



# DELIVERING VALUE

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### (Pictured) **Andy Walsh, Founder, FC United**

Founded in response to the increasing commercialisation of football, FC United is putting community back at the heart of the game. Thanks, in part, to the training and support provided by The Co-operative Enterprise Hub (page 98), FC United now has a membership of more than 3,000 co-operative shareholders, and offers affordable football matches and sports coaching to the community.

# DEMOCRATIC CONTROL AND SUPPORTING CO-OPERATIVES

Social responsibility

Ecological sustainability

**Delivering value**

Assurance

## Background

Against the backdrop of a challenging economy, the UK co-operative sector has continued to grow<sup>1</sup>. There are some 4,990 independent co-operatives nationwide – involved in everything from food retail, to housing, farming and education – contributing more than 237,000 jobs and £33.5bn in turnover to the UK economy<sup>2</sup>. Worldwide, there are more than 800 million individual co-operators, and the 300 most successful co-operatives have an aggregate turnover of equivalent size to the tenth largest economy in the world<sup>3</sup>.

For just £1, anyone who is aged 16 or over and lives in the UK can become a member of The Co-operative<sup>4</sup>. Through trade, members earn a share of the profits of the business and can exercise their democratic control, with equal rights and benefits.

## Materiality and strategy

The Co-operative stands apart from other major businesses in the UK as an organisation that is owned, not by investor shareholders but by six million members. Members are a vital contributor to financial performance, spending more ‘per basket’, and with greater potential for cross-trade across the family of businesses. The Co-operative is the world’s largest consumer co-operative – owned by 12% of the adult population<sup>5</sup> – and works with other co-operatives and the wider movement to promote the role of the co-operative model, within business, education and community interests.

The Co-operative seeks to both grow the total number of its members, and improve the level of spend, cross-trade, and non-trading engagement. A new Membership Engagement Strategy guides both trading and non-trading relationships. ‘Democratic control and reward’ and ‘Supporting co-operatives’ form core components of the new Ethical Operating Plan (page 13).

Democratic control and supporting co-operatives

Economic impact

Employees and diversity

Customers

Public policy

🎯 Targets 2010	Progress	Targets 2011
<b>Indicator: Member economic involvement</b>		
Increase number of members trading with more than one Co-operative business by 10% in 2010.	✓ An increase of 115% was achieved (page 95).	<b>EOP</b> Continue a member profit sharing scheme that is amongst the broadest and most generous of any major UK business.
One million new membership cards to be activated in the former Somerfield estate in 2010.	← Some 1.8 million cards have been used in former Somerfield stores, including 600,000 cards activated for the first time. There were fewer activations than anticipated, reflecting the revised pace of the Somerfield refit programme (page 94).	<b>EOP</b> Build membership to 20m by 2020, with an interim target of 7m by the end of 2011.
Complete development of a consolidated membership scheme for the expanded business, following the recent mergers and acquisition.	✓ 1.4 million members have been added from the former Britannia membership reward scheme, and membership is now active in all former Somerfield stores (page 94).	<b>EOP</b> Subject to legislation, extend membership to under 16s <sup>6</sup> .
		<b>EOP</b> Encourage ethical consumerism through engagement with members and extra share of profit from 2012.
<b>Indicator: Member democratic participation</b>		
Increase participation in regional members’ meetings by 5%.	✓ Attendance increased by 5.8% (page 96).	
Increase proportion of area committee elections that are contested by 10%.	✓ There were 39 (81%) contested elections, compared to 26 (57%) in 2009 (page 96).	Increase attendance at regional members’ meetings by a further 5%, and increase proportion of area committee elections that are contested to 90%, and proportion of targeted members voting to 13%.
Engage with former Britannia members to encourage their participation in the 2010 area committee ballots.	✓ Former Britannia members were specifically targeted, with all those in receipt of a Britannia members’ reward for 2009 (604,098) receiving a ballot paper automatically (page 96).	



(continued over)

## DEMOCRATIC CONTROL AND SUPPORTING CO-OPERATIVES

Targets 2010	Progress	Targets 2011
<b>Indicator: Member engagement</b>		
Implement new membership engagement strategy and develop an engagement index to measure progress.	 A new membership engagement index was developed and launched in 2010 (page 97).	<b>EOP</b> Engage on social goals with 500,000 members per annum.
<b>Indicator: Member diversity</b>		Increase the diversity of candidates in the 2011 membership elections, increasing female candidates from 35% to 38%, younger candidates from 4.8% to 6%, and BAME candidates from 2% to 5%.
<b>Indicator: Supporting co-operatives</b>		<b>EOP</b> Act as the primary funder of co-operative encouragement bodies such as the Co-operative College, and invest £11m to support the growth and development of co-operatives by 2013.
		<b>EOP</b> Invest £2m to celebrate 2012 as the United Nations Year of Co-operation.
		<b>EOP</b> Initiate a £20m International Co-operative Development Loan Fund.

### Member economic involvement

As a consumer co-operative, The Co-operative is run for the benefit of members, who share in profits in proportion to how much they trade. The membership scheme is available across The Co-operative's 13 main businesses, within over 5,000 high-street outlets across the UK.

In the course of 2010, membership grew from 5.1 million to 5.8 million<sup>7</sup>, representing a 14% increase, and by early 2011, exceeded 6 million.  Growth in membership has benefited from the consolidation of the membership scheme following recent mergers and acquisitions.  Membership is now active in former Somerfield stores, and some 1.8 million cards have been used in these stores, including 600,000 cards activated for the first time. There were fewer activations than anticipated, reflecting the revised pace of the Somerfield refit programme.



### Members 2011

# 6m+

members, 12% of the UK adult population

In 2010, Midlands Co-operative became the fifth independent society to accept The Co-operative membership scheme cards within their stores, joining Chelmsford Star, Southern, Midcounties and Anglia Co-operatives<sup>8</sup>.

### Share of profits

The Co-operative pays out a share of its profits to members twice a year, via an interim dividend payment in November and a final dividend payment in June. Members earn 'points' through transactions with the family of businesses; the more trade undertaken with The Co-operative, the greater their share of the profits. Uniquely amongst UK high-street retailers, members can receive their reward in cash, paid in store or into their bank account.

In 2010, the total number of points earned across the family of businesses was 3,437 million (2009: 2,465 million). The total dividend payment, and therefore the financial value of a membership point, varies depending on financial performance. In respect of trade undertaken during 2010, members earned £70.5m through the membership scheme (2009: £50.4m)<sup>9</sup>. Of the £70.5m earned, £3.2m (2009: £1.6m) was donated by members to The Co-operative Membership Community Fund (page 20)<sup>10</sup>. The significant increase in donations can be accounted for by the transfer of former Britannia members to The Co-operative membership scheme.

Additional payments made to and on behalf of members in respect of 2010 profits were: an employee-member dividend of £41.0m, an independent society dividend of £21.8m, and a community dividend of £10.0m.

**Cross-trading**

🎯 In 2010, The Co-operative significantly exceeded its target to increase by 10% the number of members trading with more than one business, achieving an increase of 115%, and an increase of 700% since the relaunch of the membership scheme in 2006. This sizeable increase reflects the movement of 1.4 million Britannia customers to the membership scheme, alongside increased marketing activity.

Members earning a share of profits <sup>11</sup>				
2006	2007	2008	2009	2010
2.0m	2.2m	2.5m	3.4m	5.5m

Members trading with more than one business				
2006	2007	2008	2009	2010
231,900 (n/a)	359,800 (n/a)	548,100 (n/a)	783,500 (15%)	1,680,900 (29%)

**Membership democratic participation**

The degree to which members are active in The Co-operative's ethical and democratic affairs is a key indicator of co-operative well-being, and is measured via the active members' network<sup>12</sup>; participation in elections (including the number of elections that are contested); attendance at members' meetings; and the flow of motions and questions to the annual general meeting (AGM) and half-yearly meeting.

**Democratically elected governance structure 2010**

**587** members within the democratically elected governance structure

**Democratic structure**

The Co-operative's democratically elected governance structure consists of a Group Board, seven regional boards and 48 area committees (including a members' council for Northern Ireland<sup>13</sup>). Members who wish to be involved in governance can stand for election, and, if successful, can progress through each tier. As such, it is possible to progress from being a customer to a Board Director.

Regional boards have a broad remit<sup>14</sup>, which extends across The Co-operative's regional commercial interests. This includes: reviewing management proposals in respect of regional revenue and capital expenditure; receiving and monitoring the sales and

**Democratic structure**

Group Board
(20 members)
Three principal subsidiary Boards <sup>15</sup>
Co-operative Financial Services (CFS) Board (20 members)
Food Board (15 members)
Specialist Businesses Board (14 members)
Additional Group Committees
Group Audit & Risk Committee (5 members)
Group Remuneration & Appointments Committee (6 members)
Group Governance Working Party (5 members)
Group Chair's Committee (4 members)
Group Values & Principles Committee (15 members)
7 Regional Boards (107 members)
48 Area Committees (587 members)
Regional Values & Principles Committees (95 members)
Customer Members (6 million members)

profitability of the region's core trading operations; and making recommendations concerning the development of the region in line with core Co-operative Group Board objectives. Each regional board has a Values & Principles Committee, which is tasked with ensuring that The Co-operative's values and principles are pursued at a regional level.

All area committees<sup>16</sup> have similar commercial responsibilities, but at a more local level. Their role is to: monitor trading performance in the locality; make recommendations regarding the development of the business in the area; be consulted regarding intended store disposals and new developments; and provide management and regional boards with local intelligence and knowledge. Additionally, area committees allocate Community Fund (page 20) awards, and work in partnership with local Co-operative employees on membership activity and community initiatives.



**Member democratic participation**

	2006	2007	2008	2009	2010
Attendance at regional AGMs and half-yearly meetings	3,922	3,390	3,044	4,386	4,640
Contested area committee elections	62%	n/a	57%	57%	81%

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# DEMOCRATIC CONTROL AND SUPPORTING CO-OPERATIVES

## 2010 elections

A record number of members took part in the 2010 elections with 266,500 votes cast (2009: 130,000). There were 39 (81%) contested elections, compared to 26 (57%) in 2009, with 332 members standing for a total of 238 vacancies. Of the 2.4 million ballot papers distributed to members (2009: 1.2 million), 11% (2009: 10.7%) were returned.

Of the successful candidates, 44% (2009: 54%) were newly elected. Former Britannia members voted for the first time, yielding some 56,124 votes, a response rate of 9.3%.

A total of 4,640 members attended the regional members' meetings (2009: 4,386)<sup>17</sup>. Of those completing an evaluation, 85% considered the meetings worthwhile<sup>18</sup>.



### AGM motions

At the AGM and half-yearly general meetings, regional boards have the formal opportunity to table motions and questions, and examples of these can be found below. The number of regional delegates is determined by the amount of trade undertaken in the region in the prior year, with at least one representative of each area committee in each delegation.

Independent Society Members can also table motions and questions. The voting strength of these members at the meetings is determined by the value of trade conducted with The Co-operative in the preceding year.

Motions approved by the AGM are not binding upon management; however, the Board and/or management undertakes to consider the issues raised and provides a response on the day and an update at the next general meeting.

### Votes cast 2010

**266,500** votes cast in area committee elections.  
2009: 130,000

### AGM (May 2010) resolutions

Region	Motion	Response
North West and North Midlands Region	Called for a review of the policy to award members points for purchases of tobacco products.	The Board agreed with the proposal, and from February 2011 membership points are no longer awarded for tobacco and cigarettes.
Scotland and Northern Ireland	Called for a switch to 100% Fairtrade bananas in all stores.	The Board welcomed the suggestion, but added that careful consideration must be given to current banana suppliers, and the price sensitivity of some customers. Subsequently, as part of the new Ethical Operating Plan, the Board agreed that all bananas sold should be Fairtrade by the end of 2013.

### Half-yearly meeting (November 2010) resolutions

Region	Motion	Response
North Region	In respect of underperforming stores, called upon the Group Board to allocate money for community consultations, and implementation of recommendations, ahead of consideration of store closure.	The Board agreed that management would examine fully the practicality of the motion, and resources would be allocated to pilot the proposal in a number of locations, in order to evaluate whether a suitable model could be developed. The pilot activity is to be undertaken jointly between The Co-operative Food and the relevant regional membership team, and overseen by the relevant regional board.

## Member engagement

Engagement refers to interaction with members who may not be actively involved in the democratic process, but who can still be encouraged to engage on co-operative and ethical issues. Engagement includes communications and regional events and activities that have a co-operative or ethical focus. This activity is directed by a Membership Engagement Strategy, and during 2010, a total of £4.8m (2009: £3.8m) was made available for member engagement.

🎯 In 2010, an annual membership engagement index was launched to measure how engaged members feel with membership<sup>19</sup>, and to track progress year-on-year. The index is based on perception arising from the membership brand; communications, activities and events; understanding of membership; and membership rewards, and is expressed on a 10-point scale. The first engagement index yielded a score of 6.99 (scored out of 10). The highest-scoring statements were for willingness to recommend membership, enjoyment of membership and satisfaction with rewards associated with membership. Online engagement was identified as a key area for improvement.

### Members and ethical campaigning

Members are encouraged to get involved with The Co-operative's campaigning work (page 14). In 2011, a method of accurately accounting for this involvement is to be developed, and a target has been set to engage 500,000 members per year.

### Membership communications

The Co-operative uses a variety of channels to communicate with members, including a website, a blog, online discussions and webcasts. All members listed on the active members' network receive a biannual mailing containing Re:act – a national magazine with articles that focus on co-operative values and ethical leadership – and Re:action, a newsletter containing regional news and business performance. In 2010, The Co-operative relaunched its membership website with a greater focus on interactive content.



### Member training and education

The Co-operative supports a varied and diverse training programme for elected members and the wider membership base.

There are currently three levels of learning for elected members:

- **Induction training** introduces new elected members to the diverse aspects of the role, and the skills and knowledge required. Induction sessions held in 2010 involved 96 committee members.

- **The Learning Framework** allows area committee members to pursue a Certificate in Co-operation, and regional board members to pursue a Diploma in Co-operation. In 2010, 443 attendees participated in Certificate and Diploma workshops and a week-long Summer School. In 2010 a Group Board Development Centre qualification was introduced to support and prepare members wishing to stand for election from 2011 onwards.
- **The Director Induction Programme** is designed to develop knowledge of The Co-operative, the role of director, matters reserved for board level, and corporate governance practices and procedures. In 2010, six new directors undertook the training.

Learning among the wider membership is delivered online, via printed material, and at events.

## Member diversity

A Diversity Working Group (DWG) was established in 2001 to oversee the implementation of diversity initiatives in connection with membership. Regional representatives are elected from the following groups: women; members with disabilities; black, Asian and ethnic minority members (BAME); and lesbian, gay and transgender members. In 2010, the DWG agreed an interim Diversity Working Action Plan, and commissioned research into barriers to participation, which will inform a new three-year diversity strategy.

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

	2006	2007 <sup>20</sup>	2008	2009	2010
Total number of area committee members	532	567	579	556	587
% female elected members in area committees	38%	37%	36%	35%	38%
% BAME elected members in area committees	2%	2%	2%	3%	2%

### Diversity of elected members (age)<sup>21</sup>

	2009	2010
30 and under	4%	5%
31–50	25%	26%
51–69	60%	59%
70+	7%	8%
Unknown	4%	2%

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# DEMOCRATIC CONTROL AND SUPPORTING CO-OPERATIVES

## Supporting co-operatives

The Co-operative works for the long-term success of the co-operative movement. Between 2011 and 2013, £11m is to be invested to support the growth and development of co-operatives, as well as a further £2m to celebrate 2012 as the United Nations Year of Co-operation. Investment is driven by The Enterprise Hub, and through support for organisations including Co-operativesUK, The Co-operative Party, and the Association of British Credit Unions. Contributions are detailed on pages 122 and 123, and further detail on support for credit unions is outlined on page 51.

### The Co-operative Enterprise Hub

The Co-operative Enterprise Hub<sup>22</sup> is The Co-operative's flagship programme for the promotion of the co-operative business model. In the UK, the Hub's activity focuses on the provision of advice, training and finance to new and existing co-operatives, and the provision of grants to Regional Co-operative Councils. In line with the objectives of The Co-operative Ethical Operating Plan (page 13), additional support is also available to renewable energy co-operatives in the UK and overseas co-operatives addressing poverty alleviation (page 29). Policy and strategy are overseen by a Board, which ratifies grants up to £49,999 and makes decisions on grants over £50,000.

Training and advice in the UK is delivered by co-operative development professionals based throughout the country, and typically addresses issues such as business planning, employment and staffing, finance, legal matters and governance. During 2010, the Enterprise Hub continued to extend its geographical reach, such that, in early 2011, it became available to existing and emerging co-operatives located anywhere in the UK. Of the 256 projects receiving Hub services in 2010, 241 were supported with advice and training in the UK – more than double the previous year. The cost of this training, coupled with the co-operative development programme's management costs, totalled £551,000. A further £297,500 was awarded to 15 co-operatives in grant funding. Over the next three years, a further £7.5m is to be invested in the work of The Enterprise Hub.

With Enterprise Hub support, Rochdale's Play, Education and Reusable Lending Service became PEARLS worker's co-operative. For more on this and other Hub case studies visit [www.co-operative.coop/enterprisehub](http://www.co-operative.coop/enterprisehub)



### Co-operative Enterprise Hub 2010

**256**

projects supported by The Co-operative Enterprise Hub, including consultancy and grants  
2009: 112

### The Co-operative Enterprise Hub: financial support by funding stream, 2010

Funding stream		Number of projects supported		Financial contribution (£)	
		2009	2010	2009	2010
Co-operative development		95	241	287,000	551,000
Grants	Regional Co-operative Councils	12	11	132,000	137,500
	Renewable Energy Grants	2	2	98,000	99,000
	Co-operatives overseas	3	2	186,000	61,000
<b>Total</b>		<b>112</b>	<b>256</b>	<b>703,000</b>	<b>848,500</b>

### The Co-operative Enterprise Hub support for FC United

FC United is a supporter-owned club in Greater Manchester, investing in community projects to involve socially excluded groups in coaching sessions. The Co-operative Enterprise Hub worked with FC United to develop a volunteer information pack, and trained

members and Board directors on how to run the club as a co-operative enterprise. Club and company secretary, Lindsay Robertson, said: "It was a great opportunity to receive help from an outside body, and it provided us with an objective point of view."



Image © 2010 Mick Dean Photography

### The Co-operative Loan Fund

The Co-operative, together with Midcounties and East of England co-operative societies, finances The Co-operative Loan Fund. It supports co-operatives in the UK through the provision of accessible, ethical loan finance. A contribution of £30,000 was made to The Co-operative Loan Fund in 2010. As at the end of 2010, total funds stood at £1.3m. The Fund is managed by Co-operative and Community Finance, which is authorised and regulated by the Financial Services Authority.

### UK co-operative buying groups

The Co-operative Retail Trading Group (CRTG) was set up in 1993 to centralise the buying power of member co-operative societies in the UK. The CRTG controls buying for retail co-operative societies, including The Co-operative Food, and represents £7.3bn of buying power (2009: £7.1bn). All products procured on behalf of member societies through CRTG are sourced in line with relevant Co-operative policies.

In addition, a co-operative buying group operates in the travel industry, whilst co-operative funeral, pharmacy and property groups meet to discuss legislative issues and best practice.

### Financial services

The Co-operative Bank offers a bespoke banking package – Co-operatives Directplus – to member organisations of Co-operatives<sup>UK</sup>. In 2010, some £198m of lending was provided to co-operatives and mutuals (2009: £204m).

Additionally, the bank offers a bespoke savings account and credit card for Co-operative members.

### Representation

The Co-operative seeks to actively promote national and international co-operation through its support for and involvement with representative bodies, including the International Co-operative Alliance, Co-operatives<sup>UK</sup>, Mutuo, European Association of Co-operative Banks, The International Co-operative and Mutual Insurance Federation, Euro-Coop, The International Co-operative Banking Association and The Co-operative Party. Some of The Co-operative's work with such bodies in 2010 is detailed below, with financial support outlined on pages 122 and 123.

- **International Co-operative Alliance (ICA)** The Co-operative is a board member of the ICA, the world's largest non-governmental organisation, representing and supporting co-operatives and mutuals worldwide through its regional institutions. In 2010, £100,000 was provided to fund the cost of the ICA Global President, Dame Pauline Green, and a secondee was provided to develop proposals for the 2012 United Nations Year of Co-operatives.
- **Co-operatives<sup>UK</sup>** promotes the interests of co-operatives, increases awareness and understanding of co-operative values and principles, and supports the growth and development of new and existing co-operatives. Each year, The Co-operative reports against the Co-operatives<sup>UK</sup> Co-operative, Environmental and Social Performance Indicators<sup>23</sup>. In 2010, seven representatives of The Co-operative served on the Co-operatives<sup>UK</sup> Board.

- **International Co-operative and Mutual Insurance Federation (ICMIF)** The Co-operative Insurance is a member of ICMIF, which supports new, or growing, co-operative and mutual insurance companies in the developing world. CFS is also one of over 30 shareholders in ICMIF's Allnations fund, which provides financial support for new and growing co-operative and mutual insurers around the world. The Co-operative is represented on the board, and the intelligence and reinsurance committee.

In addition, The Co-operative is a board member of the European Association of Co-operative Banks, and a chair of the Co-operative Identity Working Group at Euro-Coop.

### Accompanying notes

1	The UK Co-operative Economy 2010, Co-operatives <sup>UK</sup> .	12	The active members' network is a list of members who have actively made a request to receive information on membership over a number of years. The list was updated in 2010, in order to ensure that members are only listed if they are currently active. As well as having opted to receive information, they must additionally have fulfilled one of several criteria, including voting in recent elections, attendance at recent members' meetings, and participation in recent ethical consultations. 254,360 members are currently listed on this network. Going forward, the list will grow based on additional members who request to receive information on membership.
2	Ibid.	13	The Northern Ireland Members' Council has representation on the Scotland and Northern Ireland Regional Board. The Council is larger than an area committee, and has enhanced roles and responsibilities.
3	www.ica.coop	14	The full responsibilities of the regional boards are detailed at: <a href="http://www.co-operative.coop/membership/have-your-say/regional-boards">www.co-operative.coop/membership/have-your-say/regional-boards</a>
4	In addition, The Co-operative has 122 Independent Society members, who represent other co-operative societies to whom The Co-operative provides services. Independent Society members must demonstrate a commitment to co-operative values in their business practice and buy at least one share (costing £5) in The Co-operative. They have the right to participate in the Society's democratic affairs – a right that can be exercised at the AGM and in the nomination and election of Independent Society members to The Co-operative Group Board. As such, the interests of the co-operative businesses with whom The Co-operative trades are represented on its Board.	15	Subsidiary Boards have a number of independent, professional, non-executive directors, in addition to Executive and Group Board Directors.
5	Based on an adult population of 49.4 million (Office for National Statistics, 2009).	16	The full responsibilities of the area committees are detailed at: <a href="http://www.co-operative.coop/membership/have-your-say/area-committees/">www.co-operative.coop/membership/have-your-say/area-committees/</a>
6	In line with Industrial and Provident Act legislation, The Co-operative's membership scheme has only been open to UK citizens aged 16 and over. A potential change to the Industrial and Provident Act would enable citizens under the age of 16 to become members. Restrictions would, however, preclude these members becoming elected to committees or boards.	17	Members' meetings refer to regional AGMs and regional half-yearly meetings. Members' meetings are timed to take place in advance of The Co-operative Group's AGM and half-yearly meeting.
7	Based on members who have either undertaken trade with The Co-operative in the last 12 months, or have opened a new membership account within the last 12 months.	18	Questionnaires were completed by 63% of attendees.
8	All five independent societies retain control of their respective membership schemes, including share of the profit payments and voting rights.	19	Excludes employee members.
9	Figure includes interim dividend of £16.4m paid in November 2010. In 2010, 100 points were required by a member to achieve a final payment.	20	Percentages exclude former United Region data.
10	Members can opt to donate some, or all, of their share of profits.	21	Due to a change in the method of data gathering, only one year's comparable data is available.
11	The stated number of members earning a share of profits includes members that, whilst having traded with The Co-operative, do not accrue sufficient points during the year to trigger a dividend payment for that year. In these circumstances, points are rolled over to the following year.	22	The Co-operative Enterprise Hub is a working name for Co-operative Action Limited. The Enterprise Hub replaced the activity of two former co-operative encouragement bodies, The Co-operative Development Fund and C-Change programme.
		23	<a href="http://offline.cooperatives-uk.coop/Home/miniwebs/miniwebsA-z/cespis">offline.cooperatives-uk.coop/Home/miniwebs/miniwebsA-z/cespis</a>

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# ECONOMIC IMPACT

## Background

Amidst uncertainty in the global economic outlook, the UK economy fluctuated throughout 2010, ending the year with a fourth quarter contraction of gross domestic product<sup>1</sup>. For the majority of the year Consumer Price Index inflation remained over 3%<sup>2</sup>, consistently above the Bank of England's target of 2%<sup>3</sup>. After a sharp rise in 2009, unemployment rates remained high, reaching record numbers since 1994<sup>4</sup>. In the context of this uncertainty, trading conditions remained challenging for many of the sectors in which The Co-operative operates.

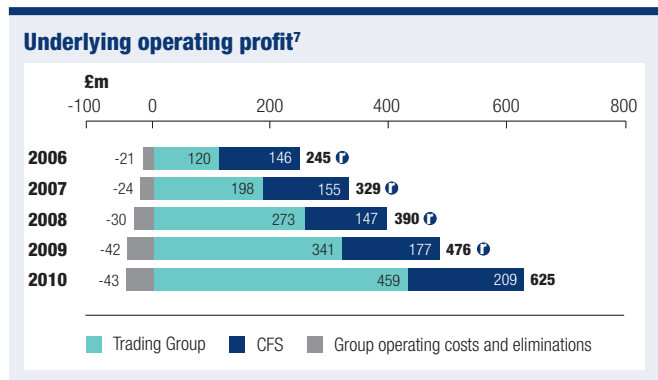
## Materiality and strategy

As the UK's largest co-operative, increased and sustainable profitability enables The Co-operative to contribute to the local economy in the areas in which it operates, and deliver value to its stakeholders. For example: member dividend payments (pages 94 and 95); employment and remuneration (pages 105 and 109); and community contributions (pages 17–21). Up to 40% of profits are distributed to these groups. Being a commercially successful business is a key aim supporting the Group's vision 'to build a better society' (page 11), and financial performance is one of four areas measured on CFS' balanced scorecard, supporting its vision 'to be the UK's most admired financial services business'. A detailed account of The Co-operative's financial performance is presented in the Annual Report and Accounts<sup>5</sup>.

Targets 2010	Progress	Targets 2011
<b>Indicator: Profit generation: Trading Group and CFS</b>		
<b>Indicator: Return on Capital Employed: Trading Group</b>		
Achieve a Trading Group Return on Capital Employed (ROCE) of 11.2%	 A ROCE of 13.5% was achieved (page 101).	Achieve a Trading Group ROCE of 12.6%.
<b>Indicator: Value added</b>		
<b>Indicator: Local sourcing</b>		
		 Grow the UK farming business further and aim to supply a quarter of all fresh produce sold in Co-operative Food stores by 2015, whilst at the same time helping secure the future of priority species in our locales.
<b>Indicator: Tax</b>		

## Financial summary

Despite challenging market conditions, The Co-operative has continued to meet and exceed business targets. In 2010, The Co-operative reported record underlying operating profit figures<sup>6</sup> up 31.3% from £476m in 2009 to £625m.



### Trading Group – underlying profit

Growth in underlying operating profit is a key measure in achieving the Trading Group’s aim to be a commercially successful business. In 2010, an underlying profit of £459m was achieved, an increase of 34.6% on 2009.

### Trading Group – Return on Capital Employed

Return on Capital Employed (ROCE) measures how effective the Trading Group is at earning a return on members’ funds that are invested in the business. In 2010, ROCE was 13.5% (2009: 10.4%), exceeding the 2010 target. A target to achieve a minimum 12.6% ROCE in 2011 has been set.

### CFS – profit generation

The three key financial performance measures for CFS are shareholder profits, liquidity and surplus capital. CFS’ operating profits<sup>10</sup> for 2010 were £208.6m, compared with £177.2m in 2009. CFS’ liquidity remains strong, with a customer-funding ratio of 107% (excluding securitised assets). The Co-operative Bank’s core tier one ratio<sup>11</sup> was 9.6% (2009: 8.7%), reflecting the strong capital base of the business, and it is notable that CFS has not taken, or needed, Government capital support.

### Value added

Economic value added<sup>12</sup> expresses the contribution to national wealth made by a commercial organisation, and seeks to illustrate how a range of stakeholders can benefit from such wealth creation. For example, economic value can be dispersed to: employees in the form of salaries; the State in the form of taxes; charitable causes in the form of donations; and owners in the form of profit, dividend and reserves.

#### Value added 2010

**£2.8bn** contribution to national wealth in 2010  
 2009: £2.6bn

#### Distribution of value added<sup>13</sup> 2010 (£m)

	2007	2008	2009 <sup>14</sup>	2010 <sup>15</sup>
Employee wages and pension benefits	1,180.2	1,246.1	1,559.7	1,652.2
Payments to government	194.1	313.5	380.6	309.4
Distribution to members	43.6	71.8	97.1	94.1
Paid to the community	10.4	11.5	11.3	12.4
Paid to providers of capital	42.4	44.2	116.1	83.3
Set aside for capital maintenance and future growth	335.3	322.0	439.1	633.9
<b>Total</b>	<b>1,806.0</b>	<b>2,009.1</b>	<b>2,603.9</b>	<b>2,785.3</b>

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### Local sourcing

Local sourcing can have a range of positive impacts; from supporting local economies, to meeting increasing customer demand for seasonal and locally supplied products. The related subjects of food miles and ‘considered carbon’ are discussed separately on page 66.

The Co-operative is the UK’s largest farmer, and offers an exclusive range of products that have been grown on or sourced from its farms: ‘Grown by us’ or ‘Reared by us’. These products include vegetables, fruit, honey and turkey, and in 2010, the range was enlarged to include Scottish porridge oats and Tillington 1000 apple juice. Through the expansion of these ranges, The Co-operative aims to source 25% of fresh produce from its farms by 2015.

In relation to sourcing of protein, 100% of own-brand fresh and frozen poultry, beef and pig meat was UK sourced in 2010 (page 33). In each country of the UK locally produced meat is offered.



Where possible in Scotland, Wales and Northern Ireland only beef, chicken and milk sourced from these respective regions is sold<sup>16</sup>.


100% of own-brand fresh milk and eggs sold in stores in 2010 continued to be UK sourced (page 34), and approximately 74% of cheese sold was UK sourced. All own-brand milk, eggs and cheese are labelled to indicate UK origin<sup>17</sup>.



## ECONOMIC IMPACT

### Tax

The Co-operative operates within a clearly defined Tax Strategy and Policy that covers compliance, planning and risk management. The Co-operative does not enter into what it considers to be aggressive tax planning, and is particularly mindful of the reputational risks associated with undertaking such planning<sup>18</sup>.

2010 tax payments and credits are detailed in the Annual Report and Accounts. The charge on continuing business was £63.5m (2009: £118.5m ) excluding £44m (2009: £6.4m) relating to tax attributable to The Co-operative Insurance policyholders' returns. The effective tax rate, excluding policyholders' returns, is 34.6% compared with a standard rate of 28%<sup>19</sup>.

The Co-operative Bank Ethical Policy contains a policy position on corporate payment of tax, and as such, the bank does not finance organisations that take an irresponsible approach to the payment of tax in the least developed countries.

### Supplier payment policy and practice

In many cases, standard payment terms are not imposed on suppliers, but agreed separately with each; whilst in other cases, the use of standardised terms is regarded as consistent with much of the market. Every effort is made to pay suppliers in accordance with the terms that have been agreed.

As at 1 January 2011, trade creditors expressed as number of days outstanding was 44 days (2009: 43 days).

### Accompanying notes

- |  |   |
|--|---|
| <p>1 Based on figures produced by the Office of National Statistics (ONS) – <a href="http://www.statistics.gov.uk/cci/nugget.asp?id=192">www.statistics.gov.uk/cci/nugget.asp?id=192</a></p> <p>2 The Consumer Price Index is the main United Kingdom (UK) domestic measure of inflation for macroeconomic purposes. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK. Based on figures produced by the ONS – <a href="http://www.statistics.gov.uk/cci/nugget.asp?id=19">www.statistics.gov.uk/cci/nugget.asp?id=19</a></p> <p>3 Based on information presented by the Bank of England – <a href="http://www.bankofengland.co.uk/monetarypolicy/framework.htm">www.bankofengland.co.uk/monetarypolicy/framework.htm</a></p> <p>4 Based on figures produced by the ONS – <a href="http://www.statistics.gov.uk/cci/nugget.asp?id=12">www.statistics.gov.uk/cci/nugget.asp?id=12</a></p> <p>5 Data presented in this section has been drawn from The Co-operative Annual Report and Accounts 2010, which has been independently audited and prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulations 1969, and applicable International Financial Reporting Standards, as endorsed by the EU (IFRS), for the year ending 01 January 2011. <a href="http://www.co-operative.coop/corporate/corporatepublications">www.co-operative.coop/corporate/corporatepublications</a>.</p> <p>6 Underlying Group operating profit measures the normal underlying business performance and removes from operating profit the following volatile or one-off costs: property disposal profits, investment property valuation fluctuations, significant items, fair value amortisation, Financial Services Compensation Scheme levies and short-term investment fluctuations.</p> <p>7 Underlying Group operating profit has been restated to subtract the Travel business and any Food stores sold under the Office of Fair Trading (OFT) regulations. This is because the results of these businesses are shown in discontinued operations as required under International Financial Reporting Standards, below profit before tax.</p> <p>8 Gross sales figures are shown before premiums ceded to reinsurers.</p> <p>9 Gross sales have been restated to subtract the Travel business and any Food stores sold under OFT regulations. This is because the</p> | <p>results of these businesses are shown in discontinued operations as required under IFRS, below profit before tax.</p> <p>10 CFS operating profits are presented before tax, FSCS levies, significant items, short-term investment fluctuation and fair value amortisation.</p> <p>11 The ratio of a bank's core tier one capital to its total pillar one risk weighted assets. This is a ratio of the bank's highest quality capital (share capital and reserves) to its balance sheet assets weighted to reflect credit risk and other risks.</p> <p>12 Value added = operating profit + employee costs + depreciation + amortisation + impairment of property, plant and equipment; goodwill and intangible assets + significant items (excluding impairment, because already included above).</p> <p>13 Based on GRI G3.1 Indicator EC1 guidance, and the UK Government's Department for Innovation, Universities and Skills' Value Added Scoreboard Methodology.</p> <p>14 The Group's Travel business and a number of stores sold under OFT regulations, following the acquisition of Somerfield, have not been included in this calculation. This is because the Group's 2010 financial statements show these items as discontinued and are therefore not included in the trading profit number for the year.</p> <p>15 Ibid.</p> <p>16 Unless there are quality, financial, availability or ethical issues which would prevent this.</p> <p>17 All Co-operative own-brand milk is sourced within the UK. Where appropriate, The Co-operative sources conventional milk regionally and labels this accordingly, for example in Scotland, Northern Ireland, Wales and the West Country. Outside of these regions, Co-operative own-brand milk carries the British label. All Co-operative own-brand organic milk carries the British label.</p> <p>18 Level of aggression is considered as one of the risk factors within The Co-operative Tax Strategy and Policy.</p> <p>19 A reconciliation of the standard rate of tax is presented in The Co-operative Annual Report and Accounts 2010, page 90.</p> |
|--|---|

# EMPLOYEES AND DIVERSITY

## Background

An inclusive work environment where everyone's contribution is recognised and valued, and where colleagues feel supported, developed and motivated, is key to increasing employee performance and creativity.

As the UK population becomes more diverse, the management of diversity and inclusion issues is an imperative for any forward-looking business, and necessary to ensure the development of products and services that meet the needs of a diverse customer base.

## Materiality and strategy

With a workforce of nearly 110,000, employees are one of six stakeholder groups identified as key to sustained business success. The Co-operative's approach in this area is informed by co-operative values and principles, as well as extensive employee surveys and industry best practice.

Growing colleague engagement is identified within the KPIs of both the Trading Group and The Co-operative Financial Services (CFS).

Being an 'exemplary employer' is one of six aims supporting the Trading Group's vision, and 'together we will create a great place to work, grow and develop' is an organisational value at CFS. This is particularly critical at present: while the integration of Somerfield is now complete, organisational change following the merger with Britannia is ongoing.

Progress against employee objectives is measured via an Engagement Index (Trading Group) and an Engagement Index and Values Index (CFS), and these scores influence the remuneration of management.

An agreed set of Diversity Principles emphasise a commitment to diversity in nine primary areas<sup>1</sup>, and inform diversity policies, strategies and governance structures. Following the merger with Britannia, CFS consulted with staff in order to develop an aligned diversity strategy, which will launch in early 2011.

A Diversity Strategy Group (DSG) including representatives from the Executive, Values & Principles Committee and Group Board oversees the implementation of diversity strategy, and diversity champions for sexual orientation, age, disability and ethnicity are in place within the Trading Group.

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Targets 2010	Progress	Targets 2011
<b>Indicator: Workforce composition and diversity</b> (Performance benchmarks pages 105 and 106)		
Design and implement a publicly available CFS strategy, policy and governance structure for the merged business.	Following the merger with Britannia, CFS has consulted with staff in order to develop an aligned strategy. This is now planned for launch in 2011 (see above).	Refresh and republish CFS and Trading Group diversity-related policies in line with the Equality Act 2010.
Roll out the Trading Group diversity data capture programme to one further business by the end of 2010.	Following a pilot exercise within the Travel business, a 'census' programme will be rolled out across the entire Trading Group in 2011 (page 104).	Complete a diversity census of the Trading Group workforce, and roll out diversity monitoring of CFS employees.
Complete the Trading Group diversity data capture programme in Food stores in the three remaining regions by the end of 2010.	This target was reconsidered, following a decision to roll out an ambitious 'census programme' across the entire Trading Group (page 104).	Within the Trading Group, publish a cultural awareness guide for all line managers.
Formalise disability objectives for the Trading Group and CFS in 2010.	Completion of the Employers' Forum on Disability Standard generated objectives for performance improvement, which have been integrated into the 2011 diversity and inclusion plan (page 106).	
		Introduce supplier diversity monitoring into all CFS tender processes.
		Pilot a mentoring programme for future female leaders within the Trading Group.


(continued over)

# EMPLOYEES AND DIVERSITY

🎯 Targets 2010	Progress	Targets 2011
<b>Indicator: Employee engagement</b> (Performance benchmark and recognition pages 107 and 108)		
Roll out the Trading Group employee survey to former Somerfield, to determine a baseline employee engagement score for the enlarged business in 2010.	✓ As of 2010, all former Somerfield employees are included in the score (page 107).	Maintain the 2010 Trading Group employee index score in 2011.
By the end of 2010, develop a new people measurement strategy for the CFS employee survey.	✓ A new people measurement approach looks not only at engagement but also to what extent the new organisational values are being lived (page 107).	
Produce Trading Group management guidelines on responding to the top 10 issues emerging from the Talkback employee survey at a team level.	✓ Following 2009 survey, guidelines were issued to managers on responding to the top 10 emerging issues (page 108).	
Achieve a CFS employee engagement score consistent with the level attained by the top 25% of benchmark businesses.	D Due to the incomparability of data between other organisations, a revised target of attaining an employee engagement score above 75% has been set (page 107).	Achieve a CFS employee engagement score of 75% during 2011.
Increase the percentage of Trading Group employees who agree that 'Talkback has led to improvements where I work in the last 12 months' from 57% to 60%.	✗ The percentage of Trading Group employees stating that Talkback had led to improvements remained below 60% (page 108).	
<b>Indicator: Organisational change, employee turnover, trades union recognition</b>		
<b>Indicator: Personal development and training</b> (Performance benchmark page 109)		
Deliver diversity awareness training to all CFS employees during 2010.	✓ In response to the Equality Act 2010, CFS refreshed its training programme, and the Trading Group made available a new e-learning package to all managers (page 109).	Pilot diversity awareness training for Co-operative Food store managers in at least one region in 2011.
<b>Indicator: Salary and benefits; health and safety; well-being</b> (Performance benchmark page 110)		
<b>Indicator: Work/life balance and absence</b> (Performance benchmark and recognition pages 111 and 112)		
By the end of 2010, roll out flexible working to a further 200 Trading Group head office employees.	✓ During 2010, provisions were made for a further 200 head office colleagues to work flexibly (page 111).	By the end of 2011, roll out flexible working to a further 400 Trading Group head office employees.
		Implement support for employees who are also unpaid carers, including a policy and support network.

## Workforce composition and diversity

The Co-operative seeks to achieve a workforce composition that is diverse, inclusive and representative of its customer base. It is measured separately for the Trading Group and CFS, and reporting periods differ slightly.

🎯 Workforce data for ethnicity and disability is currently incomplete, and, in order to address this, a 'census' programme will be rolled out to all staff across the Trading Group in 2011, following a pilot exercise within the Travel business. Full details of reporting periods and diversity data completeness are presented in the online version of this Report .

The Co-operative is a member of the organisations listed opposite, which promote diversity and inclusion in employment:



## Composition by business

Total employees by business <sup>2</sup>				
	2007	2008	2009	2010
The Co-operative Food	56,561	56,619	83,830	79,809
Specialist Commercial	962	1,118	2,518	2,717
Specialist Retail Businesses	3,344	3,315	3,162	3,282
The Co-operative Funeralcare	3,633	3,608	3,700	3,855
The Co-operative Pharmacy	6,252	6,606	6,712	6,747
The Co-operative Estates	1,034	732	397	399
Corporate Functions	1,233	1,637	1,380	1,456
Other Businesses	603	659	n/a	n/a
CFS	7,989	7,738	11,692	11,349
<b>Total</b>	<b>81,611</b>	<b>82,032</b>	<b>113,391</b>	<b>109,614</b>

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## Employees 2010

**109,614** employees  
2009: 113,391

## Composition: gender

In consultation with senior female managers, discussion took place in 2010 to consider potential barriers to the progression of women within the Trading Group. As a result, a mentoring programme for future women leaders will be piloted across the business in 2011.

At CFS, a 'Tommy's Room' facility is provided, offering a dedicated space for expectant employees and new mothers.

Proportion (%) of female employees and female managers<sup>3</sup>

Year	Trading Group		CFS (former CFS in brackets)	
	Female employees	Female managers	Female employees	Female managers
2006	63	54	n/a (47)	n/a (39)
2007	64	53	n/a (49)	n/a (41)
2008	64	50	n/a (50)	n/a (42)
2009	64	53	58 (51)	46 (43)
2010	63	49	59	45

## Performance benchmark

Women account for 50% of the UK's general workforce<sup>4</sup>, whilst 63% (2009: 64%) of Trading Group and 59% (2009: 58%) of CFS employees are women.

## Composition: ethnicity

## Proportion (%) of employees and managers from ethnic minority groups

Year	Trading Group		CFS (former CFS in brackets)	
	Employees	Managers <sup>5</sup>	Employees	Managers
2006	10	10	n/a (6)	n/a (3)
2007	7	8	n/a (6)	n/a (3)
2008	7	8	n/a (6)	n/a (3)
2009	7	n/a	n/a (6)	n/a (3)
2010	9	n/a	4	3

## Performance benchmark

9% of Trading Group employees are from an ethnic minority group; this is in line with the proportion of the UK population, which stands at 8.7%<sup>6</sup>.

## Composition: disability

## Proportion (%) of disabled employees

Year	Trading Group	CFS (former CFS in brackets)
2006	n/a	n/a (3)
2007	1	n/a (3)
2008	1	n/a (2)
2009	4	2% (2)
2010	4	2 <sup>7</sup>

# EMPLOYEES AND DIVERSITY



The Co-operative is a holder of the JobCentre Plus 'Two Ticks' symbol, signalling agreement to five commitments connected with the recruitment, employment, retention and career development of disabled people. In early 2009, The Co-operative completed the EFD Disability

Standard; a management tool for employers to evaluate and measure performance on disability. Completion of the standard generated objectives for performance improvement, which have been integrated into the 2011 diversity and inclusion plan.

### Composition: age



The Co-operative has been named by the Department for Work and Pensions as an 'age positive employer' in recognition of having employment policies and practices that demonstrate a commitment to age diversity. Contracts at The Co-operative have operated without a default retirement age since 2006.

Proportion (%) of employees in each age band

Year		≤24	25-34	35-49	50-64	65+
2006	Trading Group	29	18	31	21	1
	CFS	18	27	40	15	<1
2007	Trading Group	26	18	32	22	2
	CFS	20	26	39	15	<1
2008	Trading Group	26	18	32	22	2
	CFS	16	30	39	15	<1
2009	Trading Group	25	19	32	22	2
	CFS (former CFS in brackets)	14 (13)	32 (30)	39 (41)	15 (15)	<1
2010	Trading Group	27	19	30	22	2
	CFS	14	31	40	15	<1

### Performance benchmark

In the UK, 28% of people in employment are over 50 years of age<sup>8</sup>, whilst 24% of Trading Group and 15% of CFS employees are over 50 years of age.

### Composition: religion and belief

In the 2010 employee surveys, 48% of Trading Group and 63% of CFS respondents identified themselves as having a religion or belief. A breakdown of responses can be found online [▶](#).

### Composition: sexual orientation

Questions on sexual orientation are included in employee attitude surveys, with a view to better understanding and engaging Lesbian Gay Bisexual and Transgender (LGBT) employees. In 2010, 89% of Trading Group (2009: 94%) and 93% of CFS (2009: 93%) staff were willing to declare their sexual orientation.

### The Respect Network

The Co-operative has an active Lesbian Gay Bisexual and Transgender (LGBT) employee network, Respect. The Network works alongside a dedicated diversity team, offering support to LGBT staff and advising the business on LGBT matters. Respect has grown dramatically in a short space of time, and now numbers over 500 members. The Network has won awards for its involvement in Manchester Pride where The Co-operative was the major sponsor. The Co-operative has sponsored a number of other Pride festivals across the country.



### Performance benchmark

The Trading Group was ranked 79th in Stonewall's Workplace Equality Index 2010 (2009: 112th). Stonewall also conducts an employee feedback questionnaire, which around 34 LGBT Trading Group employees completed. The Trading Group scored above average on all indicators.

### Organisational change

**Somerfield**  
Organisational changes associated with the 2009 acquisition of Somerfield were on-going within the Food business during 2010. Strong relationships with the trades unions USDAW and NACO, and the jointly-agreed process for managing organisational change, continued to facilitate changes in a considered and consensual manner.

The integration of Somerfield saw over 25,000 new colleagues joining the Food business, and some redundancies were unavoidable. By mid 2011, approximately 750 Somerfield head office colleagues will have left the business by way of redundancy, all of whom will have benefited from a comprehensive range of outplacement support services.

**Food retail**

Elsewhere within the Food business, restructures took place in the Commercial, Central Operations and Retail Training functions in the last quarter of 2010. Whilst these restructures involved a number of redundancies, a corresponding number of new roles were also created, resulting in no significant change to the overall headcount.

All colleagues impacted were given support to secure an alternative role in the new structure, with another Co-operative business, or with another employer. Within Distribution, the integration of the Somerfield network has led to the closure of one depot and the conversion and expansion of another, with further work to continue throughout 2012. Following system developments, the Supply Chain function will see significant change during 2011.

**Britannia integration**

Since the merger with Britannia in August 2009, CFS has worked extensively with the trades unions to integrate the two businesses. A new Business Change Agreement outlines the key principles to effectively manage organisational change, and ensure CFS meets its legal obligations and manages employees fairly and consistently throughout the process. It also details a redeployment approach designed to ensure that skills and experience are retained within the organisation whilst mitigating redundancies.

At the end of 2010, all employees had either experienced change within their area, or had been informed when they may be impacted. At the end of 2010, 182 colleagues had either been redeployed or were in the process of being redeployed, and 212 colleagues had left the business.

CFS is working with trades unions to develop a new employment package for the merged business. A comprehensive review of the suite of employment policies within CFS and Britannia highlighted nine high-priority policies for alignment in 2010<sup>9</sup>. The new policies, guidance and training will be launched during 2011.

**Co-operative Independent Financial Advisers**

CFS completed a strategic review of The Co-operative Independent Financial Advisers business (a wholly-owned subsidiary of CFS), which resulted in an agreement to sell the business. Under the terms of the sale, 51 independent financial advisers and 36 staff transferred to the new owner.

**Employee engagement**

Employee engagement is a broad measure of how committed and motivated people are to do their best at work and generate strong business performance. Employee engagement is measured via an employee attitude survey, which determines an 'engagement index' (EI) score. EI scores are calculated differently for the Trading Group and CFS and are, therefore, not directly comparable.

Engagement index (EI)					
		2007	2008	2009	2010
Trading Group EI (mean average; scale 0–100)		74	77	79	April: 79 October: 77
CFS	EI	53%	64%	July: 75% Dec: 82%	June: 79% November: 78%
	Values index	n/a	n/a	n/a	72

**Trading Group**

📍 The Trading Group carried out an interim employee attitude survey in April 2010, and a full annual employee survey ('Talkback') in October 2010, with all former Somerfield employees included for the first time. The full Talkback survey received responses from 86% (86,905) of employees (April: 85%; 2009: 85%), continuing the year-on-year improvement in response rates<sup>10</sup>.

The EI is measured as an average score across 17 questions within Talkback, which focus on: understanding of the aims of the organisation and employees' role in its success; emotional attachment; and behaviour, such as willingness to offer discretionary effort and advocacy.

The Trading Group EI remained steady in 2010, and the slight drop recorded can be attributed to the effects of significant organisational change, and a difficult economic environment. Across the survey, of the 49 questions that can be directly compared with 2009, five scores increased and six stayed the same.

**CFS**

CFS carried out an interim employee attitude survey in June 2010 and a full survey ('The Voice') in November 2010. The response rate was 82% (9,656) in June and 80% (9,113) in November.

At CFS, EI is based on seven survey questions that measure: emotional attachment; intention to stay; and discretionary effort.

📍 During 2010, an additional measurement was added, looking at the extent to which CFS' new values are embedded within the business – the values index. 📍 Due to the complexity of comparing data across organisations, a previous target benchmarking CFS engagement scores against those of other organisations has been replaced with a new target, to maintain the EI above 75%.

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**Performance recognition**

In 2010, The Co-operative was named as one of the UK's 50 best workplaces by The Great Place to Work Institute.



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### Performance benchmark

Results from a number of questions in the Trading Group's employee survey were benchmarked against those of other private-sector organisations in 2010<sup>11</sup>. The Co-operative scored above the benchmark for all the questions compared.



The co-operative  
**talkback**

#### Responding to survey results

Survey results are disseminated to managers, and improvement action-planning sessions are held. In 2010, around 6,500 managers across the Trading Group and 900 across CFS were provided with the latest survey results for their team(s).

⊗ Although the percentage of Trading Group employees stating that Talkback had led to improvements remained below 60%, those employees agreeing that they had experienced improvements had an engagement score around 28 points higher than other employees.

⊗ This is considered to be a direct result of action-planning activity following the 2009 survey, which included guidelines on responding to the top 10 emerging issues.

High-level targets to improve engagement scores have been set and incorporated into the performance management and remuneration process for all managers.

### Performance recognition

In December 2010, The Co-operative was awarded the national award for Employee Engagement at the Personnel Today Awards. The business was recognised for having derived engagement improvements from its internal and external branding programme and for having clearly demonstrated the links between employee engagement and business performance.

#### Avoidable employee turnover

'Avoidable' employee turnover is monitored on an ongoing basis, and excludes planned employee departures for reasons such as retirement or redundancy. In 2010, avoidable turnover remained largely stable, with a continued decline within the Food business. A full definition of avoidable turnover, as well as data for each business, by age and gender, is detailed online [▶](#).

#### Avoidable employee turnover (%)

	2008	2009	2010
The Co-operative Food	28	23	20
Specialist Commercial Businesses	21	19	21
Specialist Retail Businesses	20	15	16
The Co-operative Funeralcare	8	8	8
The Co-operative Pharmacy	21	15	13
The Co-operative Estates	3	6	6
Corporate Functions	8	5	4
Other businesses	30	n/a	n/a
CFS	20	10	11

#### Trades union recognition

Trades unions make an important contribution to business and society. During 2010, five trades unions were recognised<sup>12</sup> (four by the Trading Group and four by CFS), covering the range of employee roles across the business. Of Trading Group employees, 35%<sup>13</sup> (2009: 33%) are union members, as are 65%<sup>14</sup> (2009: 73%) of CFS employees.

#### Personal development and training

Across the four largest businesses of the Trading Group (Food, Pharmacy, Travel and Funeralcare), employees received an average of £143 and 1.2 days' training during 2010<sup>15</sup>. In addition to the business-specific training, a small proportion of training is organised centrally. In 2010, investment in centrally-organised training was £195,000 (2009: £180,000), providing 1,315 training places (2009: 1,579).

#### Average training investment 2010

**£143** average training investment per employee across the four largest Trading Group businesses

**£164** average training investment per employee within CFS

As former Somerfield stores were rebranded, all new employees attended a 'Co-operative Way' day covering the compelling reasons for joining The Co-operative, and detailing customer service expectations. The leadership population was a key focus of development during the year, including activity around developing senior management and identifying and developing potential Executive successors.

At CFS, employees received an average of £164 of investment and two days of training. During 2010, a new centralised Learning and Development business area was formed, with the purpose of delivering strategic commercial learning.

Full details relating to training per business are available online [▶](#).

## Performance recognition

The Trading Group continues to maintain its Investors in People (IiP) accreditation. This national quality award recognises organisations that aim to improve performance by developing their employees.

### Diversity training

The Trading Group and CFS operate diversity training programmes to encourage appropriate behaviour in the workplace. Diversity is embedded into the recruitment process via the Trading Group 'Right First Time' interviewing course and the CFS Employee Recruitment Strategy.

👁️ In response to the Equality Act 2010, diversity information and training was refreshed, and a new e-learning package was made available to all managers. The Trading Group will review its diversity training programme in the course of 2011, and pilot diversity training for Food store managers in at least one region.

### Graduate programmes

The Co-operative graduate programme offers two routes: an 18-month Business Management Programme and a three-year Chartered Institute of Management Accountants (CIMA) Finance Programme. Applications for the most recent intake increased by 65%, and, despite economic conditions, the number of graduate vacancies has been maintained.

An undergraduate programme was launched in 2008, offering students opportunities to undertake one-year work placements across the business.

Details of the new Apprenticeship Academy can be found on page 58.

The Co-operative Graduate Scheme.



## Performance benchmark

The Co-operative ranked 58th in The Times Top 100 Graduate Employers Index 2010/11 (2009: 62nd).

## Salary and benefits

### Salary

Salary patterns differ across the businesses, with a larger proportion of CFS employees earning wages in higher salary bands than Trading Group employees, reflecting the different types of business. The decline in satisfaction with pay within CFS is believed to be attributable to the ongoing work to align employee terms and conditions, as part of the integration between CFS and Britannia.

Proportion (%) of employees in each basic salary band<sup>16</sup>

	Trading Group <sup>17</sup>			CFS <sup>18</sup>		
	2008	2009	2010	2008	2009	2010
Up to £15,000	75	77	77	25	25	19
£15,001 to £20,000	11	9	9	24	25	35
£20,001 to £30,000	10	9	9	17	22	22
£30,001 to 40,000	3	3	3	10	12	12
£40,001+	1	2	2	10	11	13

### Benefits

All part-time employees are entitled to the same benefits as their full-time equivalents<sup>19</sup> and the majority of benefits that are available to permanent employees are also available to temporary employees<sup>20</sup>. Employee-members are entitled to a range of discounts from across the family of businesses.

Employee dividend 2010

**£500** dividend paid to all employee-members  
 2009: **£500**

Former Somerfield staff benefits were aligned with those of the Trading Group during 2010, other than pension arrangements, which will be aligned during 2011. Britannia employees remain under their existing terms and conditions, and progress will be made on the alignment of CFS and Britannia terms and conditions of employment in the course of 2011.

Within CFS, the majority of employees participate in a business-wide bonus plan focused on delivering financial performance and customer satisfaction. The Trading Group operates a bonus scheme for management-level staff, based on performance. During 2010, 95% (8,201) of eligible employees at CFS<sup>21</sup>, and 62% (11,800) of eligible employees in the Trading Group<sup>22</sup> received a bonus.

At the end of 2010, 85% of Trading Group colleagues and 84% of CFS colleagues were employee-members. Subject to business performance, employee-members receive an employee-member dividend to reflect their support and contribution to the business. In 2010, this dividend was £500<sup>23</sup>.

A full list of benefits can be found online .

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### Pensions

Every employee is offered the opportunity to join a pension scheme. Following recent mergers and acquisitions The Co-operative now sponsors 10 pension schemes offering a range of benefits<sup>24</sup>.

In total, pension benefits are provided to 135,000 current, former and retired employees (2009: 137,000). In 2010, members contributing to the pension schemes totalled 21,500, with 63,000 deferred pensioners and 50,000 pensioners and widows.

The relatively low proportion of employees within the pension scheme is partly attributable to the high proportion of part-time staff and high turnover levels within the retail sector.

% of staff who are members of a pension scheme			
	2008	2009	2010
Trading Group	16	15	14
CFS	68	72	66
<b>All businesses</b>	<b>21</b>	<b>21</b>	<b>19</b>

### Employee communications

Internal communications play a key role in ensuring employees are informed about the business, and improving commitment and engagement. Across the Trading Group these include the intranet; an award-winning quarterly staff magazine, *Us*; and a number of electronic newsletters. The employee intranet has the facility for colleagues to comment on stories, providing an important source of feedback. Large-scale face-to-face briefings are held across the family of businesses.

CFS has a number of channels for employee communications. The three key channels are: The Understanding, a monthly face-to-face briefing for all colleagues; The Know magazine, which is published six times a year; and an employee intranet, The Exchange.



### Diversity communications

Diversity information for employees is provided in dedicated areas on the Trading Group and CFS intranet sites, including awareness factsheets relating to religion, belief, cultural awareness and disability, which are posted at key dates across the year. In 2011, cultural awareness guides will be published for all line managers within the Trading Group.

### Whistle-blowing

As part of the Code of Business Conduct, the Trading Group has in place a whistle-blowing policy and procedure called 'Speak Up', to provide employees with a confidential route for raising complaints in relation to any business conduct issue or malpractice. In order to ensure impartiality and anonymity, 'Speak Up' utilises an external

whistle-blowing helpline along with trained internal contacts. All calls received through both internal and external routes are reported to the Audit & Risk Committee. During 2010, 50 calls were received, the majority of which were of a low level of concern.

CFS has its own internal telephone, email and text message whistle-blowing service. In 2010 (to end September), 39 telephone calls, emails and text messages were received (2009: 29). All cases are thoroughly investigated by the internal Investigations team and reported to the CFS Audit & Regulatory Compliance Committee.

## Health, safety and well-being

### Health and safety

The health and safety objectives of The Co-operative are to safeguard the welfare of all employees when they are at work, and protect non-employees from any hazard created by the business' operations. Despite challenges presented by adverse weather conditions during the year, the rate of reportable accidents continued on a downwards trend in the Trading Group.

There have been a number of health and safety initiatives during 2010, which include: health and safety, and fire safety weeks; one-to-one interaction with operational management; improved investigation of accidents; and the analysis of data and auditing techniques. Neither the Trading Group nor CFS reported any employee fatalities during 2010.

### Accident rates<sup>25</sup>

	Trading Group		
	2008	2009	2010
Reportable accidents <sup>26</sup> per 100,000 employees	1,395	1,005	930
Non-reportable accidents per 100,000 employees	9,739	9,430	8,882

	CFS		
	2008	2009	2010
Reportable accidents per 100,000 employees	62	103	70
Non-reportable accidents per 100,000 employees	1,585	1,788	1,463

## Performance benchmark

Reportable accident rates across CFS are lower than national data for the finance sector (the Health and Safety Executive reports 144 per 100,000 employees in 2009/10).

### Well-being

The Co-operative's Employee Assistance Programme is a 24-hour service operated by AXA ICAS, which provides access to a range of specialist support services, including a free 24-hour helpline, available 365 days per year, which is staffed by fully trained and qualified telephone counsellors. The service is available to employees and their

immediate family members if they live in the same household. During 2010, 1% (2009: 1%) of employees from the Trading Group and 3% (2009: 5%) of employees across CFS (not including Britannia) used these services.

**Domestic violence**

Since 2008, The Co-operative has been a member of the Corporate Alliance against Domestic Violence, a group of businesses and organisations working individually and collectively to prevent domestic violence, and a Trading Group policy on domestic violence exists in order to support employees experiencing domestic violence.

**Work/life balance**

The majority of the Trading Group's employees (67%) work part-time, thus it is important to effectively manage flexible working and ensure information is made available to all employees.

Following the merger of CFS and Britannia, the approach to flexible working will be reviewed with the aim of introducing a new approach during 2011.

Part- and full-time employees				
	Trading Group			
	2007	2008	2009	2010
Full-time <sup>27</sup>	38%	36%	33%	33%
Part-time	62%	64%	67%	67%

	CFS			
	2007	2008	2009	2010
Full-time	84%	83%	79%	78%
Part-time	16%	17%	21%	22%

**Preparation for the new head office**

In order to prepare head office colleagues for the move to a new head office (page 63), employees are being encouraged to take up new, more flexible, ways of working. During 2010 200 colleagues took up flexible working, with a target set for a further 400 colleagues by the end of 2011. Changes piloted have included using new technology to enable hot-desking, and a reconfiguration of the office space, including the introduction of lockers and 'meeting pods'. Flexible working has been promoted in tandem with greener travel options, establishing the environmental benefit of working from home and commuting outside peak hours. Assessment undertaken amongst those involved in flexible working shows that 91% of staff said that their productivity had been maintained or increased, and 89% said that flexible working had maintained or improved their work/life balance.

**Performance recognition**

In 2010 The Co-operative was recognised with a special commendation for Innovation at the Top Employers for Working Families awards. The Co-operative demonstrated its progress towards an agile working culture based on family-friendly working practices. New technology and a change in working style will be used to boost productivity while maintaining employees' work/life balance.

**Carers**

In 2010, 32% of the Trading Group workforce described themselves as having unpaid caring responsibilities. In line with the Equality Act 2010, The Co-operative is increasing its support for carers, and in 2011, will establish a formal policy and a support network.

**Absence**

Across the Trading Group the main causes cited for absence<sup>28</sup> in 2010 were 'cold' (15%) and 'upset stomach' (13%). Records are incomplete, with 7% of records not citing a reason.

CFS records are 99% complete, and the main cause cited for absence in 2010 was stress (15%) and 'sickness – other' (11%). For comparison, stress was reported as the second biggest cause of short-term absence and a particularly common cause of long-term absence among non-manual workers in the UK in 2010<sup>29</sup>. Throughout 2011, CFS will continue to manage the issue of stress-related absence, using staff survey findings, stress risk assessments, the provision of guidance and information, flexible working, and promotion of the Employee Assistance Programme.

**Absence as a proportion (%) of employee time**

	2008	2009	2010
The Co-operative Food	4	4	4
Specialist Commercial Businesses	2	2	3
Specialist Retail Businesses	2	2	2
Funeralcare	4	5	4
Pharmacy	3	3	3
Property Division	3	3	2
Corporate Functions	2	2	2
Other Businesses	2	n/a	n/a
CFS	4	4	4

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## Performance benchmark

The 2010 average overall absence rate for the retail and wholesale sectors was 2.6%, or an average of six days lost per employee per year. In comparison, absence rates within The Co-operative Food are slightly higher. Industry average absence in the finance, insurance and real estate sector, at 2.3%, is also slightly lower than the rate recorded across CFS<sup>30</sup>.

## Ethical finance

### The Co-operative Asset Management (TCAM) engagement

• **Gender diversity** In July 2010, TCAM wrote to eight UK companies<sup>31</sup> in which it had significant holdings, as part of an investor initiative focusing on gender equality backed by the United Nations Principles for Responsible Investment (UNPRI) as well as other institutional investors. The companies were asked for a gender breakdown of employees, including senior management, and measures to ensure gender balance in line with the UK Corporate Governance Code.

In September 2010, TCAM made a submission to the European Commission’s consultation on its Green Paper on Corporate Governance. TCAM commented that Norway has implemented a 40% threshold for women on company boards without apparent adverse effects, and suggested the EC review Norway’s experience of quotas as part of its considerations for tackling the issue.

In addition, in November 2010, TCAM made a submission to the Department for Business, Innovation and Skills’ (BIS’) Women on Boards consultation, calling for improved disclosure of senior management gender balance and further strengthening of the gender balance considerations within the UK Corporate Governance Code.

• **TCAM overseas shareholder resolutions** In 2010, TCAM was presented with 10 overseas shareholder resolutions relating to diversity, of which nine were supported.

Company	Resolution	Vote registered
Anadarko Petroleum; ConocoPhillips; Exxon Mobil Corp; Leggett & Platt Inc; TECO Energy; Verizon Communications; Wal-Mart Stores; Zions Bancorp	To amend policies to prohibit discrimination based on sexual orientation and gender identity.	Supported
Home Depot	To report on employee diversity.	Supported
Walt Disney	Extension of non-discrimination policy to employees considered ‘formerly homosexual’.	Abstained <sup>32</sup>

## Accompanying notes

- Gender, ethnicity, disability, age, sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership and gender reassignment.
- Figures show headcount, not full-time equivalent. Categorisation of businesses has changed over the period shown, and a full explanation is provided online [↗](#).
- Trading Group: reported as % of female managers/all managers and where manager is taken to be any employee with ‘manager’, ‘head of’, or ‘director’ in their job title. CFS: reported as % of female managers/all managers and where manager is taken to be any employee paid £25,000 or more (excluding Co-operative Insurance Financial Advisers, who receive the majority of remuneration on the basis of commission).
- Office for National Statistics (ONS) Economic and Labour Market Review, November 2010 Edition.
- It is not possible to report on the proportion of Trading Group managers from an ethnic minority group as this data is not captured by the employee survey, from which 2009 and 2010 ethnicity data was drawn.
- House of Commons Committee of Public Accounts, Increasing Employment Rates for Ethnic Minorities, 34th Report of Session 2007/08.
- Data is 32% complete.
- ONS Economic and Labour Market Review, November 2010 Edition.
- Grievance, maternity and adoption, misconduct, mutual respect, panel appeals, paternity, performance improvement, secondments, and managing misconduct, performance improvement or sickness for colleagues with less than nine months’ service (short service policy).
- Response rates were: 76% in 2006, 78% in 2007 (excluding former United), and 82% in 2008 (including former United).
- The Trading Group’s external survey partner carried out the benchmarking exercise, against GfK data.
- Full details of trades unions recognised are online [↗](#).
- Based on percentage of those employees who paid subscriptions by payroll deduction, and calculated based on total active headcount and maternity headcount.
- Based on figures from trades union membership reports. Calculated as a percentage of total active headcount, career break headcount, and maternity headcount.
- Training days per employee not available for The Co-operative Food.
- Based on full-time equivalent salaries.
- Excludes casual staff and those on 0-hour contracts. Percentages are based on employee headcount and relate to full-time equivalent salaries.
- Financial Advisers have been excluded, as their pay is biased towards earnings on a commission basis. Employees on career breaks have been excluded, while those on maternity leave are included.
- Some benefits, for example, holiday entitlement, are pro rata to the number of hours worked, whilst a certain length of service is required before an employee is eligible to receive a number of others.
- Temporary employees are those on fixed-term contracts and directly employed by the Trading Group or CFS.
- This excludes Field Sales Teams’ incentive schemes, and business-specific/regional bonus schemes.
- Figure includes head office management-level staff scheme, regional store manager scheme, Funeralcare Ambassador scheme and Travel branch scheme.
- This is pro rata for part-time or new employees.
- Full details of pension schemes are available online [↗](#).
- Based on employee headcount.
- A reportable accident is defined under the RIDDOR regulations as an injury that is not ‘major’ but results in the injured person being away from work or unable to do their full range of normal duties for more than three consecutive days; or major injuries or fatalities.
- Employees working over 37.5 hours are classed as full-time.
- Figures for causes cited for absence are based on days absent.
- Figures relate to % employee respondents who cited this as a major cause of absence. CIPD (2010) Absence Management Survey.
- Ibid.
- Balfour Beatty, Barclays, Smith & Nephew, Novartis, Smiths Group, Rotorik, Reckitt Benckiser, ICAP.
- The Company’s policy already addressed anti-discrimination issues and as such TCAM considered the proposal redundant.

# CUSTOMERS

## Background

Modern day consumers have more choice than ever before, rising expectations and faster access to products and services, and yet consumer confidence is in decline<sup>1</sup>. Fostering customer loyalty and advocacy is central to sustainable commercial success.

## Materiality and strategy

Customers are key stakeholders of The Co-operative, and customer satisfaction is a strategic priority. One of the six aims underpinning the business' vision is 'to meet the needs of our customers and the communities we serve'. Performance in customer satisfaction is measured through customer surveys, and linked to the remuneration of the Executive team.

At CFS, 'putting members and customers first' has been identified as one of five business values. Customer advocacy is one of the measures of success in achieving CFS' vision, and KPIs that have a specific focus on advocacy are featured in the balanced scorecard, impacting on the remuneration of all CFS staff, including the Executive team.

As a community retailer, The Co-operative aims to serve as many groups as possible, and its Diversity Principles (page 103) embody a commitment to address diversity issues in relation to customers. As such, a range of accessible products, services and communications are offered, which take into account the needs of differing groups, for example, with regard to disability or religion.

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🎯 Targets 2010	Progress	Targets 2011
<b>Indicator: Customer satisfaction</b> (Performance benchmark page 114)		
Maintain a CFS advocacy score that is 6% ahead of the top five in peer group.	✓ An average advocacy score of 7.5% ahead of the peer group was achieved (page 114).	Maintain an advocacy score that is at minimum 6% ahead of the peer group for CFS.
		Achieve a customer satisfaction score of 78.3% for The Co-operative Food.
		Maintain a minimum customer satisfaction score of 90% for The Co-operative Travel.
		Maintain a minimum customer satisfaction score of 90% for The Co-operative Pharmacy.
		Maintain a Funeral Excellence Score of 90.
<b>Indicator: Corporate reputation and brand</b> (Performance recognition page 115)		
Ensure that at least 4,500 outlets have been rebranded by the end of 2010.	✓ By the end of 2010, a total of 4,900 outlets were rebranded (page 115).	Complete the rebrand of Co-operative outlets <sup>2</sup> .
<b>Indicator: Complaints</b> (Performance benchmark page 116)		
		Maintain CFS complaints received below two per 1,000 accounts, policies and portfolios.
<b>Indicator: Accessibility of communications, products and services</b> (Performance recognition page 118)		
		Develop a new customer diversity plan for CFS.

## Customer satisfaction

The Trading Group tracks satisfaction with The Co-operative Food, Pharmacy, Travel, Funeralcare and Legal Services (CLS), and, as of 2010, The Co-operative Life Planning<sup>3</sup>. At the start of 2010, a new method of measuring satisfaction was adopted by the Food, Travel and Pharmacy businesses – the Customer Satisfaction Index (CSI) – which aims to more accurately assess how The Co-operative is 'doing best what matters most to customers'<sup>4</sup>. As in previous years, between 500 and 600 customers were surveyed on a monthly basis<sup>5</sup>, and asked to register satisfaction on a 10-point scale. Due to the nature of their business sectors, Legal Services and Funeralcare continue to use their previous respective methodologies<sup>6</sup> to track satisfaction.

Specific targets for satisfaction were not finalised at the time of the 2009 Sustainability Report publication, but those subsequently set by the business for achievement in 2010 are commented on below.

Measurement of satisfaction was also updated in CFS with a greater focus on advocacy. In 2010, a syndicated, industry survey was adopted – the GFK NOP Financial Research Survey – to effectively measure advocacy and benchmark performance against a peer group<sup>7</sup> in the financial sector. This new method aims to help the business better understand how performance in critical areas can drive higher levels of advocacy amongst customers<sup>8</sup>. Satisfaction surveys are also conducted amongst CFS corporate and business customers; and survey results are weighted according to stated importance of attributes<sup>9</sup>.

# CUSTOMERS



Due to changes in methodology, it is not possible to report comparable historic data across all businesses. Variance in the satisfaction scores between the different businesses is reflective of the different market sectors within which each operates, and the differing methodologies employed.

## The co-operative food

A CSI of 77.2% was achieved, exceeding the 2010 target of 76.4%. Performance was consistent across the year, despite the disruption caused by the Somerfield integration and branch refit programme. Areas identified for improvement within the survey include queuing times and speed of service at the checkout, and availability of products.

## The co-operative pharmacy

A CSI of 91.3% was achieved, exceeding the 2010 threshold target of 90%. Priorities identified for improvement in 2011 within the survey include: the consistency of services across all branches; privacy within pharmacy branches; availability of prescriptions; and length of waiting time.

## The co-operative travel

A CSI of 92.7% was achieved, exceeding the 2010 threshold target of 90%. Priorities for improvement in 2011 were identified within the survey as: value for money; the booking process – including, accuracy, clarity and ease of the booking; and travel advisers' understanding of customer needs.

## The co-operative funeralcare

Satisfaction results remained extremely high and in line with previous years, with 98% of customer respondents reporting they were satisfied ('very satisfied' or 'fairly satisfied') with the overall experience.

Customer satisfaction results			
	2008	2009	2010
The Co-operative Funeralcare	97%	98%	98%

Customer service questionnaires are also used to calculate a Funeralcare Excellence Score (FES), based on factors that determine the quality of customer service. The 2010 FES score was 91.5, exceeding the threshold target of 90.

## The co-operative legal services

Satisfaction results achieved show a slight improvement from previous years, with 75% of customer respondents rating their satisfaction with the overall experience as nine or 10 out of 10. Priorities for improvement in 2011 include: speed of answering the phone, supportiveness of case handler and regularity of updates.

### Customer satisfaction results

	2008	2009	2010
The Co-operative Legal Services (will writing, legal advice and personal injury)	72%	74%	75%

## The co-operative financial services

🎯 CFS exceeded its 2010 target to perform at least 6% points above the 'top five' peer group average, averaging 7.5% points above the group across the year. Advocacy levels remained stable throughout 2010, with CFS performing ahead of its peer group across the majority of individual products. Performance on current accounts was particularly strong, with CFS averaging 23.4% points above its peers over the year.

### Performance benchmark

CFS takes part in the Association of British Insurers' (ABI) Customer Impact Scheme for Life and Savings products, which tracks customer satisfaction across a range of measures, including advocacy. CFS outperformed the industry average with regard to customer advocacy<sup>10</sup>, and scored above, or in line with the industry average across all satisfaction measures.

In corporate banking (ie business customers with turnover exceeding £1m), key drivers of customer satisfaction include: accuracy of data and transactions; relationship managers keeping promises and commitments; and reliability of software. Key satisfaction drivers for business banking are: keeping promises and commitments; accuracy of customer details processing and day-to-day banking operations; and helpfulness of staff.

### CFS corporate and business banking Customer Satisfaction Index 2010

	2008	2009	2010
Corporate banking	83.7%	84.0%	86.3%
Business banking	84.2%	82.7%	80.3%

## Corporate reputation and brand

### Corporate Reputation Index

The Corporate Reputation Index (CRI) model<sup>11</sup> measures how brand perception drives sales. During September and October 2010, more than 1,000 face-to-face interviews were carried out with members of the public who had heard of 'The Co-op' or 'The Co-operative'. Respondents were asked questions exploring their perceptions of The Co-operative's leadership and reliability, its approach to public responsibility and its role as a caring organisation. Each of these three areas is weighted according to its importance in driving sales<sup>12</sup>.

#### Corporate Reputation Index score

**x11** increase in CRI score since 2006

#### The Co-operative: Corporate Reputation Index<sup>13</sup>

	2006	2007	2008	2009	2010
Corporate Reputation	+4	+18	+17	+23	+44

Performance in the CRI continues to improve, with an 11-fold increase achieved in the Index score since 2006. The significant improvement made may be attributed to the continued impact of the rebranding programme and marketing campaign, increased awareness of The Co-operative, and the higher proportion of Co-operative customers<sup>15</sup> and members amongst the consumers surveyed. Significantly, members are almost twice as likely to rate The Co-operative highly, generating a score of +82 in 2010.

Despite the addition of five more competitors<sup>16</sup> to the CRI in 2010, The Co-operative continues to rank highly in comparison with its peers for two of the elements that comprise the overall CRI score: 'public responsibility'<sup>17</sup> (rank: second of 12) and 'caring company'<sup>18</sup> (rank: third of 12) elements of the CRI. However, these elements account for a relatively small proportion of the score, as the greatest weighting (60%) is associated with 'leadership and reliability'.

#### Outlets rebranded 2010

**4,900** outlets rebranded under one identity  
 2009: **4,030**

### Rebranding programme

During 2010, the rebranding programme continued to unify the different businesses and a number of other co-operative societies under one identity. Brand standards are designed to deliver an improved customer experience and a higher level of customer satisfaction. By December 2010, a total of 4,900 outlets had been rebranded, which exceeds the target set of 4,500 stores. It is anticipated that the rebrand of The Co-operative estate will be completed in 2011; a programme of store interior refits is ongoing (page 63).

### Performance recognition

- For the second year running, The Co-operative won a public vote to pick up the RSPCA People's Choice Supermarket Award
- The Co-operative won a World Retail Award in November for its 'Good for Everyone' brand re-launch
- The general public recognised The Co-operative as one of the UK's strongest brands in the annual Consumer Superbrands survey
- The Co-operative Travel was named 'National Travel Retailer of the Year' in The British Travel Awards 2009, and 'Best Tour Operator to Central and Northern Europe', as voted for by the holiday- and travel-buying public.
- The Co-operative Bank was voted 'Best Direct Mortgage Lender 2009/10' by Your Mortgage magazine readers.
- At the Moneywise Customer Service Awards 2010, which surveyed more than 10,000 consumers, The Co-operative Bank received the best current account awards for online service and call centre service. **smile** was voted most trusted current account provider and best current account overall for customer service.

### Customer relations

The Customer Relations department acts as the first point of contact for customers who wish to comment on products, policies and operations, or find out about the provenance of own-brand products. It also generates information to allow the business to respond to emerging consumer issues. In 2010, 204,092 calls were received via the Customer Relations department; of all correspondence received, 31,437 instances related to product complaints<sup>19</sup>.

In addition to the general Customer Relations team, CFS, The Co-operative Travel and The Co-operative Pharmacy each operate their own customer contact centres to handle customer queries and complaints.

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### Complaints received by other customer contact centres

	2007	2008	2009	2010
The Co-operative Pharmacy	747	915	1,552	1,210
The Co-operative Travel <sup>20</sup>	4,067	4,620	4,876	4,184
CFS <sup>21</sup>	78,783	50,151	42,558	47,883

Increased focus on updating and training Travel branch staff on complaint causes and handling, along with improved systems for reporting on holiday accommodation standards, may account for the decrease in complaints in Travel in 2010. In Pharmacy, the business has continued to focus on customer service, for example, by issuing an updated complaints policy and training module, and displaying customer care posters in branches. Overall, CFS received fewer than two regulated complaints per thousand live accounts, products or portfolios.

### Performance benchmark

At The Co-operative Bank and Insurance, 97% and 93% of customer complaints respectively were resolved within eight weeks over the course of the year, compared to an average of 84% across the financial services industry<sup>22</sup>.

The Co-operative Bank was the highest placed high street bank in the 2010 JD Power Customer Satisfaction Study. The bank received the highest complaint resolution score of any provider, and 76% of customers felt their complaint was handled fairly, well above the industry average of 54%.

### Customer engagement

In addition to the customer satisfaction and corporate reputation surveys detailed above, customers are engaged via numerous channels, which include:

#### Social media and campaigns

Throughout 2010, customers have been increasingly engaged in consumer and ethical issues via online and social media channels. As of December 2010, more than 24,000 people followed one or more of The Co-operative's social media pages, and more than 15,000 customers or members subscribed to the campaign email group. Customers are encouraged to take part in campaigning activity using many communications channels, for example, point of sales promotions in Food stores, campaign inserts in bank statements, and customer magazines.

#### The Co-operative Food chip and pin feedback: InSight

The Co-operative Food utilises chip and pin terminals to gather customer feedback on pertinent customer service, sustainability and business issues<sup>23</sup>. InSight was designed and developed in-house and is unique to The Co-operative. An average of 365,000 responses (2009: 350,000) were received each week during 2010, providing an instant reading on customer opinion.

InSight was designed and developed in-house and is unique to The Co-operative.

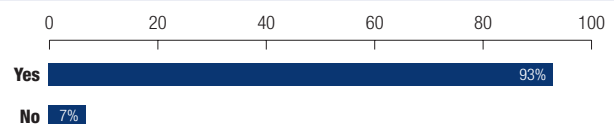


### InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted September 2010

#### Question: "Were we friendly and helpful?"

(total responses: 324,348)



### Consumer panels and forums

#### The Co-operative Food: The Taste Team

A consumer panel, The Taste Team, is in place to help ensure own-brand ranges meet or exceed customer expectations. A total of 1,800 employee-customers sample new products and provide feedback via an online questionnaire. All new products pass through The Taste Team process, and those achieving a sufficiently high panel score are progressed to launch. In 2010, 343 tests were completed.

#### Up for Discussion – consumer community

Up for Discussion is a private online community, piloted in December 2010, to enable The Co-operative to better understand consumer attitudes and behaviours. The Community has approximately 1,800 participants, comprising a cross-section of consumers, including members, non-member customers and non-customers, who participate in discussions and polls on consumer and lifestyle issues.

#### Talking Shop – Food consumer community

Talking Shop is a private online community that engages with consumers and generates insight, primarily focusing on the Food business. Approximately 1,300 participants have joined the community, and can take part in discussions, polls and surveys, and photo and video journals.

The Taste Team has been in operation for over two years supporting the development of own-brand products.



**CFS Customer Consultative Council and customer events**

The council is made up of 24 customers, who are broadly representative of CFS' customer base. It meets with the Chief Executive of CFS and other senior leaders quarterly to provide feedback on customer issues. In addition, bank and Britannia customers are invited to meet with the Chief Executive of CFS and branch colleagues at informal evening events held across the UK, allowing attendees to discuss the issues of most importance to them. Three such customer events were held in 2010.

**CFS customer forum and panel**

These engagement channels are currently under review in line with the business' wider evaluation of customer satisfaction measurement. The customer experience forum and customer panel ran until September and October 2010 respectively. It is anticipated that new customer engagement channels will launch in 2011.

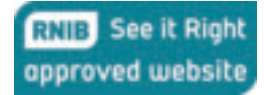
**Accessibility of communications, products and services**

The Trading Group has an 'access for all policy' in place across the business, which aims to ensure that customers are able to access goods and services and the business is responsive to customer needs, and compliant with the Equality Act 2010. At CFS, a Customer Diversity Group meets regularly to ensure customer policies and processes are inclusive, and to improve the experience of customers from diverse groups; the group will work to develop a new two-year diversity plan during 2011.

**Websites**

The Co-operative considers its main website to meet the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (level 'AA'). An accessibility page, providing guidance for site users, is

available on the website. In May an audit undertaken by the Royal National Institute of Blind People (RNIB) found that The Co-operative's main website, including selected sub-sites<sup>24</sup>, fully met the requirements of the 'See it Right Award'<sup>25</sup>. The accessibility of the remaining sub-sites will be improved to meet these requirements.



CFS considers that its main website complies with the W3C 'AA' standard and the **smile** website is considered to comply with the W3C 'A' standard. Throughout 2010, CFS worked with the Shaw Trust – a national charity that supports disabled and disadvantaged people – to further improve the accessibility accreditation of the site.

**Corporate literature**

During 2010, over 31,000 requests for alternative format information were fulfilled by the Trading Group and CFS (2009: 30,000).

**Corporate labelling**

The Co-operative endeavours to add Braille to all product packaging, where technically and commercially possible. During 2010, Braille packaging appeared on approximately 1,000 own-brand product lines.

**Braille on packaging 2010**

**1,000**

own-brand product lines feature Braille on packaging

**Pharmacy – accessible services**

In 2010, Muslim patients fasting during Ramadan were offered help to manage their medicines by around 82 (2009: 80) Co-operative Pharmacy branches in areas with a high proportion of Muslim customers. Targeted marketing in several languages was used to advertise the free 'medicines check' service to Muslim patients. Nearly half of these pharmacies, in line with local need, have received further training to offer customers 'stop smoking' advice alongside the 'medicines check' service.

Poster promoting The Co-operative Pharmacy 'medicines check'.



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# CUSTOMERS

## Travel – accessible services



In 2010, The Co-operative Travel launched a dedicated service for disabled holiday-makers in the UK. As of 2010, 102 specialist advisers were trained in disability awareness, and The Co-operative Travel aims to have 390 in place by 2014. The launch was supported by a

national marketing campaign, and the initiative is hoped to benefit 10,000 disabled travellers over the next five years.



The Co-operative Travel also promotes packages for LGBT (lesbian, gay, bisexual and transsexual) holiday-makers. It has produced a pocket guide with bespoke offers for LGBT travellers, and has specialist travel advisers on its personal adviser team to support this offering.

### Performance recognition

The Co-operative received Stonewall's Best Inclusive Advertising and Marketing Award for services provided to LGBT consumers. The Co-operative achieved 31% of the vote in a poll run by Stonewall via social media.

## Funeralcare – Pink Partings

The Co-operative Funeralcare works in partnership with the Pink Weddings Group to support the LGBT community via its Pink Partings service. The Pink Partings website offers a service designed specifically for LGBT people arranging the funeral of a partner or purchasing a funeral plan.

### Performance recognition

In 2010, The Co-operative Bank was voted the best bank by readers of the Pink Paper – the leading news service for gay, lesbian and bisexual people in the UK.



## Accompanying notes

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1 GfK NOP (2010) Consumer Confidence Index <a href="http://www.gfknop.com/pressinfo/releases/singlearticles/007214/index.en.html">www.gfknop.com/pressinfo/releases/singlearticles/007214/index.en.html</a></li> <li>2 This excludes the private name funeral homes and Britannia branches, which do not participate in the rebrand.</li> <li>3 Results for CLP will be reported in 2011 when data for a complete year will be available.</li> <li>4 In Q1 2010, The Co-operative assessed how important various aspects within the customer experience are to Food to develop a questionnaire and subsequent measurement to focus on priority requirements, and thereby provide greater insight into the steps needed to improve performance. The Index result is weighted towards attributes ranked most highly by customers, and expressed as an overall percentage.</li> <li>5 Data presented is an average of quarterly satisfaction scores. For Food: 217 telephone interviews are undertaken per month, for Pharmacy exit interviews are conducted outside 25 branches per month, and in the case of Travel 75 telephone interviews are conducted with bookers per month.</li> <li>6 A self-completion postal survey is issued by CLS and Funeralcare. In the case of CLS, 'satisfied' customers are those who rate their satisfaction with The Co-operative as nine or 10 out of 10. Approximately 1,300 surveys are returned to CLS each quarter. In Funeralcare, satisfied customers are those who report they are 'very satisfied' or 'fairly satisfied' on a four-point scale. 103,886 customers were surveyed and asked to register their satisfaction levels; 26% of those customers returned completed questionnaires.</li> <li>7 The peer group varies according to product types.</li> <li>8 Measurement is based on the percentage of customers rating their likelihood to recommend CFS as eight, nine or 10 out of 10. Results are then weighted to reflect the number of customers who take up each CFS product featured in the survey, to generate an overall score.</li> <li>9 The corporate banking survey was conducted in September 2010 amongst a random sample of 302 Corporate customers. The business banking survey was conducted in May 2010 amongst a random sample of 201 business banking customers.</li> <li>10 Where 79% of customers were 'likely' or 'very likely' to recommend the CFS life and savings business to others compared to an industry average of 69%.</li> <li>11 The CRI was created by The Co-operative in partnership with Millward Brown.</li> <li>12 Leadership and reliability 60%, caring company 26%, public responsibility 14%.</li> </ol> | <ol style="list-style-type: none"> <li>13 The average score across all UK organisations surveyed is zero.</li> <li>14 Scores from 2009 onwards include respondents in the catchments of the former Somerfield estate.</li> <li>15 The CRI results are based on a sample of consumers who live within co-operative society trading areas. Of this sample, 93% of participants were customers of The Co-operative in 2010.</li> <li>16 The survey approach involves consumers being questioned about The Co-operative and one other competitor. The competitors added to the 2010 survey were: John Lewis, Sainsbury's, Lloyds Pharmacy, Thompson and Santander. The rest of the peer group comprises: Asda, Tesco, Morrisons, Thomas Cook and Nationwide.</li> <li>17 Comprises: charges fair prices for its products/services; promotes itself responsibly; is a business you can trust; and cares about its customers.</li> <li>18 Comprises: supports good causes; supports local communities; treats its employees well; behaves in a socially responsible way; is different from other businesses; and has a useful role in society.</li> <li>19 Historical data for product complaints 2006–2009 has not been included, as this data does not include former Somerfield, and is not therefore comparable with 2010 data.</li> <li>20 Based on complaints received by The Co-operative Travel contact centre, and excluding complaints received directly by its in-house tour operator.</li> <li>21 Based on regulated complaints data as submitted biannually to the Financial Services Authority (FSA); excludes unregulated complaints. 2007–2009 data has been restated to include Britannia. The significant drop in figures between 2007 and 2008 can largely be accounted for by changes in FSA requirements for reporting. 2010 data includes, for the first time, the entirety of regulated complaints, a small number of which had been omitted in previous years.</li> <li>22 Based on data for the first half of 2010. Financial Services Authority (2010) Aggregate complaints data 2010 H1 <a href="http://www.fsa.gov.uk/pages/Library/Other_publications/commentary/aggregate_com/prev_agg_com/index.shtml">www.fsa.gov.uk/pages/Library/Other_publications/commentary/aggregate_com/prev_agg_com/index.shtml</a></li> <li>23 Sustainability-related InSight results are included in the Diet and health section page 39.</li> <li>24 Ethics in Action, Magazine, Corporate and Legal Services websites.</li> <li>25 This features most of W3C's 'AA' guidelines and some 'AAA' guidelines.</li> </ol> |
|---|--|

# PUBLIC POLICY

## Background

All too often, proposals for progressive ethical and sustainability legislation are blocked, or delayed, by the resistance of certain businesses and trade associations. As Kofi Annan said, when he was United Nations Secretary-General, “business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy”<sup>1</sup>.

## Materiality and strategy

The Co-operative believes that businesses wishing to stake a claim to leadership on sustainability issues must demonstrate that their public affairs activities are aligned with their publicly-stated sustainability claims and objectives.

As a leading advocate of responsible business, The Co-operative actively engages on public policy matters. It is committed to always being open about this activity and its outcomes, as well as making full annual disclosure relating to membership and financial support for trade organisations and political parties.

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🎯 <b>Targets 2010</b>	<b>Progress</b>	<b>Targets 2011</b>
<b>Indicator: Public policy interventions</b> (Performance benchmark below)		
		<b>EOP</b> Continue to use influence to campaign for a more sustainable world, and always be open about such lobbying and its outcomes.
Develop a new strategy for public policy engagement with consideration of co-operative values and principles.	← In 2010, development began on a strategic political engagement policy, which will be finalised in the course of 2011 (see below).	Finalise a new strategy for public policy engagement, with consideration of co-operative values and principles.
<b>Indicator: Political donations</b>		

## Governance

A new Political Strategy Working Group was formed in 2009. This comprises the Chair of The Co-operative Group, Chair of the Values & Principles Committee (page 13), one Co-operative Group Board member, one CFS Board member, one of The Co-operative Group Board’s nominees to The Co-operative Party National Executive Committee (NEC) and relevant members from management.

🎯 The working group met in November 2010 to consider the purpose and defined goals, transparency of process and ownership of a strategic political engagement policy. It was agreed that a draft policy would be presented to the working group in February 2011 for agreement, with a view to the final policy being discussed at the Group Board strategy meeting in July 2011. It would then become part of the regular cycle of business planning.

## Management

Public policy activities are supported by a public affairs team of six people. The team identifies and tracks significant public policy themes relevant to The Co-operative and its family of businesses, co-ordinates public policy responses, manages Government relations and advocates the co-operative business model to politicians and civil servants. The team reports to the Director of Communications. Where public policy activities relate to material sustainability issues, its position is informed by input from the Social Goals department (page 14).

## Accounting

For reporting purposes, ‘engagement’ is restricted to instances where The Co-operative has pressed a point of difference or where it has lent weight to a significant positive initiative on those issues already designated as material for broader disclosure in the Sustainability Report. Disclosure encompasses active lobbying with, and of, trade and business associations, as well as direct lobbying of Government at the UK and EU levels.

➡ **Performance benchmark**

In 2007, research undertaken by SustainAbility<sup>2</sup> acknowledged CFS to be one of a ‘small group of leader companies’ whose approach to lobbying and reporting could be considered ‘integrated’ (ie, at the highest level)<sup>3</sup>.

## PUBLIC POLICY

<b>Public policy 'interventions' 2010</b>			
<b>Issue</b>	<b>Audience</b>	<b>Influence and action</b>	<b>Page</b>
<b>Sustainability management</b>			
Sustainability reporting	Stock exchanges globally including London Stock Exchange	Collaborative investor letters co-signed calling for sustainability reporting to be embedded within listing rules.	–
<b>Inspiring young people</b>			
Votes at 16	Members of Parliament	Fringe events hosted at the three main party conferences in collaboration with the Coalition for Young People. Worked with MPs and the Votes at 16 Coalition to table an amendment to the Alternative Vote Bill, which would allow 16 and 17 year olds to vote in 2011. We wrote to Co-operative MPs to urge them to support the amendment.	59
<b>International development</b>			
The Groceries Supply Code of Practice Adjudicator	Department for Business Innovation and Skills (BIS) and Minister for Consumer Affairs	Consultation response submitted on the nature and funding of a body to oversee the operation of the Groceries Supermarket Code of Practice (GSCOP), calling for an Enforcement Body to be responsible exclusively to the GSCOP. Met with the Consumer Affairs Minister to discuss the issue.	31
Export Credits Guarantee Department	MPs, Secretary of State for BIS, and the Environmental Audit Committee (EAC)	A number of activities undertaken to urge reform of the Export Credit Guarantee Department (ECGD) including: a response to the EAC inquiry 'the impact of UK overseas aid on environmental protection and climate change adaptation and mitigation'; co-signing a letter to the Secretary of State for BIS, and supporting Early Day Motion 622 on the ECGD.	30
EU Fairtrade procurement	European Commissioner for Internal Market and Services	Letter co-signed to the Commissioner for Internal Market and Services at the European Commission, outlining concerns that the restrictive interpretation in the current draft of the Guide on Social Considerations in public procurement would have a negative impact on the work that the civil society-led Fairtrade movement has carried out on public procurement.	31
<b>Ethical finance</b>			
Corporate governance and stewardship	Financial Reporting Council and European Union	Consultation responses submitted on UK Corporate Governance and Stewardship Codes, and EU Corporate Governance Green Paper calling for mandatory voting disclosure and annual re-election of directors.	49
<b>Social inclusion</b>			
Prisoner bank accounts	Minister for Prisons	Following the publication of the Government's green paper on sentencing and re-offending, The Co-operative wrote to the Minister for Prisons, to highlight how the provision of bank accounts has been shown to reduce re-offending.	54
Post Office closures	BIS	Responses provided to the BIS consultation on Post Office Banking, welcoming the Government's proposals for the Post Office's enhanced role in the provision of financial services, and recommended future expansion of third-party transactional banking to other providers and credit unions. Reiterated at an All Party Parliamentary Group on Debt and Personal Finance event on Post Office Banking.	54
Fuel poverty	Energy and Climate Change Committee	Responded to the Energy and Climate Change Committee Inquiry into Fuel Poverty, advocating a review of renewable and energy-saving technology and procurement by local authorities, targeted government funding for reduced consumption and efficiency increases, development of low-cost district heating on surplus public land, and initiatives to encourage renewables in rural communities where fuel poverty is high.	54
<b>Diversity</b>			
Gender diversity in the boardroom	European Commission and BIS	Submission made to the European Commission consultation on the Corporate Governance Green Paper, supporting further consideration of thresholds for women on company boards. Also participated in BIS Women on Boards consultation, calling for improved disclosure of senior management gender balance.	112

**Public policy 'interventions' 2010 continued**

Issue	Audience	Influence and action	Page
<b>Climate change</b>			
Renewable Heat Incentive	Members of Parliament	In association with the Renewable Energy Association and Friends of the Earth, parliamentary activities undertaken to encourage MP support for the Renewable Heat Incentive ahead of the Comprehensive Spending Review.	70
Anaerobic digestion and biomass	Department for Energy and Climate Change (DECC)	Response submitted to a DECC consultation on 'grandfathering policy of support for dedicated biomass, anaerobic digestion and energy from waste under the renewables obligation', supporting anaerobic digestion and biomass in the UK.	—
Mandatory greenhouse gas (GHG) reporting	Members of Parliament, Secretary of State for the Department of Environment, Food and Rural Affairs (DEFRA), Ministers and civil servants at DEFRA and BIS	Response submitted to BIS consultation on 'the future of narrative reporting' calling for the introduction of mandatory GHG reporting for large companies and reporting on future carbon liabilities where material. Meeting held with Lord Henley, Minister for the Environment; wrote to Secretary of State for DEFRA and Ministers at DEFRA and BIS; and met with BIS civil servants to call for mandatory GHG reporting by 2012.	71
EU Fuel Quality Directive	European Commission, Members of the European Parliament, European Parliament Environment Committee, UK Department for Transport and UK representatives on the EU Fuel Quality Committee	Activities undertaken to urge the European Commission to penalise the higher GHG emissions of tar sands fuels as part of the Fuel Quality Directive. Activities included: writing to the UK Minister for Transport and key Members of the European Parliament (MEPs); the formation of a coalition of European NGOs to 'keep tar sands out of Europe', with joint briefing papers sent to the European Commission, MEPs and EU Member States; holding face-to-face briefings with key MEPs; and providing questions for the European Parliament Environment Committee to put to the Commission. In September 2010, The Co-operative, Greenpeace and WWF launched a public petition to the European Parliament and met the Minister for Transport on the issue.	71
Green Investment Bank	Environmental Audit Committee (EAC), Prime Minister	Oral evidence submitted to the EAC in support of the proposal to establish a UK Green Investment Bank and letter co-signed to the Prime Minister calling for at least £4bn of initial funding and the power to raise revenues by issuing its own green bonds.	70
<b>Biodiversity</b>			
Illegal timber	European Parliament	Letter sent to the European Parliament's Environment Committee in support of proposal to ban import of illegally logged timber into the EU.	87

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**Toxic Fuels**

The Co-operative is campaigning to stop the expansion of unconventional fuel sources, such as tar sands and gas shales (page 71). In 2010 this included active support for the inclusion of tar sands fuels within the EU Fuel Quality Directive.



**Votes at 16**

The Co-operative believes that young people are ready, willing, and able to get involved in politics, and is campaigning for the voting age to be lowered to 16 (page 59). In 2010, it worked with MPs to table an amendment to the Alternative Voting Bill.



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### Unfinished Business

The Co-operative is reinvigorating the debate on third world debt, including calling for reform of the Export Credit Guarantee Department (page 30).



### Trade and business association memberships

The Co-operative has membership of a number of trade and business associations. In taking the broadest view of transparency in respect of public policy activities, all principal memberships, subscription fees and donations to trade and business associations are disclosed, together with involvements in other organisations that seek to influence public policy or business practices.

#### Trade and business association membership fees and donations 2010

Name	Amount
Co-operatives <sup>UK</sup>	£933,674
Building Societies Association	£303,147
Co-operative Employers Association	£300,000
Association of British Travel Agents	£167,000
National Association of Funeral Directors	£162,923
British Retail Consortium	£160,000
Royal Pharmaceutical Society for Great Britain	£129,860
Business in the Community	£94,475
International Co-operative Alliance	£76,266
Company Chemists Association	£66,539
European Community of Consumer Co-operatives (Euro-coop)	£64,155
UK Social Investment and Finance	£35,000
Green Alliance	£30,000
Ethical Trading Initiative	£30,000
European Association of Co-operative Banks	£26,760

#### Trade and business association membership fees and donations 2010 continued

Name	Amount
Investment Management Association	£26,629
British Banking Association	£21,660
UK Sustainable Investment and Finance	£20,000
The Wine and Spirit Trade Association	£20,000
Corporate IT Forum	£19,405
Association of British Insurers	£17,551
International Co-operative and Mutual Insurance Federation	£17,232
British Institute of Embalmers	£16,543
Scottish Grocer Federation	£15,150
National Security Industry	£12,500
Association of Mutual Insurers and Insurance Co-operatives	£11,965
Association of Convenience Stores	£11,160
The Law Society	£10,194
Finance and Leasing Association	£10,065
Forum for the Future	£10,000
Renewable Energy Association	£9,660
Association of UK Oil Importers	£9,337
Combined Heat and Power Association	£7,990
Investment and Life Assurance Group	£7,840
IGD Services (Institute of Grocery Distribution)	£7,250
AccountAbility	£7,000
ClimateWise	£5,875
National Farmers Union (England)	£5,641
Institutional Investor Group on Climate Change	£5,500
Association of British Credit Unions	£5,202
British Nutrition Foundation	£5,194
International Association of Microfinance Investors	£5,112
Council of Mortgage Lenders	£5,005
Environmental Industries Commission	£5,000
Art & Business	£5,000
London Benchmarking Group	£4,750
British Security Industry Association	£4,416
Fresh Potato Suppliers Association	£4,150
British Institute of Funeral Directors	£4,049
Guild of Travel Management	£3,250
WWF Forest and Trade Network	£3,238

**Trade and business association membership fees and donations 2010 continued**

Name	Amount
Employers' Forum on Disability	£3,231
Country Land and Business Association	£2,446
Communicate Mutuality (Mutuo)	£2,350
Scottish Rural Property and Business Association	£2,000
Federation of Burial and Cremation Authority	£1,798
British Retail Consortium Palm Oil	£1,706
British Food Importers and Distributors Association	£1,657
Charity Finance Directors Group	£1,630
SAC Association of Potato Producers	£1,600
Food Ethics Council	£1,370
Pharmaceutical Society of Northern Ireland	£1,350
National Farmers Union (Scotland)	£1,272
International Chamber of Commerce	£1,234
<b>Total</b>	<b>£2,963,956</b>

**Political donations**

The Co-operative is a significant supporter of The Co-operative Party, which was created in 1917 by the UK Co-operative Movement in order to promote its values and principles. The Party works to raise awareness of the benefits of the co-operative and mutual models, and to influence government towards support for more co-operative action. It has representation in both Houses of Parliament, the Scottish Parliament, the National Assembly of Wales and the Greater London Assembly, and, additionally, has over 350 local councillors.

In 2010, an overall financial contribution of £749,000 (2009: £676,000) was made to The Party in respect of the annual subscription and support for Party Councils. An in-kind donation of £5,000 (2009: £5,000) was also made, in the form of the provision of office space. Furthermore, donations were made of £65,000 direct to The Labour Party (2009: £63,090) and miscellaneous expenditure was incurred in support of The Labour Party at local, regional and national levels, amounting to £15,450 (2009: £7,000).

**Ethical finance**

**The Co-operative Asset Management (TCAM) – political donations and public policy**

The non-disclosure of political donations, trade association membership and public policy interventions is fast becoming a significant socially responsible investment issue and is the subject of independent shareholder resolutions tabled at annual general meetings. During 2010, there were 39 resolutions calling for political or charitable donation disclosure at the general meetings of investee companies. TCAM voted in support of 37 and abstained on two resolutions<sup>4</sup>. During 2010, TCAM was presented with four overseas shareholder resolutions relating to public policy, two of which were supported.

Company	Resolution	Vote registered
Pepsico Inc, Wal-Mart	To report on public policy advocacy activities, including the process for identifying and prioritising public policy issues of interest.	Supported
Bank of America Corp, Ford Motor Co	To disclose previous government employment by senior employees.	Abstained <sup>5</sup>

**Accompanying notes**

- AccountAbility (2005) Towards responsible lobbying – leadership and public policy.
- SustainAbility (2007) Coming in from the cold: public affairs and corporate responsibility.
- SustainAbility describes 'integrated' lobbying as: 'Systems exist to manage and disclose lobbying and public policy activities. The company probably discusses policy positions on several material issues in some depth. There is an explicit link made between corporate values and principles, core business decision-making, processes and a company's approach to public policy. There is likely, for example, to be evidence of decision-making process leading from basic values and principles to specific business objectives and lobbying that supports these objectives.'
- Abstained on Citigroup resolution as policy in place and no evidence to suggest policy breach. Abstained on Pepsico Inc as request considered to be excessive.
- Abstained as the scope of the request was considered unreasonably broad.

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