on their perceived importance and 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. Given most reported data are calculated at group level, we undertook our testing at head office. For energy and waste, where data is consolidated from site level, we tested a sample back to source sites remotely.

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK
5th April 2019



Kate Brintjes
Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Shaun Walden
Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business 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 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'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 Independent Assurance Statement.

Level of Assurance

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 'limited level' of assurance. A 'reasonable level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. We have no other contract with the Co-op which would constitute a conflict of interest with this assurance work.

DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
www.dnvgl.co.uk/BetterAssurance



Co-operative Group Limited

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