

INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

Background


When undertaken equitably, and with respect for human rights, trade and finance have an unparalleled capacity to lift people out of poverty and enhance quality of life across the world. It is estimated that the livelihood of nearly three billion people, or half of the world's population, is made secure by co-operative enterprise, which directly employs an estimated 100 million workers – more than all the world's multinational companies¹.









Materiality and strategy

The Co-operative has been active on international development and human rights for over 165 years. Today, as a business with over 1,700 supplier sites in 58 countries, and banking and investment activities with a global reach, it is recognised that – in addition to the moral imperative – commitment to advancing international development and human rights is crucial in order to maintain stable and mutually beneficial international relationships.

'Tackling global poverty' is a major component of the new Ethical Operating Plan (page 13), with work structured into four areas:

- **Ethical trade** – a pioneering approach to Fairtrade, and improving working conditions in the supply chain;
- **Co-operative support** – support for overseas co-operatives, with development uplift in the areas of water, sanitation and green energy;
- **Ethical finance** – microfinance and access to finance for co-operatives in the developing world, together with the ethical policies of The Co-operative Financial Services (CFS); and
- **Campaigning** – mobilisation and outreach with members, customers and the general public, alongside public policy intervention.

For the first time, contribution to each of the Millennium Development Goals² is reported, and can be found in the online version of this Report .

🎯 Targets 2010	Progress	Targets 2011
Indicator: Fairtrade range and sales value (Performance benchmark and recognition page 24)		
		 Continue to show the greatest commitment to Fairtrade in the UK, remaining second to none in terms of availability and over-trade, and aim that if a primary commodity from the developing world can be Fairtrade, it will be Fairtrade by 2013.
		 Develop a unique range of projects and initiatives that benefit producers and go 'beyond Fairtrade'.
Indicator: Status of sound sourcing improvement actions		
Ensure all Co-operative Food own-brand first tier production sites identified as high risk, as at end September 2010, have a valid independent audit in 2010.	 All first tier production sites identified as high risk, as at end September 2010, had a valid independent audit in 2010 (page 25).	 Introduce a balanced scorecard in 2011 to influence the selection of Food suppliers that share The Co-operative's ethical values.
Provide labour standards training to all relevant Co-operative Clothing merchandisers in 2010 and ensure that systems to monitor labour standards are actively managed throughout 2010.	 This did not take place in 2010 due to a lack of resource. It is intended that in 2011 the Sedex system will be used more actively, and that merchandisers will be trained on ethical trade (page 27).	Provide labour standards training to all relevant Co-operative Clothing colleagues in 2011.
Indicator: Supplier capacity building		
Extend awareness-raising and training sessions on sound sourcing for The Co-operative Food suppliers, with a focus on the UK, China, Italy, Kenya, Thailand and South Africa.	 Awareness-raising and training sessions were delivered in the UK, China, Italy, Thailand, Egypt, Morocco and South Africa (page 27). Work with suppliers in Kenya to support smallholder tea farmers continued (page 30).	 Target 800 sites in six countries in the supplier training programme to create better workplaces by 2013.
Commence a project with The Travel Foundation to create supply links between agricultural co-operatives and hotels used by The Co-operative Travel in Turkey.	 Project commenced, with scope broadened, and additional partners invited as co-sponsors (page 28).	

(continued over)

Social responsibility

Ecological sustainability

Delivering value

Assurance

🎯 Targets 2010	Progress	Targets 2011
Indicator: Ethical finance		
Launch a new microfinance scheme via The Co-operative Bank during 2010.	✘ No new microfinance schemes were launched in 2010 due to a lack of investment opportunities in the sector (page 29).	EOP Continue to tackle global poverty via a £25m microfinance support fund.
		EOP Support the development of peer to peer lending between members and individuals in the developing world.
Indicator: Support for overseas co-operatives and development projects		
Introduce an affinity product in The Co-operative Pharmacy that supports overseas development during 2010.	↔ The planned launch was delayed until early 2011 (page 28).	
Increase the number of Travelife-accredited properties used for The Co-operative Travel's own-brand holidays, to 25 by the end of 2010.	D Target dropped, due to the entry of The Co-operative Travel into a joint venture with Thomas Cook.	
To benefit Fairtrade sugar producer communities in Malawi, ensure existing damaged boreholes are repaired, over 300 new latrines are constructed and over 50,000 trees are planted by end 2010.	✓ In 2010, 17 new boreholes had been constructed and 26 existing water points had been repaired. Over 600 latrines had also been installed and over 50,000 trees planted (page 30).	EOP Invest £7m per annum to help tackle global poverty through co-operative support initiatives ³ , and look to further expand the affinity range.
Commence water access, sanitation and renewable energy projects with Fairtrade banana co-operative communities in Panama during 2010.	✓ By the end of 2010 significant progress had been achieved on all the areas of the project (page 30).	
Successfully establish two pilot funeral co-operatives in South Africa.	← Two pilot co-operatives are now being progressed, but are behind schedule (page 30).	
		EOP Campaign anew to make poverty history, beginning with a reinvigoration of the Jubilee Third World debt campaign.
Indicator: Human rights		
		EOP Continue to champion the human rights and trade policy, and as a matter of last resort curtail trade when called upon by the peoples of affected areas.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

Beneficiaries from international development activity 2010

1,022,000

individuals in the developing world benefiting from international development activity in 2010⁴

Fairtrade



® The Co-operative has been committed to the FAIRTRADE Mark since it was launched in the UK in 1994. The Mark guarantees that disadvantaged producers and workers in the developing world are getting a better deal. The UK Fairtrade Foundation estimates that more than 7.5 million people – farmers, workers and their families – across approximately 60 developing countries, benefit from the international Fairtrade system⁵. Of these, it is estimated that over 200,000 benefited from The Co-operative Food's sales of Fairtrade products in 2010. Further details of Fairtrade products, producers and benefits can be found on The Co-operative Food's website⁶

INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

The number of Fairtrade products reduced in 2010 due to rationalisation of products following the integration with Somerfield. All former Somerfield stores now offer The Co-operative's Fairtrade products – making Fairtrade accessible to millions more shoppers – and Fairtrade sales in these stores have quadrupled in the course of a year. The move has affirmed The Co-operative Food's position as the leading UK supermarket for Fairtrade availability, with Fairtrade products sold in every one of its 2,900 stores across the British Isles.

Fairtrade products and sales value⁷

	2007	2008	2009	2010
Total number of Fairtrade products	180	230	260	249
Number of own-brand Fairtrade products	110	146	173	177
Fairtrade sales value (£m)	34	49	71 ⁸	97
Fairtrade premium value (£m)	N/A	N/A	N/A	3.6m ⁹
Proportion of UK supermarket Fairtrade sales (%)	15	16	13 ¹⁰	19

Fairtrade sales

280% increase in Fairtrade sales since 2007

Performance recognition

In 2010, The Co-operative won awards for several of its Fairtrade products. At the sixth annual Malbec Al Mundo awards in Argentina, The Co-operative Fairtrade Argentine Malbec won a double Gold, one of only three wines to do so¹¹.

Fairtrade producers in Africa

In October 2010, the Chief Executive of The Co-operative Peter Marks visited several development projects, funded by The Co-operative, in South Africa and Kenya. This included tea growers in Kericho, Kenya (pictured), where over 11,000 smallholders are being helped to form tea co-operatives.

Peter Marks also visited the growers of the Du Toitskloof co-operative, which supplies the grapes for own-brand Fairtrade South African wines. Commenting on his visit, Peter Marks said: "It's a fantastic thing coming out here to see the contribution that Fairtrade makes to people's lives".



Performance benchmark

The Co-operative aims to be second to none in terms of Fairtrade 'overtrade'¹². Its share of the Fairtrade retail market is three times larger than its share of the UK grocery market with more Fairtrade products sold, for the size of its business, than any other supermarket.

Benchmark: Top five supermarkets for Fairtrade 'overtrade', 2010

Supermarket	Overtrade
The Co-operative	303
Waitrose	263
Sainsbury's	223
Marks and Spencer	93
Tesco	53

Product development

In 2010, The Co-operative became the first supermarket to sell beansprouts grown from Fairtrade mung beans from Inner Mongolia – one of the poorest rural areas in China. The Fairtrade premium will allow the village to improve education facilities. The Co-operative also launched the world's first Fairtrade blueberries.



Beyond Fairtrade

The Co-operative has committed to develop a unique range of projects and initiatives that benefit producers and go 'beyond Fairtrade'. This will mean offering support to producers over and above the benefits received from Fairtrade alone. Such benefits may include:

- Fairtrade producers receiving additional voluntary contributions (for example, as is already the case for the producers of The Co-operative's Fairtrade wines from South Africa and Argentina);
- Fairtrade producers benefiting from additional water, sanitation and green energy programmes (such as the projects underway with Fairtrade sugar, tea and banana producers in Malawi and Panama – page 30); or
- instances where producers themselves own a stake in and can influence the organisation they supply to (as is the case for the cocoa producers of Kuapa Kokoo co-operative, which supplies cocoa for The Co-operative's Truly Irresistible block chocolate).

Sound sourcing: The Co-operative Food

The Co-operative is committed to ensuring that the workers making its products are treated responsibly and ethically, and is an active member of the Ethical Trading Initiative (ETI)¹³. To ensure that working conditions meet The Co-operative's aims and objectives, a Sound Sourcing Code of Conduct¹⁴ is in place that identifies the workplace and employment standards expected to be applied across suppliers of co-operative own-brand products, and those products made exclusively for The Co-operative. It is based on the ETI base code and International Labour Organization standards, and has been endorsed by all Trading Group businesses. The Co-operative expects its own-brand suppliers to achieve continual improvement in these standards, and a robust monitoring programme is in place for own-brand food products to ensure requirements are met.

Sedex

The Co-operative Food is a member of the Supplier Ethical Data Exchange (Sedex)¹⁵; an internet-based electronic database where suppliers post labour standards information, including self-assessments and reports from external social audits (referred to as 'site assessments'). Sedex enables suppliers to share this information with multiple customers simultaneously, thus removing unnecessary duplication of resources.

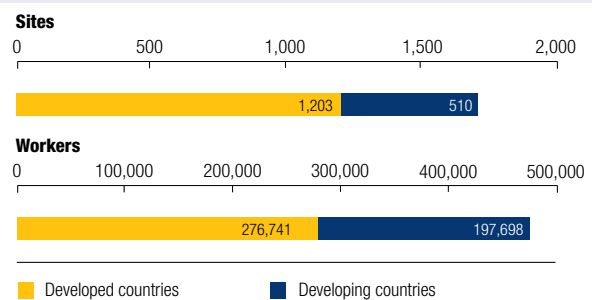
Own-brand suppliers¹⁶ are asked to register on Sedex and complete a self-assessment as a condition of trade. The Co-operative Food will only accept site assessments conducted by approved third-party auditors and undertaken to a recognised, robust format, and undertakes further due diligence tests by way of verification. In 2010, 15 such due diligence audits were undertaken by approved third-party auditors¹⁷.

By the end of December 2010, 1,700 (2009: 1,470) first and second tier supplier sites had registered and completed a self-assessment on Sedex. This represents over 474,000 workers¹⁸, and 99% of first tier sites.

First tier sites registered on Sedex 2010

99% of first tier sites registered and completed self-assessment on Sedex in 2010
2009: **90%**

Number of Sedex-registered sites and workers supplying The Co-operative



Site assessments

Site assessments are carried out among suppliers to determine the degree of compliance with sound sourcing criteria. In 2010, 92% of these assessments were undertaken by approved third-party audit bodies and NGOs, and the remainder by qualified Co-operative employees. In future, all audits will be carried out by approved third-party bodies.

In 2010, 145 site assessment audits took place amongst suppliers (2009: 165). Of these, 62% related to first tier sites (2009: 73%) and 38% to second tier sites (2009: 27%). As in previous years, the majority (70%) of the sites assessed were connected with food and fresh produce (2009: 73%).

The selection of suppliers for assessment is heavily influenced by risk assessment information¹⁹. 73% of the first tier suppliers identified as high risk at the end of 2010 have been audited in the past two years by an approved audit body. The remaining 27% were identified in the last quarter of 2010, and are scheduled for audit in 2011.

Non-conformances and improvement actions

In 2010, 810 non-conformances were identified from site assessments undertaken during the year, and improvement action plans assigned for all of these. Sites inspected within developing countries²⁰ produced a marginally higher proportion of non-conformances than sites inspected within developed countries²¹. In relation to certain provisions (child labour, living wages, discrimination and harsh or inhumane treatment), non-conformances arising were more prevalent in developing countries²².

The graph overleaf shows the location of all site assessments in 2010, and the number of improvement actions identified for each location. A full list of individual countries in which site assessments took place, and a breakdown of improvement actions by each provision (eg freedom of association), can be found online

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

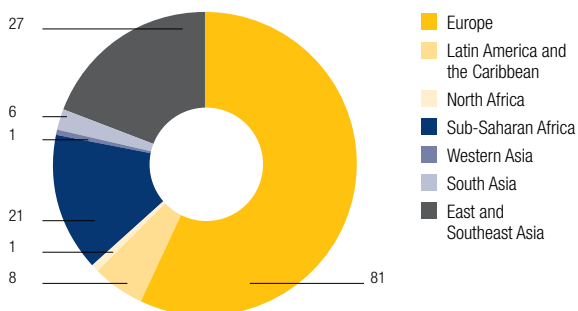
INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

The table below details both improvement actions that were resolved in 2010, and the status of incomplete improvement actions amongst first tier and second tier suppliers (both for improvement actions identified in audits during 2010 and during 2009²³). Of the 810 improvement actions identified in 2010, 266 (33%) were resolved in the course of the year. In addition, 204 improvement actions from audits prior to 2010 were resolved in 2010.

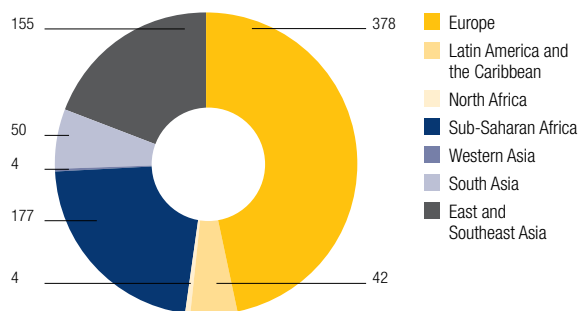
In 2010, The Co-operative worked with a group of eight manufacturers and retailers to develop a tool within Sedex to rate non-conformances as either critical, major or minor. The tool will be trialled in 2011, and The Co-operative Food plans to use the ratings to inform audit frequency and to prioritise follow-up activities more effectively.

Location of site assessments and improvement actions by region²⁴

Number of site assessments



Improvement actions identified



Sound sourcing improvement actions

Provisions	Improvement actions completed in 2010		Incomplete improvement actions (as at 31/12/10)		Explanation of incomplete improvement actions					
	From audits prior to 2010	From audits in 2010	From audits in 2009	From audits in 2010	Due to be completed in 2011		Overdue action		Not active, delisted	
					Tier one	Tier two	Tier one	Tier two	Tier one	Tier two
Exploitation of labour	3	2	2	0	0	0	0	2	0	0
Freedom of association	0	2	5	5	3	2	3	2	0	0
A safe and hygienic working environment	123	174	112	262	186	69	61	43	15	0
Child ²⁵ labour	0	0	3	8	1	6	2	1	1	0
Living wages to be paid	11	17	25	29	16	9	10	13	6	0
Working hours are not excessive	14	28	68	125	87	34	47	20	5	0
No discrimination	10	1	3	4	1	2	0	3	1	0
Regular employment	40	40	34	98	55	38	17	17	5	0
No harsh or inhumane treatment	3	2	2	13	5	7	1	1	1	0
Subtotal	204	266	254	544	354	167	141	102	34	0
Total		470		798		521		243		34

Supplier capacity building events

Over 260 (2009: 100) participants attended The Co-operative supplier training activities in 2010, equivalent to around 2,300 (2009: 900) hours.

- **UK** Suppliers were brought together to discuss challenges and share good practice on migrant and multicultural workforces in a series of regional events. Subsequently, suppliers continue to meet to work collaboratively on issues raised in the sessions.
- **Italy and Thailand** Interactive supplier events provided an overview of The Co-operative ethical trade requirements, the ETI Base Code, local labour law requirements and examples of best practice. The events also focused on country-specific issues²⁶ with local expert speakers.
- **China** Working in collaboration with The Body Shop, a four-day training programme was delivered for HR managers in China²⁷. The programme covered the ETI Base Code and Chinese Labour legislation and provided practical tools to help address labour conflict prevention, human resource management, worker engagement and employee relations.

- **Egypt and Morocco** Support was provided for six meetings of forums in Egypt and Morocco to encourage collaboration, supplier ownership, and leadership in addressing key ethical trade challenges.



Integration into core business practices

To integrate ethical trade into core business activities, an ongoing internal training programme has been delivered for key operational functions²⁸. In 2010, refresher briefing sessions were held across The Co-operative Food's commercial team.

In 2010, a new Supplier Guide was launched in support of the Ethical Trade programme. The Guide provides information to help suppliers meet ethical trade requirements²⁹ as well as information on the processes involved³⁰. This has been integrated into supplier terms and conditions.

A balanced scorecard will be introduced in 2011 to influence the selection of suppliers, covering financial, supply chain, technical, ethical trade and environmental measures.

Supplier capacity building

Work continued in 2010 to help build suppliers' ability to manage labour standards. Sessions are subsidised by The Co-operative Food, and cover general labour standards issues as well as area-specific challenges. Training sessions in Kenya and South Africa will take place in 2011, as part of a wider plan to target 800 sites in six countries within the supplier training programme. In 2011, The Co-operative Food aims to extend training to build the capacity of suppliers in 200 sites in five key countries.

The Co-operative Food also continues to use workbooks³¹ and in 2010 worked with other supermarkets to launch an electronic UK Grower Handbook³², and with other retailers and South African industry bodies to develop a South African Handbook, launched in April 2011.

Ethical Trading Initiative submission

The Co-operative Food makes an annual submission to the ETI, which contains details of its sound sourcing management programme on a site-by-site basis. The ETI rates and benchmarks performance and categorises the business as 'beginner', 'improver', 'achiever', or 'leader'. For its 2009 submission (most recent available), The Co-operative was rated as 'leader' in one of the five reviewed areas, 'commitment', whilst in the remaining four areas it was rated as 'achiever'³³. These ratings are consistent with the previous year. Submissions are subject to review by NGO members and independent consultants who provided feedback.

Sound sourcing: The Co-operative Clothing

The Co-operative Clothing supplies employee uniforms for the Food, Pharmacy, Travel, Bank and Funeralcare businesses, as well as other external corporate customers, and aims to be an ethical leader in the corporate clothing industry. All of its overseas first tier production sites have been subject to independent audits; however, a number of these audits have yet to be uploaded to Sedex. As such, no details on improvement actions at these sites can be reported. A table detailing the improvement actions that are available to report is provided online [↗](#).

In 2011, a newly-recruited Sound Sourcing Co-ordinator will encourage more active use of Sedex, to improve efficiency in uploading information, and better monitor progress on improvement actions. The Co-operative Clothing will also progress delayed merchandiser training.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

Human Rights and Trade Policy

In early 2009, a Human Rights and Trade Policy was adopted, setting out the extreme conditions under which trade will be suspended with a nation state or designated region; or, in the case of a conflict, a particular product.

Three primary conditions are set out in the Policy:

- Where democratic representatives of the indigenous population call for a cessation of all trading activity and consider such a course of action, and the additional economic hardships, as being less detrimental than the continuation of trading links;

for example, Burma, where the democratically elected opposition party continues to call for economic sanctions.

- Where there is a broad international consensus that the status of a designated region is illegal and where there is evidence that trade is directly linked to the oppression of the population; for example, the illegal Israeli settlements in the Israeli Occupied Territories, and the illegal Moroccan settlements in Western Sahara.
- Where there is strong evidence that trade is a contributory factor to the perpetuation of a conflict; for example, the Democratic Republic of Congo.

Affinity products and services: raising awareness and funds for development

The Co-operative and the One Foundation

In 2010, a number of different products continued to be sold in support of The One Foundation, a charity that works with communities in Africa to address pressing humanitarian needs.

- **Fairbourne Springs** The first own-label ethical water in the UK. Each sale includes a donation to The One Foundation to fund the installation of PlayPump™ water systems, which are powered by children playing on roundabouts (page 79). Since 2007, donations from Fairbourne Springs have helped over one million people in southern Africa gain access to clean water.
- **One Condoms** A range of condoms to help fund HIV testing and awareness projects in rural Africa, via a 30p donation made from the sale of each pack. In 2010, over 85,000 packs of One Condoms were sold, funding outreach clinic days for over 14,000 people³⁴.
- **One Soap and Toilet Tissue** Donations from sales³⁵ fund hygiene and sanitation projects in Malawian schools. By the end of 2010, toilet and hand-washing facilities had been provided to 670 children.
- **One Big Idea** Competition aimed to create the next One-branded ethical product. The winning entry was a plaster product to help fund community medical kits and bicycle ambulances in Malawi. The product was launched in selected stores in May 2011.



The Co-operative Travel and The Travel Foundation

Customers of The Co-operative Travel can support The Travel Foundation³⁶ via a voluntary donation. During 2010, £325,000 was raised (2009: £203,000), of which a proportion was ring-fenced for initiatives supported only by The Co-operative Travel, including:

- **Agricultural co-operatives** A project to link agricultural co-operatives with hotels for local food sourcing in Turkey. 🎯 In 2010 the scope of the project was broadened, and Thomas Cook and TUI were invited to be co-sponsors of the project.
- **Melipona bee project in Mexico** A bee conservation and livelihoods project in Mexico. The project is designed to improve the habitat of the endangered native Melipona bee, and to benefit over 70 people in the Mush Meya community, who have traditionally relied on bee-keeping for their livelihoods.

Charity cards in support of international development and human rights

The Co-operative Bank offers a range of credit cards in support of a variety of development and human rights charities, namely: Action Aid, CAFOD, Christian Aid, Oxfam, Save the Children, Tearfund, WaterAid and Amnesty International UK. In 2010, a total of £729,000 was raised through these charity credit cards (2009: £741,000).

The Co-operative antibacterial handwash

For each sale of The Co-operative Pharmacy antibacterial handwash, 15p is donated to UNICEF, extending the scope of an existing sanitation project in Togo (page 30). 🎯 Due to a conflicting promotion, the planned launch was delayed from 2010, and the product launched in early 2011.



Oxfam recycling scheme

In 2010, approximately 17,600 phones and 700 print cartridges were recycled, generating around £32,000 in income for Oxfam (2009: £25,000), and bringing the total raised since 2004 to £348,000³⁷.

Social responsibility

Ecological sustainability

Delivering value

Assurance

Ethical finance

Microfinance support

In 2007, The Co-operative Bank created a US\$50m (£25m) microfinance fund to help support the development of small businesses in some of the world's poorest countries. To date, the fund has lent to three microfinance schemes, supporting microfinance institutions (MFIs) in 27 developing countries. One of these schemes, the Global Commercial Microfinance Consortium (GCMC) managed by Deutsche Bank, matured in 2010, with CFS receiving its loan repayment on schedule. No new involvement in microfinance schemes was progressed in 2010 due to a lack of investment opportunities in the sector. Work is underway to consider new investment opportunities for the microfinance fund in 2011.

Bank screening of finance

During 2010, 176 finance opportunities (2009: 152) were referred to the Ethical Policy Unit in connection with international development and human rights, of which 16 were declined (2009: 20) at a cost of £374,000 in terms of estimated income foregone.

International development and human rights-related business declines 2010

	Estimated income foregone 2010
International banks (five instances). Treasury facilities for five international banks part-owned by governments considered oppressive regimes.	£240,000
Tobacco product manufacturer (two instances). £1.25m lending and banking facilities for businesses engaged in the manufacture of tobacco products, in response to concerns over irresponsible marketing in developing countries.	£48,000
Components manufacturer (two instances). £800,000 for a manufacturer of displays for military aircraft and small-arms sights, transferred to two Middle Eastern oppressive regimes. Banking facilities for a business engaged in the supply of armour for military tanks transferred to two Middle Eastern oppressive regimes.	£36,000
Insurance company Banking facilities for a state-owned insurance provider of a Middle Eastern oppressive regime.	£23,000
Defence manufacturer £250,000 lending to a manufacturer of strategic defence equipment for transfer to two North African oppressive regimes.	£15,000
Electronics manufacturer £200,000 lending for a manufacturer of electronic warfare equipment sold to a Middle Eastern oppressive regime.	£8,000
Lobbying organisation (two instances). Banking facilities for an organisation linked to physical violence and illegal activities including blackmail and theft. Banking facilities for a political organisation with policies considered to contravene, at the very least, the spirit of the Universal Declaration of Human Rights. For example, the restriction of membership on racial criteria.	£2,000
Broadcaster Banking facilities for a state-owned broadcaster of a Middle Eastern oppressive regime.	£1,000
Electronic cigarette manufacturer Banking facilities for a producer of electronic cigarettes. Ingredients are not disclosed, presenting potential health concerns.	£1,000

The Co-operative Asset Management (TCAM) overseas shareholder resolutions

In 2010, TCAM was presented with 28 overseas shareholder resolutions relating to international development or human rights, of which 26 were supported.

Company	Vote registered
Human rights Altria Group Inc; Caterpillar Inc; Chevron Corp (two instances); Cisco Systems Inc (two instances); E. I. DuPont de Nemours; Goldcorp Inc; Google Inc; Halliburton Co; Honeywell International; Motorola; News Corporation; News Corp Limited ³⁸ ; Occidental Petroleum Corp; Power Corp Canada; Reynolds American Inc	All supported, with the exception of Google Inc, where abstained ³⁹ .
Labour standards Abercrombie & Fitch Co; CenturyLink Inc; Kansai Electric Power Co (two instances); Philip Morris International Inc; Toshiba Corp; Urban Outfitters Inc	Supported, with the exception of Toshiba Corp where abstained ⁴⁰
Armaments Boeing Co; General Dynamics; ITT Corp; Lockheed Martin Corp	Supported

Carbon offset

Carbon offset projects undertaken in 2010 (pages 67 and 68) on behalf of The Co-operative achieved reductions in CO₂, whilst also delivering social benefits in developing countries:

- **Energy-efficient stoves** emit fewer airborne particles and require less fuel, thereby improving indoor air quality, and reducing spend on fuel when compared to standard stoves. It is estimated that over 230,000 people⁴¹ will, ultimately, benefit from the installation of energy-efficient stoves in Cambodia derived from 2010 offsetting activity.
- **Treadle pumps** in India help generate extra, year-round income for farmers. It is estimated that over 52,000⁴² people will, ultimately, benefit from the installation of treadle pumps derived from 2010 offsetting activity.
- **Reforestation** licensing agreements have enabled local communities to extract resources from the Kibale Forest National Park in Uganda at sustainable rates. In 2010, a further £10,000 was agreed to fund the installation of five new water sources to provide over 1,000 additional people with access to clean water.

Community involvement

The Co-operative has pledged to tackle global poverty across the family of businesses, and support⁴³ is being deployed via:

- development uplift projects, with a particular focus on water, sanitation and green energy projects in communities where the business already has an existing relationship⁴⁴;
- overseas co-operative development, a priority of The Co-operative Enterprise Hub (page 98); and
- campaigns, recognising that ethical consumerism and voluntary giving are only part of the solution to eradicating poverty.

Community investment

International development and human rights

Animal welfare

Diet and health



Ethical finance

Social inclusion

Inspiring young people

INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

Development uplift projects – water, sanitation and green energy

- **Malawi Fairtrade sugar producers** £285,000 is supporting 10,000 Fairtrade sugar producers and their communities in Malawi. Via Concern Universal, boreholes and latrines are being provided for use by over 1,000 households and two schools, and over 100,000 trees are being planted. The contribution is also funding an initial supply of low-cost, fuel-efficient cooking stoves, and providing support to develop a network to manufacture and sell the stoves.  By December 2010, 17 new boreholes had been constructed, 26 existing water points repaired, over 600 latrines installed, and over 50,000 trees planted.
- **Malawi Fairtrade tea workers** £255,000 is supporting 36,000 tea workers and their communities in villages surrounding the Satemwa tea estate in Malawi, which provides tea for The Co-operative's Fairtrade '99' tea blend. Via Oxfam, over 30 new or repaired boreholes and latrines are being provided in local schools, which previously had no access to sanitation facilities. The contribution will also fund the training of 40 local artisans to manufacture and sell low-cost, fuel-efficient cooking stoves to the communities.
- **Panama Fairtrade banana co-operative** £260,000 is supporting a Fairtrade banana co-operative, with whom The Co-operative Food began trading in 2009. Via TASTE, 4,500 members of the co-operative and their communities are being provided with improved access to water, sanitation and low-cost fuel-efficient cooking stoves, as well as support for capacity building.  By the end of 2010: around 80 water tanks had been installed; a public laundry built; construction of sanitation blocks was underway; and training on fuel-efficient cooking stoves had commenced.
- **Mozambique community development** £100,000 is supporting the provision of clean water, sanitation and renewable energy for 2,000 people in an area of Mozambique. The project is being delivered by Save the Children and Practical Action. By the end of 2010: four boreholes had been installed or repaired; 64 community household toilets and 16 school latrines had been built; and materials for a solar panels facility had been procured. Over 50 teachers and two school boards have been trained on health and hygiene and a new school module on health and hygiene developed for the school curriculum.
- **Togo sanitation project** £300,000 over three years has been pledged for a UNICEF project in Togo, which will deliver basic sanitation to 150,000 people through the provision of toilets, hand-washing facilities and hygiene education. In September 2010, The Co-operative Pharmacy raised an additional £100,000, extending the scope of the project to reach 390 villages and 195,000 people.
- **Malawi agroforestry** In July 2008, The Co-operative provided funding of £96,000 to support a project to improve access to food and wood for 3,000 poor and vulnerable households in 150 villages in southern Malawi⁴⁵. The project completed in June 2010.

Overseas co-operative development

- **Kenyan tea smallholder farmer co-operatives** £125,000⁴⁶ is being provided to support over 11,000 small-scale Kenyan tea growers to organise into co-operatives and achieve Fairtrade certification, thus becoming eligible to supply tea for The Co-operative's 99 Fairtrade tea blend. By the end of 2010,

two co-operatives had been formed and formally registered, whilst all the farmers had received co-operative training.

- **Funeral co-operatives in South Africa** £46,000 has been allocated to progress the development of funeral co-operatives in South Africa as a way to reduce funeral costs for poor families, and two potential locations for co-operatives have been identified.  The two pilot co-operatives are now being progressed, but are behind schedule.
- **Co-operative capacity building in Malawi** £15,500 was allocated to a project in partnership with the Co-operative College, to review the co-operative sector in Malawi. The proposals in the report will form the basis of an application to potential donors for a programme to support the co-operative sector in Malawi.
- **Fairtrade Towns** £44,500 has been allocated for an 18-month project to re-develop and promote a Fairtrade Towns pack and website. The packs will launch in the UK during Co-operatives Fortnight 2011.

Influence and action

Burma

The Co-operative has a history of activity relating to Burma. Whilst there are many oppressive regimes across the world, Burma presents a combination of circumstances that makes a compelling case for action. In line with the call from democratically elected representatives of the Burmese people, The Co-operative does not trade with Burma and The Co-operative Bank will not finance any organisation with a significant presence in Burma.

In 2010, The Co-operative support for Burma included:

- **The Burma Play** Support for seven performances of the Burma Play at venues across the country, including a performance for MPs in Westminster, supported by John Bercow, Speaker of the House of Commons.
- **This Prison Where I Live** The Co-operative Membership with Manchester Amnesty commemorated Human Rights Day with a screening of the film *This Prison Where I Live*.
- **Radios for Burma** A donation of £25,000 to support an Amnesty International campaign to provide radios for isolated Burmese communities.



Unfinished Business

The Co-operative is supporting a reinvigoration of the Third World debt campaign, a subject it successfully campaigned on over 10 years ago. Working with Jubilee Debt Campaign (JDC), it is calling for the remaining Third World debt owed to the UK to be cancelled, principally via reform of the Export Credits Guarantee Department, the UK Government department to which the vast majority of Third World debt is owed today. During 2010, The Co-operative responded to the Environmental Audit Committee inquiry 'the impact of UK overseas aid on environmental protection and climate change adaptation and mitigation'; co-signed a letter to the Secretary of State for the Department for Business Innovation and Skills (BIS), and supported Early Day Motion (EDM) 622 on the 'Export Credits Guarantee

Department'. In 2011, a website was launched⁴⁷ – with an interactive tool, which individuals can use to encourage their MPs to sign the EDM.

Following a campaign by JDC, in March 2011 the Debt Relief (Developing Countries) Act was made permanent, restricting the ability of 'Vulture Funds' to sue heavily indebted poor countries in UK courts. The Co-operative supported this development by co-signing a letter to George Osborne MP, and will assess opportunities for influencing further progress during 2011, in particular, the extension of the act to cover all UK overseas territories and dependencies.

The Groceries Supply Code of Practice Adjudicator

In August 2009, the Competition Commission published a new and extended Groceries Supply Code of Practice (GSCoP), and published a recommendation to BIS to establish an Ombudsman to oversee the operation of GSCoP. In February 2010, The Co-operative responded to a consultation on GSCoP, stating its view that an enforcement body should focus exclusively on the enforcement of the GSCoP code and be limited to receiving complaints from those direct suppliers in scope of the GSCoP remit and not from indirect suppliers or third-parties, and in July 2010 discussed the issues with the Consumer Affairs Minister. It is expected that a Bill to establish the GSCoP Adjudicator will be published in the 2012–2013 parliamentary session.

EU Fair Trade procurement

In July 2010, The Co-operative co-signed a letter to the Commissioner for Internal Market and Services at the European Commission. The letter outlined 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 Fair Trade movement has carried out on public procurement. The letter also proposed changes to the Guide in order to facilitate the introduction of social considerations in public procurement and, specifically, encourage Procurement Authorities to support Fair Trade.

Accompanying notes

- 1 www.dfid.gov.uk/About-DFID/Who-we-work-with/Co-operatives
- 2 The Millennium Development Goals, agreed by world leaders in 2000, provide a framework for the international community to work together on international development.
- 3 Co-operative support initiatives are made up of Fairtrade premium payments and additional contributions to Fairtrade suppliers; community investment monies for tackling global poverty; carbon offset payments to projects benefiting communities in the developing world; and payments from affinity products and services, such as Fairbourne Springs and Travel Foundation (page 28).
- 4 A conservative estimate. Individuals benefit from Fairtrade sales; community projects funded through sales of affinity products and services; carbon offset projects; water, sanitation and green energy projects, and overseas co-operative development projects.
- 5 Figures published 2008, www.fairtrade.org.uk
- 6 www.co-operative.coop/fairtrade
- 7 For the first time, Fairtrade sales and premium value represent sales for The Co-operative Food's enlarged business, including former Somerfield stores.
- 8 The figures for Fairtrade sales value and proportion of UK supermarket Fairtrade sales have been restated to include sales at former Somerfield and Plymouth, Lothian and Borders stores, from the time they became part of The Co-operative Group.
- 9 The value of Fairtrade premiums paid to producers in 2010 is estimated to be £3.6m. This does not include additional voluntary contributions to wine and chocolate producers.
- 10 Ibid footnote 6.
- 11 In total, over 350 wines were tasted.
- 12 The degree to which a supermarket 'overtrades' in a product category is determined by dividing its share of the retail market in that category – in this case Fairtrade products – by its share of the overall retail market and multiplying by 100. A supermarket with a value >100 is determined to overtrade in that product category. A supermarket with a value <100 is determined to undertrade in that product category.
- 13 The Co-operative was a founding member of the ETI – an alliance of companies, non-governmental organisations (NGOs) and trades unions that work together with the aim of improving working conditions in supply chains.
- 14 www.co-operative.coop/soundsourcingcode
- 15 The Co-operative Food is actively engaged in a number of Sedex working groups; for example,

- the Sedex Associate Auditor Group, which works to improve the quality of social audits.
- 16 Suppliers deemed to be 'in-scope' include all first tier sites and selected second tier sites in high risk countries. A first tier site is a production site at which goods are finished ready for supply to, or sale by, the end company. A second tier site is a production site that supplies goods or materials to a first tier site for incorporation into the finished product.
- 17 Sedex does not verify the quality of the information it holds; and so it is the responsibility of information users to undertake due diligence in order to ensure that reported data is accurate.
- 18 Figures as at end December 2010. Of the workers covered by the ethical trading programme, 42% work at sites located in developing countries.
- 19 Through Sedex, a risk profile is determined based on responses to supplier self-assessment, worker profile information, country of operation and sector. In addition, high-risk suppliers are further reviewed by appropriate employees in the Food business to check their risk status.
- 20 Classification of countries is based on the UN's Millennium Development Goals regional classification, with countries of the Commonwealth of Independent States (CIS) classified as developed.
- 21 Of the total 145 assessments undertaken, 44% were undertaken in developing countries; of the 810 improvement actions arising, 53% arose from sites in developing countries.
- 22 For example, 63%, 67%, 100% and 73% of the total non-conformances for the provisions of child labour, living wages, discrimination and harsh or inhumane treatment, respectively, occurred in developing countries.
- 23 The status of incomplete improvement actions from audits prior to 2009 is not included in the data as audits over two years old are not considered valid.
- 24 North America and Australasia are not included in this table as no site assessments were undertaken in these regions in 2010.
- 25 'Child' refers to any person under 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. www.ethicaltrade.org
- 26 In Italy these were migrant labour and health and safety, whilst in Thailand these were excessive working hours, migrant workers and effective communication between workers and management.
- 27 This followed positive feedback from suppliers in China from training sessions delivered with The Body Shop in 2009.
- 28 These included colleagues in buying, supply chain, product development, technical, customer services and labelling standards.
- 29 These are the requirements that suppliers should meet as a condition of trade, and include requirements on registration to Sedex, ethical audits and addressing improvement actions.
- 30 This information includes a process chart on meeting The Co-operative's ethical trade requirements, The Co-operative's Sound Sourcing Code of Conduct and information on what to expect from an ethical audit.
- 31 Workbooks allow sites to assess themselves against the Sound Sourcing Code of Conduct, identify areas of risk, consider improvement actions and pursue continuous improvement.
- 32 www.ethicalgrowers.org.uk
- 33 The categories are further defined as follows: 'commitment' (the company is a leader in the field of ethical trade); 'monitoring, independent verification and reporting' (produces comprehensive and credible reports on its supply chain); 'awareness-raising and training' (provides appropriate training to all involved in ethical trade and is improving awareness of suppliers and their workers); 'corrective actions' (has well-established systems for identifying and following up corrective actions to ensure improvements are being made); and 'management procedures, pricing and incentives' (has a well-established and systematic approach to ethical trading with clear responsibilities and incentives for staff and suppliers).
- 34 The outreach day clinics offer testing and counselling to people on how to prevent or treat HIV and AIDS.
- 35 An 8p and 15p donation is made respectively from the sale of each pack of One Soap and Toilet Tissue.
- 36 A UK charity that supports communities in holiday destinations worldwide by investing in sustainable tourism initiatives.
- 37 The number of donations of mobile phones decreased year on year between 2006 and 2009 due to competition from other schemes and changes to phone users' contract terms. In 2010, the number of donations increased thanks to the inclusion of mobile phone recycling bags, as inserts, in the dividend mail-out to trading members in June and November.
- 38 Separate AGMs are held for News Corporation (registered in Australia) and News Corp Limited (registered in the US). The resolutions were identical.
- 39 The resolution advocated the promotion of technology for evading unlawful surveillance, which may lead to a breach of national laws.
- 40 Insufficient public information available to assess this proposal.
- 41 The Co-operative's 2010 contributions to the energy-efficient stove project in Cambodia will ultimately realise 83,147 tonnes of CO₂ savings, based on CO₂ savings of 1.5 tonnes per stove, and the manufacture and use of 55,431 stoves. On average, each household has 1.2 stoves and consists of five people, meaning over 230,000 people are likely to benefit.
- 42 The Co-operative's 2010 contributions to the treadle pump project in India will ultimately realise 5,000 tonnes of CO₂ savings, based on CO₂ savings of 0.477 tonnes per treadle pump, and the manufacture and use of 10,482 pumps. On average, each household has one treadle pump and consists of five people, meaning over 52,000 people are likely to benefit.
- 43 £950,000 in 2009, £600,000 in 2010.
- 44 These solutions not only meet essential community needs and raise the standard of living for all, but without water access, women and children spend more time collecting water, reducing opportunities to get involved in economic activity or education. Similarly, without decent sanitation facilities, diarrhoea and ill health can do the same.
- 45 Satemwa Estates is located in the project area and provides tea for the 99 Fairtrade tea blend.
- 46 The contribution is match-funded by the Department for International Development's (DfID) Food Retail Industry Challenge (FRICH) Fund. FRICH is a fund launched by DfID to challenge the private sector to find ways of getting more food from Africa into UK supermarkets and other retail outlets, www.dfid.gov.uk/Working-with-DFID/Funding-opportunities/Business/FRICH/
- 47 www.co-operative.coop/unfinishedbusiness

Community investment
International development and human rights
Animal welfare
Diet and health
Ethical finance
Social inclusion
Inspiring young people