



SOCIAL RESPONSIBILITY

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(Pictured) **Mieke Kommers,**
Mobile Toy Librarian, Play Montgomeryshire

Play Montgomeryshire is one of the community groups to have benefited from a grant from The Co-operative Membership Community Fund (page 20). It is a charity dedicated to organising play schemes and leisure activities for children and young people in North Powys.

COMMUNITY INVESTMENT

Background



The majority of large businesses now recognise community investment as part of their overall approach to social responsibility. For some, community investment is characterised by philanthropic giving with the expectation of little return, whilst others design programmes to attain commercial advantage or support their social licence to operate. It remains to be seen how the impacts of the recession will affect the long-term strategic contributions of UK businesses.


Materiality and strategy

The Co-operative approach to business is guided by co-operative values and principles, and includes ‘concern for community’. With a presence in every UK postal area and overseas links, community impact is extensive and supported by a relatively generous investment programme. Furthermore, ‘keeping communities thriving’ is a major priority in the Ethical Operating Plan (page 13).

Targets 2010	Progress	Targets 2011
Indicator: Community contributions: percentage pre-tax profit (Performance benchmark page 18)		
Provide financial support, through The Co-operative Membership Community Fund, to a minimum of 1,000 community groups across the UK, totalling at least £850,000 during 2010.	✓ During 2010, 1,691 awards were made to community groups, totalling £1.7m (page 20).	Provide financial support through The Co-operative Membership Community Fund to a minimum of 1,500 community groups across the UK, totalling at least £1.5m during 2011.
Identify four charity partners for The Co-operative Foundation; one each in Manchester, Glasgow, Bristol and London, which can fulfil the aims and objectives of the Truth about Youth programme.	✓ The final four partners for the Truth about Youth programme were selected in April 2010 (page 19).	Develop a new three-year (2012–14) grant-making strategy for The Co-operative Foundation’s Truth about Youth programme.
Assess community investment impacts across a minimum of three major community programmes.	✓ Impact assessment for three major community programmes has been completed: The Co-operative Streetgames Young Volunteers (page 57), development uplift projects (page 30) and carbon offset projects (pages 67 and 68).	
		EOP Ensure that 10% of the profits available for distribution is made available for community investment by 2013, with £5m deployed per annum to tackle UK poverty around stores and branches.
		EOP Stores and branches to act as a focus for 10,000 community initiatives per annum.
Indicator: Employee time: days contributed (Performance benchmark page 19)		
Indicator: Leverage		
		With staff and members, raise £5m for 2011 Charity of the Year, Mencap.

Community contributions

In 2010, community contributions totalled £12.4m¹ (2009: £12.5m ) , which equates to 4% (2009: 4% ) of pre-tax profit². The 10 largest community contributions made in 2010 comprise 38% of all contributions³ (page 8). From 2010, reporting encompasses the full extent of community investment, including support for the Co-operative Movement which in 2010 amounted to £1.3m (2009: £1.2m). Investment in the Co-operative Movement includes: donations to The Co-operative Loan Fund (page 99); The Co-operative Enterprise Hub (page 98); support for the credit union movement (page 51); and outreach activities, such as film screenings that support campaigning activity.

A new methodology is being trialled to assess community investment impacts with a view to demonstrating the value of community programmes to the business and to external stakeholders.  The Co-operative StreetGames Young Volunteers has been assessed (page 57), and two international development programmes – development uplift (water, sanitation and green energy, page 30) and carbon offset (pages 67 and 68) – underwent impact measurement in 2011.

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COMMUNITY INVESTMENT

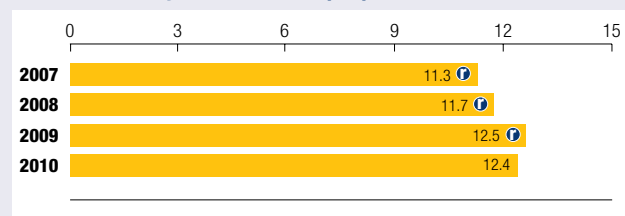
Community investment 2010

£12.4m invested in the community in 2010
2009: **£12.5m**

Performance benchmark

The Co-operative contributed 4%⁴ of pre-tax profits to the community in 2010. By comparison, on average less than 1% of pre-tax profit was contributed to the community by member companies of the London Benchmarking Group (LBG) over the period 2006–2009⁵.

Total community contributions (£m)



Breakdown of community contributions⁶ (£m)

	2007	2008	2009	2010
Cash	9.2	8.8	9.9	10.4
Employee time	1.5	1.6	1.7	1.3
Gifts in kind	0.2	0.2	0.5	0.2
Management costs	0.4	1.1	0.4	0.5
Total	11.3	11.7	12.5	12.4

In 2010, cash contributions continued to grow; however, there was a decrease in staff time and gifts in kind as this was a fallow year for the biennial Charity of the Year programme.

Contributions can be classified by their underlying motivation⁷. In 2010:

- 62% of community contributions were classified as 'community investment' (long-term strategic involvement in community partnerships to address social issues);
- 27% were classified as 'commercial initiatives in the community' (community activities that directly support the success of the business and promote its brand); and
- 11% were classified as 'charitable gifts' (support for charitable and community organisations in response to needs and appeals).

Community contributions and impacts: top 10 contributions in 2010

Project/programme	Ethical Operating Plan priority	Contribution ⁸	Impact
The Co-operative Foundation (page 19)	Inspiring young people	£1,050,004 ⁹	Truth about Youth partnerships have been established with seven charities, to challenge and change negative perceptions of young people.
Green Schools (page 57)	Inspiring young people	£540,000	In 2010, more than 128,000 young people learned how to live more sustainably, for example, via initiatives such as Walking Buses, which were established in 82 schools.
Support for Co-operative Schools (page 56)	Inspiring young people	£453,000	Over 100 Co-operative Trust schools were established by end of 2010, and support is provided to a schools network, 10 Business and Enterprise Colleges, and two Co-operative Academies.
Cambodia stoves – carbon offset project (page 67)	Protecting the environment	£440,000	In 2010, 55,400 stoves were funded, which will avoid emissions of 83,100 tonnes of CO ₂ over four years, benefiting an estimated 230,000 people by reducing fuel costs and pollution.
The Britannia Foundation (page 21)	Inspiring young people	£406,000	61 awards made to support educational charities, with a particular focus on numeracy and financial literacy.
RSPB affinity credit cards (page 87)	Protecting the environment	£398,000	Monies raised for UK wetlands; in 2010 enough to manage nearly 2,000 hectares of reedbed for one year.
Support for Consumer Credit Counselling Service	Ethical finance	£376,000	Contribution via 'fairshare' payments to charities offering debt advice and solutions to Co-operative customers.
The Co-operative StreetGames Young Volunteers programme (page 57)	Inspiring young people	£334,000	In 2010, 31,215 young people participated in sports activities run or assisted by Co-operative StreetGames Young Volunteers.
Plan Bee Campaign (page 86)	Protecting the environment	£310,000	Over 600,000 packets of wildflower seeds were distributed in 2010 to help provide nutrition for bees; urban beekeeper training workshops held will result in around 300 new beekeepers by the end of 2011.
The Co-operative British Youth Film Academy (page 58)	Inspiring young people	£265,000	In 2010, 10,168 young people benefited from the programme, which gives young people experience of working on a film set with professional filmmakers.

Employee time

During 2010, 8,435 employees registered that they had taken part in community activities during work time, contributing the equivalent of 94,289 hours or 12,571 days. This equates to a donation of time worth £1.3m (2009: £1.7m).

Employees involved in community activity				
	2007	2008	2009	2010 ¹⁰
Number of employees involved in community activity in work time	9,898	8,612	10,240	8,436
Number of days invested in community activity in work time	15,864	18,607	18,244	12,571
Value of staff time (£m)	1.5	1.6	1.7	1.3

Performance benchmark

Employee time invested in community activity is three times that of the average LBG member organisation (average 4,073 days) invested in 2009¹¹.

The Volunteer Programme allows staff to support their local communities through opportunities such as mentoring homeless people back into employment or becoming school governors. CFS' Skills4Schools programme (page 52), which helps school children improve their numeracy, financial literacy and employability skills, is delivered entirely by staff volunteers. As well as individual volunteering, teams of employees are encouraged to volunteer. In 2010, 116 team challenges took place across the UK. One-off support is also offered for fundraising appeals via The Co-operative Booster Fund, which supplements colleagues' fundraising activities.

CFS employees take part in a team challenge to provide social activities for elderly people in a care home.



Gifts in kind

In 2010, in-kind community contributions (products, equipment, facilities or other non-cash items) totalled £201,000. The use of premises for events, and donations of Fairtrade products, also contributed to this total. Variation in year-on-year performance can be largely attributed to biennial Charity of the Year fundraising support.

The Co-operative Foundation



To date, £13.7m¹² has been donated to The Co-operative Foundation¹³, an independent charitable trust established in 2000. The Truth about Youth grant-making scheme is now the primary focus of The Co-operative Foundation, and aims to challenge and change negative perceptions of young people. In April 2010, the Trustees made the final four of seven awards to charity partners in each democratic region.

Grants of £280,000 are provided to each of the following charities over two years: Envision in Birmingham; Platform 51 (formerly YWCA) in Cardiff; Regional Youth Work Unit in Tyne and Wear; Prince's Trust in Bristol; Young Scot in Glasgow; Oval House in London; and the Royal Exchange Theatre in Manchester.

A total of £2m has been committed to the programme, and a longer-term strategy will be developed during the course of 2011.

Truth about Youth

The North West Truth about Youth programme will enable young people to create cross-generational projects that explore society's attitudes to youth. In a programme of mentoring and training with Manchester's Royal Exchange

Theatre staff, young people will develop the practical skills required to lead arts projects or manage a venue. The programme will culminate in a two-week festival in 2012, organised by the young people involved.



Young people from the Royal Exchange Theatre's Manchester programme interview the Chair of The Co-operative Foundation Trustees, Maria Cearns.

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COMMUNITY INVESTMENT

Leverage

In addition to community investment made directly, The Co-operative also operates a number of programmes that facilitate charitable giving by customers, employees and members. The most significant of these are The Co-operative Charity of the Year and The Co-operative Membership Community Fund. Other key contributions to leverage include:

- sales of Fairtrade products generating premiums for investment in social, environmental or economic development projects totalling an estimated £3.6m in 2010 (page 24);
- sales of The Co-operative Fairbourne Springs water which incorporates a customer donation of 3p per bottle to the One Foundation, amounting to £1.1m in 2010 (page 79);
- in-store sales of Gold Heart badges for the Variety Club, supported by celebrity Alesha Dixon, which raised £883,000 in 2010;
- support for the Travel Foundation by The Co-operative Travel customers, which contributed £253,000 (page 28) in 2010; and
- payroll giving, which contributed £106,000 in 2010 (2009: £108,000).



Leverage				
	2007	2008	2009	2010 ¹⁴
Leverage contributions (£m)	4.3	2.8	8.3	8.8

Leverage in 2010 is higher than in previous years, due to the inclusion of Fairtrade premiums in reported contributions for the first time. Biennial Charity of the Year fundraising was undertaken in 2007 and 2009. Since 2008, contributions to The Co-operative Membership Community Fund have increased by 30%. Variety Club Gold Hearts were introduced for sale in branches during 2010.

The Co-operative Charity of the Year

Between July and August 2010, staff and members cast 42,415 votes – double those cast in the previous vote – to elect Mencap The Co-operative Charity of the Year 2011.



The money raised by the 2011 partnership will enable Mencap and its sister charity, ENABLE Scotland, to launch a new project 'Inspire Me', which aims to support 20,000 young people with a learning disability. The project will provide participants with access to activities and training that will build confidence and life skills, together with volunteering and employment opportunities. A fundraising target of £5m has been established, a significant increase on the £3.7m raised for RNID in 2009 and £2.2m raised for The Children's Society in 2007.

Charity of the Year fundraising began in November 2010 with The Co-operative Santa Dash. More than 800 'Santas' ran, jogged or walked 5km in support of Mencap.



Community groups supported 2010

1,691

groups supported by The Co-operative Membership Community Fund
2009: **938**

The Co-operative Membership Community Fund

The Co-operative Membership Community Fund¹⁵ supports community, voluntary and self-help organisations with small grants of between £100 and £2,000. The Fund is supported by members who donate some, or all, of their twice-yearly share of profits. There was growth in both the awards made last year, as well as the amount donated (page 94), with £1.7m awarded to 1,691 community groups. This increase followed the online application process becoming fully operational in 2010, and promotion of the scheme to former Somerfield and Britannia customers.

Decision-making on grant applications is undertaken by The Co-operative's 48 area committees. Awards are made to organisations or projects that carry out positive work in the community, and meet all, or most, of the following criteria: addresses a community issue, provides a long-term benefit to the community, supports co-operative values and principles, and is innovative in its approach.

During 2011, a new marketing strategy will be developed that will aim to support committees to increase Community Fund applications, particularly from areas where a lower proportion of applications are received.

Community Fund requests and awards

	2007	2008	2009	2010
Number of requests	4,467	2,614	2,198	4,453
Number of awards	2,270	1,515	938 ¹⁶	1,691
Total dispersed (£m)	1.0	1.3	1.0	1.7
Average award (£)	467	843	1,075	1,029

Springfield Community Flat in South London

The Co-operative Membership Community Fund is supporting people at the Springfield Community Flat in South London, and has awarded a grant of £1,954 to its Hobby Electronic Club. The club enables local children to learn basic electronics skills, through designing and building gadgets such as radios and metal detectors from recyclable electronic equipment.

John Hepple, who runs the club said: *"It is great to see how enthusiastic the young people are about the club. Not only are they learning new skills around electronics, they are also learning how to work together and other transferable skills which will be useful no matter what they decide to do."*



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The Britannia Foundation and Community Fund

In 2010, the Britannia Foundation¹⁷ was supported with a donation of £500,000. The Foundation offers grants of between £1,000 and £25,000 to schools and registered charities working within education, with a particular focus on supporting numeracy and financial literacy. In 2010, 61 awards were made, totalling £405,677. The Britannia Community Fund also supports schools and educational charities, awarding smaller grants (up to £1,000) to 294 groups totalling £51,697 in 2010.

Charity credit cards

During 2010, The Co-operative Bank issued credit cards for 15 national charities or non-governmental organisations. Affinity partners receive a donation from the bank for each new card and a margin on the use of the card thereafter. During 2010, partners received a total of £1.3m (2009: £1.3m).



Accompanying notes

- The Co-operative measures the majority of its community contributions using the London Benchmarking Group (LBG) model, which in 2010 totalled £11.1m (2009: £11.3m). The LBG undertakes a detailed assessment of 75% of The Co-operative community contributions and verifies that they have been prepared in accordance with LBG guidelines. Additionally, The Co-operative invests in communities via support for the Co-operative Movement, which is not captured in the LBG model.
- Of this, £3.3m was attributable to CFS, 2.9% of CFS' pre-tax profit.
- Total contributions in 2010, excluding management costs, were £11.9m.
- Contributions for LBG verified community investment amounts to 3.6% of pre-tax profits.
- London Benchmarking Group (LBG), Annual Review 2010. Data refers to the 121 member companies of LBG who report their community investment contributions using the LBG model.
- All 2010 contributions include support for the Co-operative Movement. Historic cash and management cost contributions include support for the Co-operative Movement; however, historic data relating to time and gifts in kind invested in the Co-operative Movement is not available. It is anticipated that this addition would not significantly impact on previous performance.
- In line with classifications set out in the LBG model.
- Contributions include cash, value of staff time and in-kind donations.
- Represents all contributions made to the Foundation. £1.0m was disbursed by the Foundation in 2010.
- 2010 data includes support for the Co-operative Movement. Historic data is not available.
- Based on 2009 performance data supplied in the London Benchmarking Group (LBG) Annual Review 2010.
- Of this, £9.6m has been invested in endowment funds that generate income for future disbursement, and £4.1m of which has been made available for distribution. £93,313 has been earned in interest in 2010.
- The Co-operative Foundation is a trading name of The Co-operative Charitable Foundation, a registered charity, which is governed by an independent Board of Trustees.
- Includes support for the Co-operative Movement and Fairtrade premiums. Historic data for these areas of investment is not available.
- The Community Fund is a trading name of The Co-operative Community Investment Foundation, a registered charity, which is governed by a Board of Trustees.
- The reduction in awards made and total awarded in 2009 can be attributed to the closure of the scheme between January and May, to enable a new online application form to be introduced.
- The Britannia Foundation is an independent registered charity, which is governed by a Board of Trustees.

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.

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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.

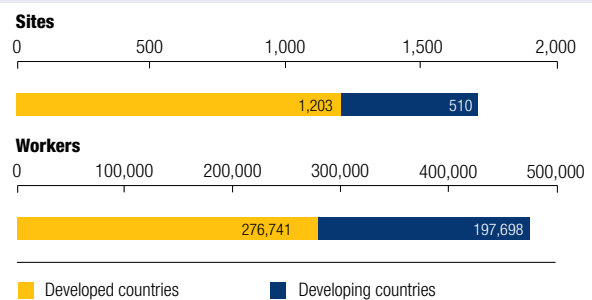
Own-brand suppliers¹⁶ are asked to register on Sedex and complete a self-assessment as a condition of trade. The Co-operative Food will only accept site assessments conducted by approved third-party auditors and undertaken to a recognised, robust format, and undertakes further due diligence tests by 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 [\[link\]](#).

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Social inclusion

Inspiring young people

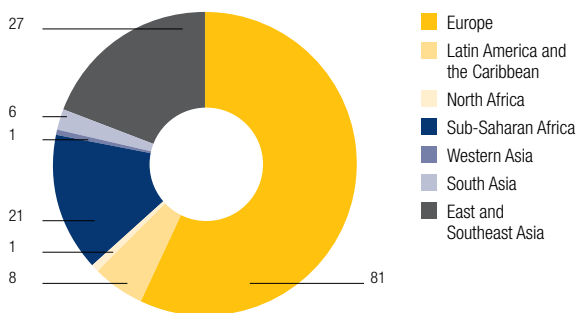
INTERNATIONAL DEVELOPMENT AND HUMAN RIGHTS

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.

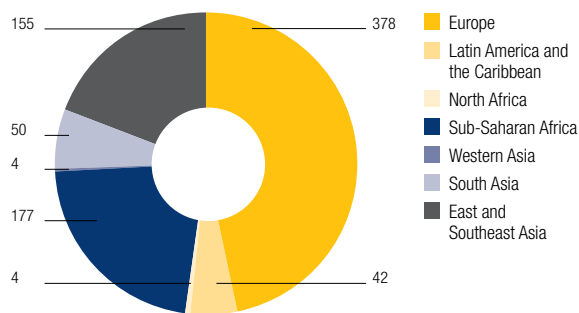
Location of site assessments and improvement actions by region²⁴

Number of site assessments



Total: 145

Improvement actions identified



Total: 810

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.

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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.

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

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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

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ANIMAL WELFARE

Background




Over 800 million broiler chickens¹ and 9.4 million pigs² are reared in the UK every year and there are around 34 million hens involved in egg production³. To meet this level of production, most modern farms operate intensive systems. A growing number of people are concerned about such production methods and seek to support products that guarantee higher standards of animal welfare.

Testing of cosmetic products or ingredients on animals ended in the UK in 1998. In the European Union, the Seventh Amendment of the Cosmetics Directive banned animal testing of cosmetic products and ingredients from 2009, and introduced a marketing ban on the sale and import of virtually all cosmetics tested on animals. However, the practice continues elsewhere in the world, and the sale of animal-tested products in the UK will not be fully phased out until 2013.

Materiality and strategy

As a major food retailer, The Co-operative has a significant impact on animal welfare standards through the products it sells. In the Food Ethical Policy consultation, animal welfare was identified as the second most important ethical issue for members. Animal welfare is a major part of the Ethical Operating Plan (page 13), and customer-mandated ethical policies for the banking and investments business both identify animal testing, the fur trade, intensive farming and blood sports as issues of concern.

Around 850 own-brand fresh, and 80 own-brand frozen⁴, meat and poultry lines are sold in Food stores. The Co-operative seeks to improve baseline production standards for the most intensively farmed animals – such as pigs and poultry – through the development of its own-brand Elmwood higher welfare range and sales of RSPCA welfare standard Freedom Foods. The acquisition of Somerfield has brought higher welfare products to a wider customer base; for example, prior to 2009, free-range eggs were not widely available across former Somerfield stores.

Targets 2010	Progress	Targets 2011
Indicator: Standards and assurance of food production		
		Ensure primary own-brand suppliers install CCTV in abattoirs during 2011.
Indicator: Range and sales of products from animals reared to higher welfare standards (Performance recognition page 33)		
Further extend the range of chicken products accredited to Elmwood standards.	 Standards extended to cooked 'ready to eat' chicken products (page 34).	EOP Continue to ensure that shoppers operating on a variety of budgets have the opportunity to support higher baseline animal welfare standards, and that all shell eggs and egg ingredients in own-brand products are at least free-range.
Extend the range of turkey products accredited to the Elmwood standard.	 Standards extended to all non-seasonal fresh and frozen products, eg turkey fillets (page 34).	
Implement Elmwood standards across own-brand fresh and frozen pork and sausage ranges.	 Standards developed during 2010 and launched in April 2011 (page 35).	EOP Extend higher baseline standards, Elmwood, from chicken and turkey to pork in 2011.
		EOP Improve the animal welfare standards for dairy cows, together with environmental impacts, by developing a dedicated supply chain for milk.
Indicator: Sales of accredited toiletry and household products		
		EOP Continue to take a lead on the issue of animal testing of cosmetic and household products.

Social responsibility

Ecological sustainability

Delivering value

Assurance

Performance recognition

In 2010, The Co-operative received the RSPCA's 'People's Choice Supermarket Award' for the second year running, as voted for by the UK general public.



Standards and assurance of food production



In the main, basic animal welfare is assured via farm assurance standards⁵, which are sometimes signified by a Red Tractor Mark or Quality Standard Mark⁶.

The Co-operative has developed additional standards in relation to live animal transport and slaughter, which apply to all own-brand products. Livestock can only be transported for a maximum of six hours – thought to be the lowest maximum transportation time allowed by any major national food retailer. All livestock reared for own-brand products must be pre-stunned prior to slaughter, in accordance with the Humane Slaughter Association species codes of practice. During 2011, primary own-brand suppliers will be required to install CCTV in all abattoirs.

Independent third-party auditors are used to check compliance with the requirements of various industry-led standards⁷. The Co-operative Technical Team undertakes additional meat and poultry inspections – some 158 in 2010 (2009: 151). Although these focus primarily on product quality, safety and legality, where appropriate, animal welfare matters are considered. In addition, a further 33 farm visits were undertaken in 2010 specifically to cover animal welfare matters (2009: 23). The online database that records key animal welfare indicators, currently in place on Elmwood chicken supplier farms, will be extended to Elmwood turkey and pig supplier farms in 2011.

Increase in Elmwood and Freedom Food sales

157% increase in sales of Elmwood and Freedom Food higher welfare products since 2008

Range and sales of products from animals reared to higher welfare standards

In 2010, sales of higher welfare products totalled £204m, with 235 lines available in Food stores⁸. Support for higher welfare is predominantly provided through own-brand Elmwood standards and RSPCA Freedom Food accreditation. In 2010, sales of Elmwood products were almost double that of the previous year, and Freedom Food sales continued to grow. Growth was driven by the introduction of higher welfare standard products across former Somerfield stores. The number of Freedom Food products available decreased in 2010, due to range consolidation and a greater focus on the Elmwood range. Free-range, organic production and traditional breed production are also supported.

Higher welfare standards are detailed online, along with further explanations of individual product requirements.

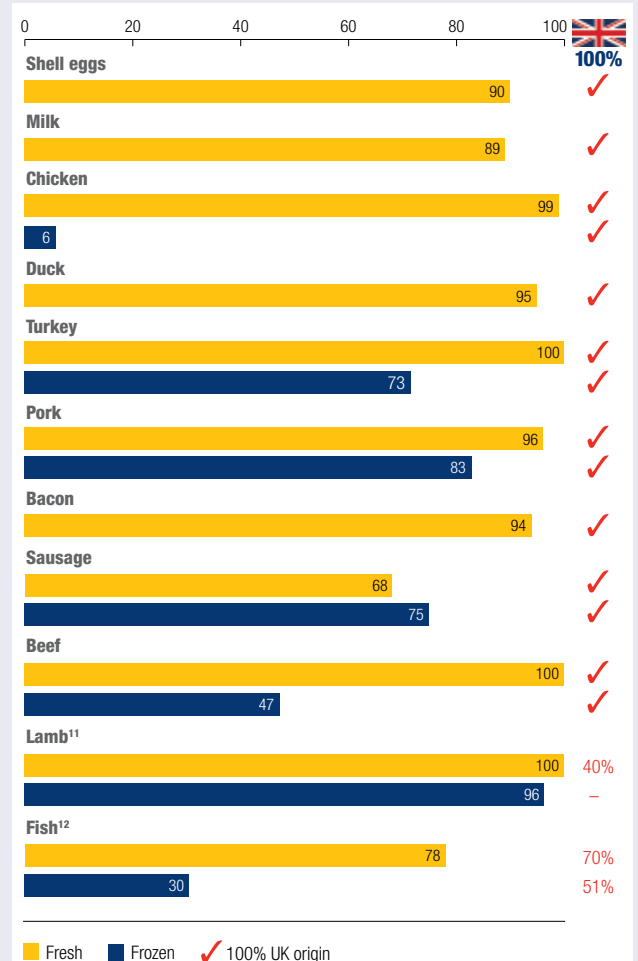
Elmwood sales

	Number of lines	Total sales (£m)
2008	66	38
2009	108	57
2010	140	111

Freedom Food sales

	Number of lines	Total sales ⁹ (£m)
2006	49	17
2007	90	28
2008	109	51
2009	107	54
2010	73	63

Own-brand sales 2010, as a proportion of total sales¹⁰ (%)



Community investment

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Animal welfare

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ANIMAL WELFARE

UK sourced 2010

100%

shell eggs, milk, fresh and frozen poultry, beef and pig meat sourced from the UK

Eggs and milk production

Since 2008, all shell eggs sold have been free-range, and all own-brand eggs are either Freedom Food (c.90%) or organic (c.10%) accredited. Freedom Food accreditation stipulates lower outdoor stocking densities than conventional free-range outdoor standards. Organic standards offer enhanced animal welfare provision, including the prohibition of mutilations, such as beak trimming. Free-range eggs are used as ingredients in all own-brand product lines (eg quiche).

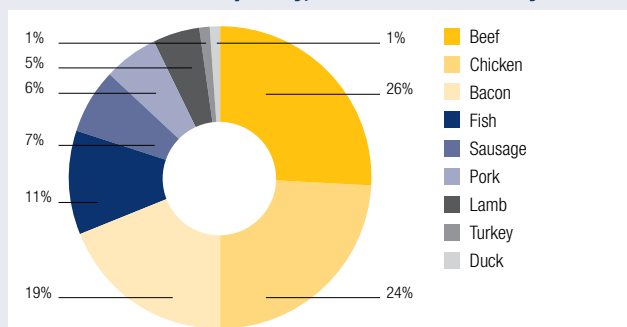


Virtually all (97%) own-brand fresh milk sold in 2010 was assured under the National Dairy Farm Assured Scheme, and is produced by dairy cattle with access to outdoor pasture. The remainder was certified as organic by the Soil Association.

In 2011, a dedicated dairy supply chain will be introduced that will stipulate basic animal welfare standards for dairy cows. Supplier farms will be required to monitor and report on key welfare indicators (eg lameness and mastitis), which will be used to identify where improvements are needed to meet agreed welfare standards.

Poultry, meat and fish production

Total own-brand fresh poultry, meat and fish sales by value



Poultry

All *standard*, own-brand fresh and frozen chicken (whole and portions) continues to be produced to Elmwood standards. Elmwood chicken and turkey standards (introduced in 2007 and 2009 respectively) exceed conventional farm assurance standards, by stipulating lower stocking densities, environmental enrichment and that birds are fed a high cereal vegetarian diet. They also stipulate, unlike RSPCA welfare standards, that birds are provided with natural light.

All *premium* fresh chicken (whole and pieces) is Freedom Food free-range accredited; and sourced from birds with daytime access to range outdoors for at least half their lifetime and a higher minimum slaughter age than conventional standards.

During 2010, the range of prepared products accredited to Elmwood standards was further extended to include cooked 'ready to eat' chicken. Approximately 25% of all prepared chicken, such as cooked meats and 'ready to eat' or 'food to go' products, is now produced using birds reared to Elmwood standards.

All own-brand fresh and frozen whole turkey and turkey crowns continue to be produced to Elmwood standards. During 2010, Elmwood turkey standards were extended to include all non-seasonal fresh and frozen products, eg turkey fillets, steaks and pieces.

As of 2011, 220 farms (2010: 151) were adapted to meet Elmwood poultry production standards.

All fresh duck continues to be Freedom Food accredited, which stipulates that ducks be given access to open water sources that provide the opportunity to engage in natural behaviours, such as preening and the reconditioning of feathers.

Premium-range fresh turkey products

At Christmas 2010, premium-range fresh turkey products were sourced from free-range traditional Bronze breed turkeys, reared on The Co-operative's Stoughton Estate farm, where the birds had access to open pasture

to forage. Free-range turkey standards stipulate stocking densities of approximately half those of conventional standards, a higher minimum slaughter age and environmental enrichment.



Own-brand poultry sales (%)

	2007	2008	2009	2010
Fresh chicken				
Base-level Farm Assurance Standard	90	11	-	-
Elmwood Farm Assurance	7	85	94	95
Freedom Food free-range	2	3	6	5
Organic	1	1	-	-
Fresh turkey				
Base-level Farm Assurance Standard	37	57	72	-
Elmwood Farm Assurance	-	-	27	99
Freedom Food free-range	63	-	-	-
Free range	-	43	1	1

Own-brand poultry sales (%) (cont)				
	2007	2008	2009	2010
Fresh duck				
Freedom Food	100	100	100	100
Frozen chicken				
Base-level Farm Assurance Standard	–	95	–	–
Elmwood Farm Assurance	–	5	100	100
Frozen turkey				
Base-level Farm Assurance Standard	–	100	13	–
Elmwood Farm Assurance	–	–	80	98
Free-range	–	–	7	2

Pig meat



Ingredients for all fresh *premium* pig meat products are sourced from Freedom Food accredited, outdoor-reared, traditional Hampshire breed pigs. RSPCA welfare standards exceed conventional farm assurance standards and stipulate a higher minimum weaning age and higher minimum housing requirements.

🎯 In April 2011, Elmwood pig meat standards were introduced for fresh pork and sausages. These standards exceed conventional farm assurance standards, and are comparable in most respects to RSPCA welfare standards¹³. Working with suppliers, The Co-operative Food aims to develop Elmwood standards further and remove use of farrowing crates for indoor-reared pigs.

Beef

All own-brand fresh and frozen beef is assured to conventional farm assurance standards. It is either reared outdoors on grass pasture, with shelter provided for the animals during winter and inclement weather, or reared outdoors on grass pasture during summer and then in open-sided barns on silage during the winter. Ingredients for all fresh premium products are sourced from traditional Scottish Aberdeen Angus breed cattle.

Lamb



Own-brand fresh lamb is sourced on a seasonal basis to Assured British Meat and New Zealand Farm Assurance scheme standards. All fresh lamb is reared outdoors

on grass pasture, with the animals given shelter during the winter and inclement weather. Ingredients for all fresh premium-range products¹⁴ are sourced from Freedom Food lamb, reared in hefted flocks¹⁵. RSPCA welfare standards prohibit castration if the animals are intended for slaughter below the age of sexual maturity.

Own-brand meat sales (%)				
	2007	2008	2009	2010
Fresh pork				
Base-level Farm Assurance Standard	92	94	93	93
Freedom Food	8	6	7 (OR)	7 (OR)
Fresh bacon				
Base-level Farm Assurance Standard	92	92	95	95
Freedom Food	8	8	5 (OR)	5 (OR)
Fresh sausage				
Base-level Farm Assurance Standard	67	59	56	58
Freedom Food	33	41	44 (OR)	42 (OR)
Fresh beef				
Base-level Farm Assurance Standard	100	100	100	100
Fresh lamb				
Base-level Farm Assurance Standard	100	98	95	99
Freedom Food	–	2	5	1
Frozen pork				
Base-level Farm Assurance Standard	–	100	100	100
Frozen sausage				
Base-level Farm Assurance Standard	–	90	98	100
Freedom Food	–	10	2	–
Frozen beef				
Base-level Farm Assurance Standard	–	100	100	100
Frozen lamb				
Base-level Farm Assurance Standard	–	100	100	100

OR = Outdoor reared

Fish

All premium-range fresh farmed salmon products are Freedom Food accredited. The Co-operative Food's Responsible Fish Sourcing Policy (page 82) stipulates that all farmed fish must be stunned using an approved method prior to slaughter.

Own-brand fish sales (%)		
	2009	2010
Fresh fish		
Base-level Farm Assurance Standard	59	53
Farmed Freedom Food (salmon)	4	2
Farmed organic (trout)	<1	<1
Wild caught	37	45
Frozen fish		
Base-level Farm Assurance Standard	7	8
Farmed Freedom Food (salmon)	8	1
Wild caught	83	91

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ANIMAL WELFARE

Total sales of products not tested on animals 2010

£26.9m BUAV-accredited toiletries and household product sales. 2009: **£18.2m**

Sales of accredited toiletry and household products

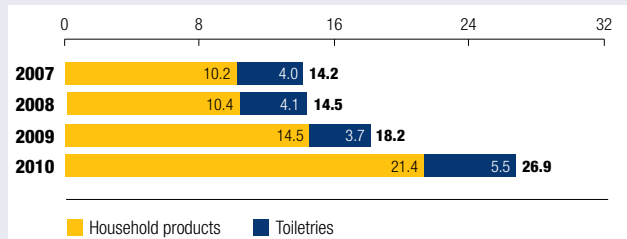


No own-brand toiletry or household products, or their ingredients, have been tested on animals since 1985 or 1997 respectively. All such own-brand products continue to carry the British Union for the Abolition of Vivisection's (BUAV) 'rabbit and stars' logo, providing consumers with independent assurance that products

have not been tested on animals. The near doubling in sales over two years of BUAV-accredited products is largely due to wider availability of own-brand products in Somerfield stores.

BUAV conducts audits every three years to ensure continued conformance with both standards; the most recent audits were carried out in April 2011.

Sales of BUAV-accredited products (£m)



Ethical finance

Bank screening of finance

During 2010, 69 finance opportunities (2009: 63) were referred to the Ethical Policy Unit in connection with animal welfare, of which six were declined (2009: four) at a cost of £168,000 in terms of estimated income foregone in 2010.

Animal welfare-related business declines 2010

	Estimated income foregone 2010
Pet retailer £3.3m lending for a business involved in the sale of pet dogs. Business failed to adequately respond to evidence of systematic failures of breeding suppliers to maintain basic animal welfare standards.	£130,000
Cosmetics manufacturer (two instances) £1.6m lending and banking facilities for businesses involved in the production of cosmetics that did not have a fixed cut-off date for animal-testing of products or ingredients.	£21,000
Abattoir £325,000 lending to an abattoir involved in the slaughter and supply of lamb. Animals were not stunned prior to slaughter.	£13,000

Animal welfare-related business declines 2010 (cont)

Food producer (two instances) Deposit-taking facilities for businesses involved in the intensive, indoor production of poultry and eggs.	£4,000
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The Co-operative Asset Management (TCAM) overseas shareholder resolutions

In 2010, TCAM was presented with 10 overseas shareholder resolutions relating to animal welfare, of which all were supported.

Company	Resolution	Vote registered
McDonald's Corp; Smithfield Foods Inc; Wal-Mart Stores; Wendy's/Arby's Group Inc; Safeway Inc	To ensure all poultry purchased is slaughtered using controlled atmosphere killing, considered a less cruel method of slaughter.	Supported
Bristol-Myers Squibb	To report on animal experiments conducted and efforts towards reducing and replacing animal experimentation.	Supported
Coach Inc	To cease the sale of animal fur products.	Supported
Hormel Foods Corp	To phase out use of gestation crates for pigs and implement animal welfare audits.	Supported
McDonald's Corp	To switch 5% of US egg purchases to 'cage-free' eggs by January 2011.	Supported
Tyson Foods Inc	To adopt a policy to phase out routine use of antibiotics in pig farming in its own operations and supply chain.	Supported

Accompanying notes

- www.ciwf.org.uk/includes/documents/cm_docs/2010/factsheet_meat_chickens.pdf (CIWF factsheet Meat Chickens March 10)
- Defra (2010) United Kingdom Slaughter Statistics www.defra.gov.uk/statistics/foodfarm/food/slaughter/
- www.rspca.org.uk/allaboutanimals/farm/poultry/layinghens/farming. According to the RSPCA, 50% of egg-laying hens are reared in caged systems. The proportion of hens reared in these systems has been decreasing over the last 10 years.
- Fresh and frozen meat and poultry is defined as meat and poultry that has been maintained in a chilled environment in its raw condition and which will require full cooking. Products classified as fresh and frozen meat and poultry include beef, lamb and pork joints; steaks, chops, mince, burgers, sausages, bacon and gammon; whole chickens, turkeys and ducks; and chicken, turkey and duck steaks, fillets and portions.
- Compliance with UK farm assurance standards, or national equivalents, is assured for all own-brand fresh and frozen meat and poultry products. Outside the UK, suppliers are required to ensure, through independent third-party audits, that non-UK producers apply equivalent standards.
- Quality Standard Marks are specifically applied to beef, lamb and pork products.
- Compliance with UK farm assurance standards or national equivalents was assured for all own-brand UK-sourced fresh shell eggs, milk, turkey, duck, beef, lamb, chicken, pork, pig meat for sausage and bacon, and farmed salmon and trout. Whilst compliance with farm assurance standards is similarly stipulated for other meat and poultry products (eg, non-UK cooked meals), and products that contain meat or poultry ingredients (eg, ready meals), evidence of application is much more difficult to secure.
- Includes sales of Elmwood, RSPCA Freedom Food, organic, free-range and traditional breed products. Details of these welfare standards are provided throughout the chapter with further information available online [↗](#). Figures include sales of prepared and 'ready to go' products.
- Egg sales account for approximately half of all Freedom Food sales (2010: 50%; 2009: 53%; 2008: 55%; 2007: 51%).
- Historical data with regard to country of origin of Co-operative products can be found in the 2009 Sustainability Report pages 30–35.
- All non-UK lamb is sourced from New Zealand.
- UK origin data is farmed fish only; non-UK farmed produce is sourced from Thailand and Indonesia. See page 82 for details of wild-caught fish and marine stewardship.
- Apart from higher post-weaning stocking densities and use of farrowing crates.
- With the exception of burgers.
- Sheep are born and reared on open hills throughout the year. There are no boundaries or fences to keep different farm flocks apart.

DIET AND HEALTH

Background

Consumers are presented with a choice of foods and products unimaginable a century ago. While the majority welcome this improvement in choice, many consumers are concerned about food production methods and their impact on health. Nearly a quarter of children are either overweight or obese when they enter primary school; by the time they leave this rises to one in three¹. The production and promotion of healthy diets, in combination with a greater uptake of exercise, is considered key to reversing this trend².

Materiality and strategy

As a major community retailer, with customers representing a wide cross-section of society, The Co-operative recognises its role in the drive to improve the health of the nation. Diet and health is most relevant to the provision of food products within Food stores, and the provision of dispensing services and health advice within Pharmacy branches.

Commitment to this issue can be traced back to the beginning of the co-operative movement, when the Rochdale Pioneers sought to sell good-quality produce at a time when items such as milk, flour and bread were regularly adulterated.

Over 100,000 members endorsed The Co-operative Food's focus on diet and health, and 'Responsible Retailing' is a major area in the new Ethical Operating Plan (page 13). The Co-operative plays a proactive role in working with government to support policy development such as the Public Health Responsibility Deal, which challenges the food and drinks industry to support a range of measures aimed at improving the nation's health.

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Targets 2010	Progress	Targets 2011
Indicator: Additives prohibited		
Indicator: Nutritional content: salt, fats and sugar (Performance benchmark page 38)		
Achieve an average overall reduction in salt and saturated fat levels in crisps and snacks range.	✓ Average reductions achieved of 11.6% in salt and 48% in saturated fat (page 38).	EOP Continue to target salt, saturated fat and sugar reductions in key products whilst maintaining food safety and product quality.
		EOP Continue to ensure that Healthier Choice products are no more expensive than standard equivalent lines.
		EOP Continue to ensure that Simply Value nutritional content is at least as good as standard equivalent lines.
Indicator: Nutritional labelling		
Launch a new front-of-pack nutrition labelling scheme.	✓ A new labelling scheme has been launched, integrating traffic-light and Guideline Daily Amount (GDA) information (page 38).	
Roll out traffic-light labelling to all relevant corporate website and magazine recipes.	✓ The integrated labelling appears against all relevant corporate website and magazine recipes (page 38).	
Indicator: Promotions, marketing and information (Performance recognition page 39)		
Use in-store digital media to support key public health targets every week throughout 2010.	✓ At least one governmental public health initiative supported in every store, every week (page 39).	EOP Ensure 30% of food promotions are for healthy offerings.
Extend The Co-operative Pharmacy Weight Management service to a total of 240 branches.	← The weight management service was extended to 224 branches (page 40).	

DIET AND HEALTH

Product ranges

The Co-operative Food has some 3,000 own-brand products which account for 47% of sales by value (2009: 46%). These fall into three main ranges: Simply Value, The Co-operative, and Truly Irresistible; along with cross-range sub-brands, such as Healthier Choice, Grown by us, Taste the Seasons, Fairtrade and Organic.

All products in the Simply Value range have nutritional levels at least as good as those of standard equivalents³, and Healthier Choice products are no more expensive than standard equivalent lines⁴. During 2010, the reformulation and rebranding of 140 former Somerfield products was completed, bringing these products in line with The Co-operative's higher nutritional standards. The healthy range underwent a successful relaunch, becoming 'Healthier Choice'.



Additives prohibited

Additives are used as little as possible, whilst recognising benefits in areas such as food safety. An Additives Policy has been in place since 1985, and a number of additives have been removed from own-brand products. The removal of additives will continue to be guided by new research and recommendations. At present no further additives have been identified for removal.

Salt reduction

100% of the original 2010 FSA salt reduction targets met

Nutritional content: salt

Salt reduction is an important focus of product development, and reductions are sought in specific own-brand products and ranges as they are reformulated. In 2009, The Co-operative was one of the first retailers to meet all the original 2010 targets for salt reductions set by the Food Standards Agency (FSA) in 2006⁵. Further salt reductions are on-going, and specific product reformulations during 2010 included the own-brand crisps and snacks range, which achieved an average of 11.6% reduction in salt.

Performance benchmark

The Co-operative is listed as one of five retailers to have met the original 2010 FSA salt reduction targets across all relevant products by August 2010.

Nutritional content: fats and sugar

The Co-operative seeks to reduce the fat (primarily saturated fat) and sugar levels within own-brand products. Where possible, saturated fat reductions are made in products as they are reformulated, resourced or rebranded, in particular those which have been highlighted by the FSA as making a significant saturated fat contribution to the diet, such as cakes and buns, biscuits, sausages and savoury pastry products⁶. A maximum sugar level of 5% is in place for all savoury products in the Healthier Choice range.

Reducing saturated fat in products

The reduction of saturated fat is challenging, and may involve not only the use of alternative ingredients and recipes, but new technology and methods of production.

Examples of work to reduce the saturated fat content during 2010 include:

- an average 48% reduction in the crisps and snacks range, via a move to high oleic sunflower oil;
- an average 12% saturated fat reduction in Food to Go sausage rolls and savoury slices, through measures including the use of leaner cuts of meat, and a lower fat alternative to cream and cheese; and
- an average 34% saturated fat reduction in the standard sponge cake range, via a reduction of fat in the sponge base, and a reduced amount of buttercream.

Nutritional labelling

The approach to labelling is to be as open and honest as possible, and to provide information in a way that allows customers to make informed purchasing decisions about food products.

Traffic-light labelling

In 2008, The Co-operative introduced front-of-pack traffic-light labelling, and in 2010, launched a new labelling scheme, integrating traffic-light and Guideline Daily Amount (GDA) information. The use of integrated labels enables customers to quickly discern whether the food has high, medium or low amounts of fat, saturated fat, salt and sugars, to compare products at a glance, and to understand how the food contributes to their recommended daily intake of nutrients.

approx. per pack						Microwave in 12 mins	Oven in 25 mins	Medium	400g e
Calories 530	Fat 21.6g High	Saturated 5.6g Low	Sugars 6.0g Low	Salt 2.2g Med	Serves 1				
	31%	28%	7%	36%	of your guideline daily amount				

The new scheme has been applied to all relevant new and relaunched own-brand products⁷, of which there have been 250 to date. Integrated labelling appears against all relevant corporate website and magazine recipes.

Social responsibility

Ecological sustainability

Delivering value

Assurance

Green Dot labelling 2010

938 Green Dot products on sale
2009: **840**

Green Dot labelling

Since 2009, 'Green Dot' labelling has been used to identify own-brand products with a range of healthy nutritional criteria, including 'high fibre', 'low saturated fat', and 'rich in omega 3'. It is applied to all products that do not carry any 'red' traffic lights, and that fulfil the relevant nutritional criteria. At the end of 2010, 938 (2009: 840) Green Dot products were on sale, making up 27% (2009: 24%) of the own-brand product range, and accounting for 35% (2009: 33%) of own-brand sales. Green Dot products are promoted through in-store media, further enabling customers to make healthy eating choices.



Green Dot labelling 2010

35% of own-brand sales feature Green Dot symbol
2009: **33%**

Promotions, marketing and information

Food

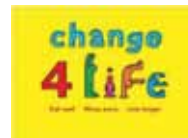
Healthy eating options are promoted in store, via shelf-edge labelling, till screens and radio, as well as on the website and through the Customer Relations phoneline. During 2010, at least one governmental public health initiative was supported in every store, every week. Initiatives supported were the Department of Health's Change4Life programme, the FSA's salt and saturated fat reduction campaigns, the Waste and Resources Action Programme's Love Food Hate Waste campaign and the charity Drinkaware.

A responsible approach to promotional activity is taken, and from 2011, a minimum of 30%⁹ of all promotions will be for healthier products, an increase on the existing guideline of 25%. Monitoring is in place, and, during 2010, 31% of promotions were for healthier products.

Healthier product promotions 2010

31% of promotions for healthier products
2009: **32%**

Products that are high in fat, sugar or salt are not marketed or advertised to children. This extends to free samples at in-store demonstrations and promotions; the use of cartoon characters on own-brand packaging; and products high in fat, sugar or salt and aimed specifically at children being placed on certain fixtures.



The Co-operative is a national partner in the Department of Health's Change4Life movement, which encourages people to make changes to their diet and activity levels, by highlighting the links between poor diet, sedentary lifestyles and certain preventable illnesses.

Alcohol

The Co-operative is committed to selling alcohol responsibly, and shares the concerns of the public health community about the impact of alcohol misuse on individuals and on society as a whole. A wide range of initiatives is in place to promote responsible drinking, the most significant of which is support for the charity Drinkaware, which aims to improve the UK's drinking habits through public education. The Co-operative, along with other large retailers in the UK, has pledged to fund Drinkaware until 2013.

The Co-operative also supports the development of Community Alcohol Partnerships (CAPs) throughout the UK. The CAP model was developed by the Retail of Alcohol Standards Group and aims to tackle public underage drinking through co-operation between alcohol retailers and local stakeholders, such as Trading Standards, the police, local authority licensing teams, schools and health networks. Based on the success of the first CAP scheme in St Neots, Cambridgeshire, The Co-operative is currently involved in 15 CAP schemes in England, as well as one in Scotland¹⁰, and has plans to become involved in further schemes in 2011.

Performance recognition

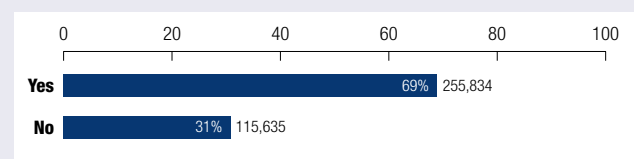


In 2010, The Co-operative won the Responsible Drinks Retailing 'Extra Mile Award' for support of the Drinkaware 'Why let good times go bad?' campaign.

InSight customer feedback

Chip and pin terminal survey of Food customers, October 2010

Question: Have you heard of the campaign 'Drinkaware'?
(total responses 371,469)



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DIET AND HEALTH

Pharmacy

The Co-operative Pharmacy provides healthy living, smoking cessation, allergy, and weight management advice.  In 2010, its weight management service was extended from 85 to 224 branches (29%), and its Healthy Heart initiative and allergy checking service, both launched in 2009, are now available in 20 branches (3%). Selected branches offer free NHS services to customers on other health issues, including smoking cessation, which is available in 287 branches (37%).


No sun cream is sold with a Sun Protection Factor of less than 15, and, since 2008, The Co-operative Pharmacy has worked with the Sunwise initiative to distribute bottles of sun cream to more than 2,000 homeless people across 14 UK cities.

Influence and action

GovNet event

In 2010, The Co-operative Food continued to sponsor the GovNet Obesity Conference. This brings together over 400 health, education and local government professionals and central and local government speakers from across the UK, as well as other stakeholder groups, to discuss the latest and most effective strategies in dealing with the obesity crisis.

Accompanying notes

- | | |
|---|--|
| <p>1 NHS (2010) National Child Measurement Programme for England.</p> <p>2 Ibid.</p> <p>3 The Simply Value range accounted for 1.9% of own-brand product sales in 2010. Of the 93 products that make up the range, 85% have comparable equivalents in the standard ranges. Achieved within the tolerances accepted for nutritional analytical variation; or where the sugar content of an economy-range product (eg, own-brand value cheese and tomato pizza) is slightly higher than the standard equivalent, owing to an increased proportion of fruit/veg, and consequently naturally occurring sugars.</p> <p>4 The Healthier Choices range accounted for 3.8% of own-brand product sales in 2010. Of the products that make up the range, 48% have comparable equivalents in the standard ranges.</p> <p>5 Other retailers meeting the targets in a similar time frame were Asda and Waitrose.</p> | <p>6 Based on recommendations made in the FSA Saturated Fat and Energy intake programme.</p> <p>7 Except those of negligible nutritional value (eg, tea and coffee), some 'assorted' products (eg, seasonal tins of biscuits) and fruit and vegetables, fresh meat and cooking aids.</p> <p>8 'Green Dot' messages are based on approved nutrition claims under the Nutrition and Health Claims Regulation (EC) 1924/2006 plus wholegrain and five-a-day claims.</p> <p>9 25% of promotions, by number. Healthier products are defined as: produce, products passing through the FSA nutrient profiling model used by OFCOM, or any products from the Healthier Choice range. Food promotions exclude non-food grocery and beers, wines and spirits.</p> <p>10 A list of the CAPs with which The Co-operative is involved can be found in the online version of this Report .</p> |
|---|--|

ETHICAL FINANCE

Background

The global financial crisis of the last three years has resulted in bailouts and bankruptcies of major financial institutions around the world, declines in stock market values, and recessions in developed economies including the UK. As governments seek to cut back budget deficits and money becomes harder and more expensive to access, both consumers and business face significant financial pressures.

While trust in the banking sector has all but vanished, interest in sustainable alternatives is growing. Some 44% of the British public are interested in finding out about the ethical credentials of the next financial product or service that they buy¹, and ethical finance has grown to reach £19.3bn in 2009, from £5.2bn 10 years earlier².

Materiality and strategy

The Co-operative Financial Services (CFS) is the group of businesses that includes The Co-operative Bank (including **smile**), The Co-operative Insurance, The Co-operative Investments, The Co-operative Asset Management (TCAM) and, from August 2009, Britannia. CFS' core business activity is the provision of financial

services – banking, insurance and investments – to corporate, business and personal customers. In 2010, CFS had an operating profit of £208.6m and total assets at year-end of £69.4bn. Loans and advances to bank customers were £35.1bn and deposits £34.2bn³. Investments totalled £24.2bn⁴, including listed equities of £5.2bn⁵. In relation to the provision of ethical finance and investments, CFS seeks to be the leading retail bank and institutional investor in the global financial services industry.

The bank launched its Ethical Policy⁶ in 1992, and completed the most recent review in 2009. It covers all assets and liabilities held on the bank's balance sheet, (eg, retail and syndicated loans, corporate leasing, retail deposits and savings, and treasury dealings), and the investment of all retained balances. From 1 August 2009, the Ethical Policy extended to include Britannia's assets and liabilities. The Policy is currently unique in UK retail banking, in so far as it contains explicit clauses that are mandated by bank customers and that restrict the provision of financial services to certain activities and sectors. In 2011 the Ethical Policy was extended to investments underpinning The Co-operative Insurance motor and home insurance policies (page 43).

The Ethical Engagement Policy⁷ was launched in June 2005, and is implemented by TCAM on behalf of The Co-operative Investments. The Ethical Engagement Policy guides TCAM's approach to engagement with equity investees. TCAM votes on all equities held, and discloses its entire UK and overseas voting record online⁸.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

🎯 Targets 2010	Progress	🎯 Targets 2011
Indicator: Ethical screening		
Consider a distinctive social and ethical consumer proposition for the general insurance business.	✔ Agreement was secured to extend The Co-operative Bank Ethical Policy to the investments underpinning home and motor insurance policies (page 43).	EOP Extend ethical screening activities to the £1bn of investments underpinning the key insurance products.
Indicator: Social and environmental banking (Performance benchmarks and recognition pages 43 and 44)		
Launch a Social Banking Unit (SBU) to bring together banking services for the environmental, social and charity sectors.	✔ In 2010, the SBU was launched, bringing together corporate banking services for renewables, carbon reduction, charities, social housing and microfinance (page 44).	EOP Extend commercial lending in the area of energy efficiency and renewables to £1bn, recruiting extra resource to key business centres.
The Co-operative Bank to commit £200m to finance renewable energy projects in 2010.	✔ In 2010, total committed facilities for this area reached £398m (page 44).	EOP Help to kick-start a revolution in community-owned renewable energy generation via a combination of £1m of grants and the development of a new financial product for the public sector.
Indicator: Socially responsible investment (Performance benchmark page 49)		
The Co-operative Asset Management (TCAM) to integrate climate change impacts into fund analysis on all core equity investments.	✔ Every stock recommendation now includes an analysis of climate change impacts (page 45).	
TCAM to co-file shareholder resolutions at Royal Dutch Shell plc and BP plc regarding tar sands operations.	✔ Shareholder resolutions co-filed requesting that companies report on the investment risks associated with Canadian tar sands projects and their plans to address them (page 45).	

(continued over)

ETHICAL FINANCE

🎯 Targets 2010	Progress	Targets 2011
		EOP Where ethical screening of investments is not feasible (owing to fiduciary duties), continue to ensure that engagement with investees is the most active, assertive and transparent of UK institutional investors, and supports campaigning activities.
		Implement Group Pensions' new PACE Responsible Investment Policy and Practice Statement, including publication of summary voting records, engagement activities and compliance with UK Stewardship Code.

Assurance

Whilst many financial services organisations now produce social and environmental reports, few, if any, subject their core business activity – the provision of finance and investments – to independent scrutiny or assurance. The Sustainability Auditor, Two Tomorrows, has provided a high level of assurance (pages 124 and 125) over the bank's Ethical Policy implementation and associated data. In order to do so, they have directly investigated, at a 10% sample level, the veracity of policy implementation, reviewing case files and assuring themselves of the integrity of the process and outcome.



Ethical Screening

The Co-operative Bank – screening of finance

The bank provides facilities to some 92,000 corporate, business and wholesale market customers⁹. Ethical Policy compliance is secured, in the main, via self-completion questionnaires, which are incorporated within application forms and authenticated by account opening staff. Ongoing compliance is affirmed remotely via a central screening exercise undertaken on a biannual basis.

For large relationship customers¹⁰, ethical compliance is confirmed via direct investigation by business development managers and reviewed on an annual basis. Business development managers are issued with Ethical Policy guidelines that set out the criteria to be considered in the provision of facilities, and make explicit where involvement is prohibited. High-risk sector guidelines detail corporate activities that are considered to present an elevated Ethical Policy risk (eg, the manufacture of chemicals) and where referral to the dedicated Ethical Policy Unit is mandatory.

Referrals are made to the Ethical Policy Unit by account opening staff, business development managers and credit risk managers seeking to ensure that prospective business opportunities are Policy compliant. In most cases, independent analysis is commissioned from a leading independent ethical investment research organisation¹¹. During 2010, the bank's Ethical Policy Unit reviewed 408 (2009: 441) potentially problematic financial opportunities. Of these, 40 (10%) were found to be in conflict, and the business opportunity declined (2009: 43, or 10%). In 2010, the annualised gross income foregone by the bank as a result of ethical screening was an estimated £17.5m (2009: £17.7m)¹².

Finance declined

£1.2bn finance declined in line with the bank's Ethical Policy since 1992

Bank – ethical screening referrals and outcomes

Year	Declined	Accepted	Total
2006	29	271	300
2007	32	316	348
2008	36	320	356
2009	43	398	441
2010	40	368	408

Social responsibility

Ecological sustainability

Delivering value

Assurance

On the basis of customer confidentiality, the bank is generally unwilling to name businesses found to be in conflict with its Policy. However, all referrals to the bank's Ethical Policy Unit are subject to independent third-party scrutiny as outlined on page 42.

An Ethical Policy training programme is available to all staff via the intranet, within bank staff induction programmes, and as part of annual training reviews for customer-facing departments. In 2010, the programme was completed by 238 members of staff (2009: 682).

Performance recognition

CFS outperformed 20 financial institutions from 16 countries to win the 2011 Financial Times Sustainable Bank of the Year award (Europe). This recognises an embedded and broad approach to sustainability¹³.



Performance benchmark

In 2010, social and environmental ratings agency Oekom awarded The Co-operative Bank the highest sustainability rating of any UK high street bank¹⁴. The bank was awarded a rating of 'B', while no other high street bank received a rating higher than 'C'.

Performance benchmark

Research undertaken by the Ethical Consumer Research Association in 2009¹⁵ reviewed 28 providers of cash and current accounts in the UK and awarded 'Best Buy' status to The Co-operative Bank and **smile**, 'for their ground-breaking ethical policies'.

Performance benchmark

In 2009, an ethical finance website¹⁶ was developed by Experts in Responsible Investment Solutions (EIRIS), to provide consumers with ratings of financial institutions' green and ethical profiles. The Co-operative Bank (including **smile**) was the highest-rated financial institution, and The Co-operative Insurance was the highest-rated insurance provider¹⁷.

All business declines by issue 2010

	Estimated income foregone 2010
Ecological impact 113 finance opportunities in connection with ecological impact, of which 12 were declined. For further details, see pages 69 and 87.	£1,102,000
International development and human rights 176 finance opportunities in connection with international development and human rights, of which 16 were declined. For further details, see page 29.	£374,000
Animal welfare 68 finance opportunities in connection with animal welfare, of which six were declined. For further details, see page 36.	£168,000
Social inclusion 29 finance opportunities in connection with financial inclusion, of which six were declined. For further details, see page 53.	£397,000
Total	£2,041,000

The Co-operative Insurance – screening of investments

👁️ The Co-operative Insurance provides home and motor cover to some 1.4 million customers. Customers' insurance premiums are, in general, invested in fixed income bonds, where these provide the most appropriate risk and liquidity profile to meet the costs and claims arising from the provision of an insurance service.

Unlike equities, such investments are more akin to a financing arrangement, in that they provide a return but do not confer upon the investor the rights and principles of 'ownership'. In light of this, in January 2011, the bank's Ethical Policy was extended to cover the fixed income bonds underpinning home and motor premiums. To achieve compliance, a review of all holdings was undertaken and resulted in 11 bonds being divested, worth some £75m.

Via a process similar to that for bank finance, potentially problematic new investments will be referred to the Ethical Policy Unit for assessment. This approach is believed to represent the launch of the world's first ethically screened general insurance products.

Performance benchmark

UK general public's social, environmental and ethical ranking of financial services providers¹⁸.

	2006	2007	2008	2009	2010
The Co-operative	1 (18%)	1 (14%)	1 (9%)	1 (17%)	1 (10%)
HSBC	=2 (2%)	2 (4%)	2 (6%)	2 (6%)	2 (3%)
Lloyds TSB	=2 (2%)	n/a	3 (2%)	3 (3%)	3 (2%)
Barclays	=2 (2%)	n/a	4 (2%)	4 (3%)	4 (1%)

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

ETHICAL FINANCE

Social and environmental banking

🎯 In 2010, the bank established a dedicated Social Banking Unit (SBU) to further develop ethical commercial opportunities. The SBU operates from three offices – in Manchester, London and Glasgow – with 46 full-time employees, and brings together management and development expertise for charities, social housing, renewable energy, microfinance and credit unions.

In total, in 2010, £2.5bn of bank deposits were from social, co-operative and environmental businesses, representing 54% (2009: 52%) of total corporate and business banking liabilities. This is an increase of £496m on 2009, and reflects growth of £286m in community and charitable deposits, and £142m in public services deposits.

In 2010, £2.2bn or 27% (2009: 25%) of assets (eg loans and overdrafts) were with such businesses, an increase of £198m on 2009, including growth of £82m from the environmental and social sector and £70m from the public services sector.

In renewable energy, the bank is considered a market leader in the provision of sub-£20m finance, where it has invested in developing expertise over a number of years. In 2007, the bank committed £400m to a fund for lending to renewable energy and energy efficiency projects. In 2010, total committed facilities for this area reached £398m, of which £187m had been drawn down. **🎯** The bank has pledged to extend its commercial lending for renewable energy and energy efficiency to £1bn by 2013.

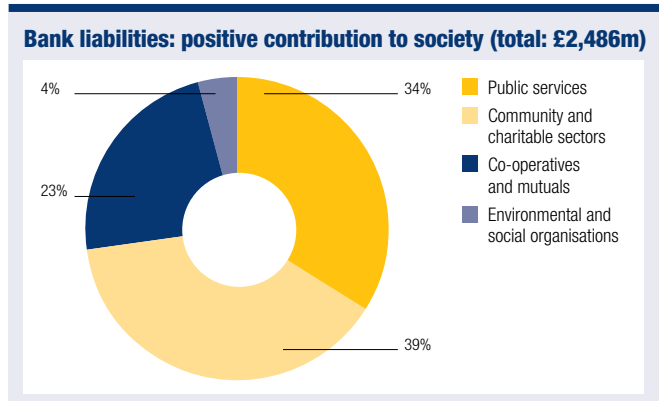
➔ Tiree Renewable Energy Ltd

In 2009, The Co-operative Bank provided £1.2m for a community-owned wind turbine on the island of Tiree in the Inner Hebrides, where the majority of adults are members of The Co-operative. The turbine, commissioned in March 2010, is anticipated to generate returns of some

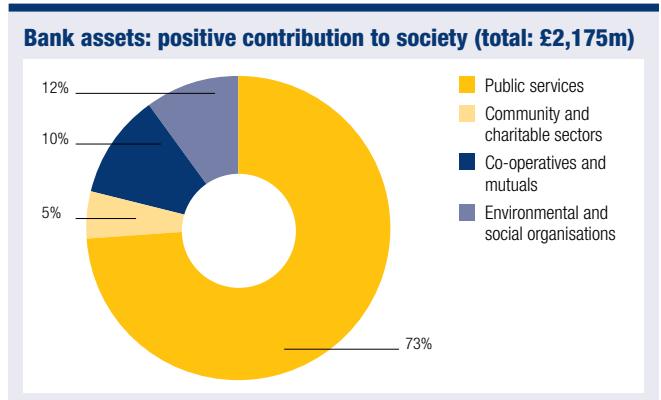
£100,000 each year for the local community. The monies generated will be used to support the island's Community Development Plan, funding initiatives such as affordable housing, new school books, improved harbour facilities and youth groups.



	2008	2009	2010
Total (£m)	2,749	3,814	4,641
Positive contribution to society (£m)	1,492 (54%)	1,990 (52%) ¹⁹	2,486 (54%)



	2008	2009	2010
Total (£m)	3,450	7,785	8,030
Positive contribution to society (£m)	795 (23%)	1,977 (25%) ²⁰	2,175 (27%)



➔ Performance recognition

The Co-operative Bank was awarded 'Best Charity Account Provider' at the Business Moneyfacts Awards 2010, in recognition of the quality of products and services offered to the charity sector.

Socially responsible investment

The Co-operative Asset Management (TCAM) – investment strategy

TCAM employs a focused, active investment approach, and recognises that a company’s corporate governance and the way it manages its social, ethical and environmental (SEE) risks are important indicators of the long-term value of the company. For this reason, every stock recommendation produced by investment analysts contains, along with analysis of financial performance and prospects, an overview of the quality of corporate governance and SEE risk management evident at the company.

🎯 An analysis of climate change impacts is now included in every stock recommendation, detailing whether company responses to climate change were likely to have a positive or negative impact on long-term business performance.

Since 2008, TCAM has screened out from across all investments the sovereign debt of those countries where human rights are most severely curtailed²¹.

📄 The Ethical Engagement Policy can be viewed online, together with TCAM’s UK and overseas voting record.

TCAM – approach to engagement

In accordance with the Ethical Engagement Policy, TCAM’s engagement activity focuses on corporate governance and SEE issues. Corporate governance activism is primarily driven via voting at the general meetings of investee companies (as summarised in the tables on UK voting and overseas voting on pages 46 and 47 respectively). Engagement on specific areas of corporate governance concern (for example, short-termism in remuneration policy) is undertaken on a case-by-case basis, following voting outcomes. For reporting purposes, ‘engagement’ is restricted to instances where TCAM has pressed a point of difference with a company or where it has lent weight to a significant positive initiative. Engagement is not taken to cover endorsements of corporate behaviour that are essentially the sector norm, or close to it. Research, letters of enquiry and seminar attendance are not reported upon as engagement.

Ethics and sustainability engagement 2010		
Concern	Companies	Push for change
Climate change (unconventional oils) Increasing investment by oil and gas companies in unconventional fossil fuels, such as Canadian oil sands and US oil shales, risks dangerously increasing atmospheric CO ₂ levels and causing local ecological destruction.	Oil and gas – BP plc and Royal Dutch Shell plc	🎯 Engagement commenced in 2008. In 2010 TCAM co-filed shareholder resolutions requesting companies report on the investment risks associated with Canadian tar sands projects and their plans to address them (page 71).
Biodiversity The use of pesticide products containing neonicotinoids is considered to be a possible contributory factor in the decline in bee numbers across the world (see pages 86 and 89).	Chemicals – Bayer AG	In 2010, company urged to significantly scale back its marketing for the use of neonicotinoid pesticides on plants where bees are known to forage.
Water The Carbon Disclosure Project (CDP) recently launched the Water Disclosure Project, requesting water-related data from some 300 of the world’s largest corporations in water-intensive sectors.	Non-respondents to Water Disclosure Project – Apple Inc; BG Group plc; The Coca Cola Company; E.ON AG; EDF Energy plc; Lafarge SA; Royal Dutch Shell plc; Scottish & Southern Energy plc; Talisman Energy Inc; Total SA	Companies urged to participate in CDP Water Disclosure Project and to disclose data on total water use and recycling, exposure to water-stressed areas and future water use goals (page 79).



TCAM – UK voting

At year-end 2010, 66% of equity holdings by value were listed on the UK stock exchange (2008: 67%). A UK Corporate Governance and Voting Policy sets out positions with respect to voting outcomes²², stating that TCAM will vote against a resolution where it ‘is inconsistent with its guidelines, does not accord with best practice, and is not in shareholders’ long-term interests’. However, in the first instance, and where the issue is not considered fundamental, an abstention will tend to be registered, and a vote against a company only registered when it has not responded to previous engagements. Abstentions will also be registered where performance falls short of best practice, but is not considered to be significantly material. Where there are plans not to support a company’s board, the affected company is informed of concerns in writing, in advance.

In 2010, 203 notifications were issued detailing an intention to vote against, or to abstain on, a management resolution, or to support or abstain on a shareholder resolution (2009: 207). In 15 instances (2009: 10), a response from the company was forthcoming and, in 14 cases (2009: three), this resulted in a change to the proposed vote.

In 2010, TCAM voted on 4,074 UK resolutions tabled by management (2009: 3,882), and was represented at five annual general meetings²³ (2009: four). Opposition to management voting (whereby votes were cast against a resolution or an abstention was cast) accounted for 419 of the votes cast, or 10% (2009: 417, or 11%), and confirmed TCAM’s status as one of the most active and assertive institutional investors in the UK. The major areas of opposition are executive remuneration, executive incentives and board independence.

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

ETHICAL FINANCE

UK voting									
Category	Resolutions tabled by management			Voted against resolution and management			Abstained on resolution and against management		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Report and accounts	392	293	293	26	15	18	50	39	40
Board independence: director election	1,568	1,138	1,284	53	60	80	142	61	71
Remuneration report: executive	371	303	247	74	73	65	110	79	64
Shares: executive incentives	137	80	100	26	20	18	42	22	17
Political donations	95	83	93	1	1	0	2	0	0
Other governance	2,736	1,985	2,057	12	14	14	32	33	32
Total	5,299	3,882	4,074	192	183	195	378	234	224

Annual Reporting TCAM votes against accepting the report and accounts of UK-listed companies that fail completely in respect of SEE risk disclosure²⁴, and that operate in sectors deemed to be medium or high SEE risk. Where there is limited disclosure (or no disclosure in low-risk sectors) abstentions are registered. For the poorest-performing companies²⁵ within medium- and high-risk SEE categories TCAM will, as part of its considerations, factor current SEE risk disclosure, previous voting history and engagement on SEE issues into voting decisions. During 2010, TCAM extended its policy on abstentions to companies that do not disclose greenhouse gas emissions, regardless of size or impact, unless there is significant positive momentum in climate change disclosure.

In 2010, TCAM voted on the acceptance of UK company report and accounts on 293 occasions (2009: 293) and, in 58 instances, voted against, or abstained on, their acceptance (2009: 54). Of these 58 votes, 18 related to instances where a vote against was registered, of which nine²⁶ related to SEE matters (2009: six); and 40 related to instances where a vote to abstain was appropriate, of which 38 related to SEE matters (2009: 27). Voting rationale continues to be publicly disclosed online following each AGM²⁷.

Votes in 'opposition' to acceptance of report and accounts on basis of poor social, ethical and environmental risk reporting

	2006	2007	2008	2009	2010
Votes against	40	31	12	6 ²⁸	9
Abstentions	38	62	45	27	38

Of the six companies voted against for SEE reasons in 2009, improvements in SEE reporting progressed at three, meaning that an abstention rather than a vote against was considered appropriate (Domino Printing Sciences plc, Royal Bank of Scotland Group plc, Micro Focus International plc). However, in three instances (Carnival plc, Headlam Group plc, Umeco plc), persistent SEE concerns meant that votes continued to be registered against these companies' report and accounts in 2010. In the cases of Carnival plc and Umeco plc, this represented the sixth consecutive year that such a vote had been registered.

Of the 27 companies where abstentions were registered in 2009, 10 improved their disclosure sufficiently for TCAM to subsequently support the resolution to receive their report and accounts, whereas four did not make any improvements, and a vote against was registered in 2010. In the remaining 13 instances, votes continued to be registered in abstention.

Executive remuneration In 2010, the remuneration resolution was voted against in 65 cases (2009: 73) and, in 64 cases, an abstention was registered (2009: 79). Whereas in 2009, five UK companies' remuneration resolutions were defeated by shareholders, in 2010 only three resolutions were defeated, and the average vote against remuneration resolutions fell from 17.5% back to 6%²⁹, in line with pre-financial crisis levels.

Board independence In line with the Combined Code on Corporate Governance, TCAM considers that, generally, at least half the board, excluding the Chair, should comprise independent non-executive directors (NEDs) – except for smaller companies, where it is thought there should be at least two independent NEDs, with the Chair being independent upon appointment. Votes against were registered in 80 cases (2009: 60) and votes to abstain registered in 71 cases (2008: 61). In the majority of instances, oppositional voting was driven by a lack of NED independence and unsatisfactory board meeting attendance.

TCAM – overseas voting

At year-end 2010, 34% of equity holdings were listed outside the UK; principally in the United States, continental Europe and Japan (2009: 33%). During 2010, TCAM voted against, or abstained on, 4,437 overseas resolutions tabled by management (2009: 4,941). Voting continues to be publicly disclosed online following each AGM³⁰.

Independent shareholder resolutions

In the UK, it is uncommon for shareholders to table independent resolutions, owing to the large number of shares required and a general aversion amongst large UK institutional investors to such practices. In 2010 TCAM was faced with only two such resolutions, which concerned BP plc and Royal Dutch Shell plc, both of which were co-filed and supported by TCAM (page 71).

Overseas voting														
Category	Total		Resolutions tabled by management						Resolutions tabled by independent shareholders					
			For resolution and management		Against resolution and management		Abstained on resolution and against management		For independent resolution and against management		Against independent resolution and for management		Abstained on independent resolution and against management	
			2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Board composition and election of directors	10,179	10,039	6,653	6,891	917	1,585	2,543	1,392	42	122	6	34	18	15
Remuneration	990	832	244	175	509	438	100	76	124	134	8	4	5	5
Other governance	3,428	3,028	2,291	1,967	406	614	466	332	181	96	49	7	35	12
Political and charitable contributions	27	39	0	0	0	0	0	0	27	37	0	0	0	2
Ethics and sustainability	151	155	0	0	0	0	0	0	110	128	0	4	41	23
Total	14,775	14,093	9,188	9,033	1,832	2,637	3,109	1,800	484	517	63	49	99	57

Community investment
International development and human rights
Animal welfare

In contrast, in the United States, independent groups frequently secure the required number of shares to enable a resolution to be tabled, although these are framed as advisory resolutions, where the outcome or request is not binding on the company. When considering such resolutions the 'burden of proof' is considered to rest with companies and not independent shareholders.

In 2010, TCAM was presented with 623 overseas shareholder resolutions (2009: 646). Of these, 517 (83%) were supported (2009: 484, or 75%). In 155 cases (2009: 151), resolutions had ethical or sustainability components, of which 128 (83%) were supported (2009: 110, or 73%). Of these, 56 concerned climate change issues (page 69), 28 concerned international development and human rights issues (page 29), 10 concerned diversity issues (page 112), 10 concerned animal welfare issues (page 36), six concerned biodiversity (page 87), four concerned chemicals (page 91), four concerned public policy issues (page 123), two concerned social inclusion issues (page 53), two concerned water (page 79) and two concerned waste and packaging (page 77). A further 30 resolutions concerned other issues, including nuclear power and tobacco.

Independent shareholder resolutions 2010

128 independent shareholder resolutions on ethical and sustainability issues supported (83%)
2009: **110 (73%)**

Ethics and sustainability overseas voting by category						
Ethical Engagement Policy category	Number of resolutions		For independent resolution and against management		Against or abstain on independent resolution	
	2009	2010	2009	2010	2009	2010
Ecological sustainability (pages 69, 87, 91 and 79)	39	70	35	64	4	6
International development and human rights (page 29)	31	28	28	26	3	2
Social inclusion (page 53)	24	2	4	1	20	1
Diversity (page 112)	20	10	20	9	0	1
Animal welfare (page 36)	9	10	9	10	0	0
Public Policy (page 123)	0	4	0	2	0	2
Other	28	31	14	16	14	15
Total	151	155	110	128	41	27

Diet and health
Ethical finance
Social Inclusion
Inspiring young people

ETHICAL FINANCE

▶ Performance benchmark

Research undertaken by the Ethical Consumer Research Association (ECRA)³¹ concluded The Co-operative merited a 'Best Buy' in both its Insurance and Investment sector buyers' guides³². ECRA noted that The Co-operative "is highly unusual in subjecting its engagement policy to rigorous independent scrutiny"³³.

Social private and listed equity investment

Since 2007, CFS has committed £15m of shareholder capital to social private and listed equity, of which to date £9.4m has been drawn down. Funds committed include:

- £5m committed to Bridges Ventures Community Development Ventures Fund II, a private equity fund in support of UK start-ups in deprived areas; of which £3.6m drawn down;
- £5m invested in the Impax Environmental Markets listed equity fund in support of the solar, wind and waste sectors globally;
- £3m committed to Enterprise Ventures Growth Fund private equity fund in support of small businesses in former coal-mining areas in the UK impacted by pit closures; of which £0.4m drawn down; and
- £2m committed to Bridges Sustainable Property Fund LP private equity fund in support of sustainable property, of which £0.4m drawn down.

In 2010, TCAM agreed a partnership with the private equity business Kohlberg Kravis Roberts & Co (KKR), under which TCAM will contribute funding as a Limited Partner towards projects including joint ventures and buy-outs. Through the partnership, TCAM aims to invest in companies that show leadership in environmental, social and governance (ESG) issues or where there is an opportunity to enhance ESG standards.

The Co-operative Group Pension Scheme (PACE)

The Co-operative's pension arrangements are regarded as an important part of the rewards package for employees and a key element in the attraction and retention of employees. As a result of recent mergers and acquisitions, a number of Defined Benefit (final salary and career average) and Defined Contribution schemes are operated. The majority of pension scheme members belong to a Group-wide defined benefit scheme based on career average earnings (PACE). In September 2010, the Board of Trustees of the PACE scheme approved a revised Responsible Investment Policy and Practice Statement³⁴ (the 'Policy') to better define the Scheme's approach to ESG issues. The Policy provides for the trustees to: instruct investment managers in relation to specific ESG issues; to engage with investee companies; and to direct investment managers to exercise voting rights on its behalf, wherever practicable to do so. It also creates greater requirement for public disclosure on: voting records; engagement activities; and compliance with The UK Stewardship Code.

Products and services

Carbon offset – products

In 2010, carbon offsetting continued as a standard feature of all The Co-operative Bank's branded mortgages and virtually all new car insurance policies (page 67).

Affinity cards

CFS offers a range of credit cards, each linked to one of 15 charity partners. A donation is made to the chosen charity when an account is opened, and further donations made in proportion to the spend on the card. In 2010, a total of £1.3m was raised.

think card

The think credit card supports ethical consumerism, whereby purchases from 16 ethical partners³⁵ attract preferential rates of interest. Upon activation of the card, the bank, in partnership with the RSPB, arranges for a third of an acre of Indonesian rainforest to be purchased and protected in the customer's name. For every £100 spent on the card, a further 25p is donated to rainforest protection. Since the launch of the partnership in December 2008, £120,445 has been raised for the RSPB, enough to help protect 2,294 acres of rainforest.



Sustainable funds

TCAM's three Sustainable unit trusts, Sustainable Leaders Trust, Sustainable Diversified Trust and Sustainable World Trust, employ, in the main, a 'best-in-class' approach to ethical investment. In addition, the funds withhold investments from certain proscribed activities: armaments, animal testing for cosmetics, nuclear power, tobacco and companies that systematically fail to uphold basic human rights.



▶ Performance benchmark

In 2009, the Sustainable Leaders Trust achieved an 'A' rating from Old Broad Street Ratings (OBSR)³⁶. The rating recognises the fund's strong research-based investment process and long-term investment approach with a focus on SEE and governance issues³⁷.

Performance benchmark

The **smile** funds supermarket³⁸ was one of two investment platforms to receive the highest rating in a 2010 UK Sustainable Investment and Finance (UKSIF) ‘mystery shopping’ exercise. UKSIF awarded the funds supermarket five stars, commenting that it “makes it easier for investors to identify green and ethical funds, providing resources that help investors understand the options available to them”.

Performance benchmark

CFS is a signatory to the United Nations Principles for Responsible Investment (PRI), a voluntary investor initiative comprising of six Principles³⁹. The current number of signatories stands at 861. In 2010, CFS ranked in the top two quartiles in all six Principles and the top quartile in three out of six (2009: four out of six)⁴⁰.

Young driver insurance

In 2011, CFS launched a new Young Driver motor insurance product for 17 to 25 year olds, which calculates premiums based on driving behaviour. The product, the first in the UK insurance market to reward safer driving, utilises a ‘Smartbox’ device to increase or decrease premiums in line with how safely the car is driven. It also gives advice on measures policyholders can take to reduce premiums. In trials, the product resulted in savings for 82% of drivers.

Influence and action

Corporate Governance

In March 2010, TCAM responded to the Financial Reporting Council (FRC) consultation on the UK Corporate Governance Code, calling for consideration to be given to the positive impact of gender diversity on company boards, and strongly supporting the annual re-election of all directors⁴¹. The updated Code was published in May 2010, and included annual election of directors as well as inclusion of gender diversity as a consideration in board appointments.

In April 2010, TCAM responded⁴² to the FRC’s Stewardship Code consultation, supporting the ‘comply or explain’ approach⁴³, and underlined its strong support for mandatory disclosure of voting records by institutional investors, a position supported consistently since 2005.

In September 2010, TCAM responded to the European Union’s Green Paper on Corporate Governance, and reiterated its support for mandatory voting disclosure and annual re-election of directors. In addition TCAM argued for a mandatory advisory (ie, non-binding) vote on directors’ remuneration as fundamental to a robust remuneration policy.

Good Companies Guide

The Observer/TCAM Good Companies Guide⁴⁴, published for the fourth year in August 2010, focuses on how FTSE350 companies might be

affected by five key sustainability issues: resource depletion, climate change, pollution, demographics and resource distribution.

Companies were ranked based on the effectiveness of their responses to these challenges and the impact these could have on their competitive positioning in the long term.



Accompanying notes

- | | | | |
|----|--|----|--|
| 1 | EIRIS, www.eiris.org , November 2009 | 25 | As determined by EIRIS, who identify bottom decile performers, based on SEE risk reporting and environmental reporting, and produce a universe of companies to which the voting policy is now applied. |
| 2 | The Co-operative Bank Ethical Consumerism Report, www.goodwithmoney.co.uk/ethicalconsumerismreport | 26 | BP plc, Carnival plc, Consort Medical plc, Enterprise Inns plc, Headlam Group plc, Spectris plc, Spirent Communications plc, Umeco plc, United Business Media plc. |
| 3 | As at 31 December 2010. | 27 | www.goodwithmoney.co.uk/servelet/Satellite/1200903577492,CFSweb/Page/GoodWithMoney |
| 4 | Including investment property. | 28 | Revised from five in 2009. |
| 5 | Listed equities under management on behalf of policyholders, as at 31 December 2010. Excludes unit trust investments. | 29 | PIRC (www.pirc.co.uk), 21 December 2010. |
| 6 | www.goodwithmoney.co.uk/ethical-banking | 30 | www.goodwithmoney.co.uk/servelet/satellite/1200903577492,CFSweb/page/GoodWithMoney |
| 7 | Ibid. | 31 | www.ethicalconsumer.org |
| 8 | www.co-operativeinvestments.co.uk/servelet/Satellite/1239949742617,CFSweb/Page/Investments-UnitTrustsAndISAs | 32 | Ethical Consumer (Nov/Dec 2007), Issue 109. Ethical Consumer (Mar/Apr 2008), Issue 111. |
| 9 | Including some 10,000 Britannia customers. | 33 | Ibid. |
| 10 | Corporate banking customers with a turnover in excess of £1m. | 34 | dev.pace-pensions.co.uk/?menuid=96 |
| 11 | EIRIS, www.eiris.org | 35 | www.co-operativebank.co.uk/think |
| 12 | Relates to those potential financial opportunities foregone following referral to the Ethical Policy Unit. Figure comprises the first year of income foregone as a result of business turned away in 2010 (£2,041,000) and declines originating in the years 2000–2009 (£15,417,000), on the basis that financial services provision will have retention beyond 12 months. | 36 | www.obsr.co.uk |
| 13 | www.ftconferences.com/sustainablefinance | 37 | OBSR rates approximately 250 funds out of a universe of around 2,500 funds in the market. There are three tiers of rankings: ‘A’, ‘AA’ and ‘AAA’. OBSR stated: “any fund which receives an OBSR Fund Rating is exceptional of its type”. |
| 14 | www.oekom-research.com ; Industry Focus: Public and Regional Banks. | 38 | www.smile.co.uk/servelet/Satellite?pagename=Smile/Page/smlview&c=Page&cid=984679347389 |
| 15 | Ethical Consumer (May/June 2009), Issue 118. | 39 | The six Principles are: “1: We will incorporate ESG issues into investment analysis and decision making processes; 2: We will be active owners and incorporate ESG issues into our ownership policies and practices; 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest; 4: We will promote acceptance and implementation of the Principles within the investment industry; 5: We will work together to enhance our effectiveness in implementing the Principles; and 6: We will each report on our activities and progress towards implementing the Principles.” |
| 16 | www.yourethicalmoney.org | 40 | In 2010 CFS changed its signatory status from ‘asset owner’ to ‘investment manager’ reflecting the Financial Services Authority’s licence to operate as a stand-alone asset management company. As such, year-on-year results are not directly comparable. |
| 17 | The site rates financial institutions according to six areas: Ethical Lending/Insurance, Responsible Lending, Financial Exclusion, Environment, Carbon Neutrality and Equal Opportunities. The bank and insurance business rated as ‘good’ (the highest rating) in all categories except Responsible Lending, for which the bank rated ‘average’ and the insurance business ‘n/a’. | 41 | www.frc.org.uk/documents/pagemanager/frc/Responses_to_Dec_09_consultation/Co-Operative%20Asset%20Management.pdf |
| 18 | Source: TNS Omnibus (December 2010): Survey of GB general public’s unprompted awareness of corporate responsibility. Representative sample, all adults aged 16+. | 42 | www.frc.org.uk/documents/pagemanager/frc/ECS_comment_letters/The%20Co-operative%20Asset%20Management.pdf |
| 19 | Revised from £1,987m. £1m additional renewable energy liabilities identified. | 43 | Describes rules or recommendations which are not mandatory, but require companies to either comply with them or explain publicly why they are not. |
| 20 | Revised from £1,890m. £8m additional renewable energy assets identified. | 44 | The third Good Companies Guide was published in The Observer on Sunday 29 August 2010. |
| 21 | As defined by the EIRIS ‘Category A’ human rights list, which details 43 countries where human rights present the highest level of human rights risk for businesses. | | |
| 22 | www.goodwithmoney.co.uk/assets/Voting-guide-web-version.pdf | | |
| 23 | BP plc, ITV plc, Royal Dutch Shell plc, Tesco plc and Marks & Spencer Group Plc. | | |
| 24 | Based on Association of British Insurers (ABI) guidelines on socially responsible investment – www.ivis.co.uk/PDF/7.1_ABI_RID_guidelines.pdf | | |

SOCIAL INCLUSION

Background

Inequalities in earnings in Britain have risen over the last 30 years, and are high compared with other industrialised countries¹. Factors such as unemployment, low income, poor skills, disability and discrimination can all contribute to social exclusion, preventing individuals from accessing many of society's opportunities and giving rise to inequality. Poor money management can have long-term consequences for income, living standards and savings behaviour². Financial inclusion, which is borne of financial capability and the availability of suitable financial products and services, plays a key role in achieving social inclusion.

Materiality and strategy

As a community retailer, The Co-operative promotes social inclusion through the accessibility of its goods and services. This is particularly relevant for the Food, Pharmacy and Funeralcare businesses within the Trading Group, which aim to provide essential and ethical offerings to as many community groups as possible. The Co-operative Financial Services (CFS) recognises that it can have a significant impact as a financial services business through provision of ethical and inclusive products, complemented by financial education.

The new Ethical Operating Plan (page 13), includes a commitment to continuing to do business in a manner which is socially inclusive, and in ethical policy consultations undertaken for the food, banking and investments businesses, members and customers indicated their wish for the business to promote both social and financial inclusion.

Through its community support and campaigns programme, The Co-operative recognises that inclusion is also achieved via wider social, economic and political participation. As such, opportunities are provided that can develop skills and active citizenship, and facilitate qualifications and employment.

Targets 2010	Progress	Targets 2011
Indicator: Access to products and services		
		EOP Continue to have a presence in every UK postal area, and increase the number of new stores by 300 by 2013.
Indicator: Financial inclusion and education (Performance benchmark and recognition page 52)		
Roll out the Credit Union Current Account to a further six credit unions in 2010.	X The account was rolled out to two credit unions during 2010. It is likely that the economic climate resulted in a lower uptake than anticipated (page 51).	Develop a new three-year strategy for work with credit unions.
		EOP Continue to take a lead on financial inclusion and champion financial literacy among young people.
		Maintain relationships with 90 schools through the Skills4Schools programme and involve a total of 500 trained volunteers.
Indicator: Community support and integration (Performance recognition page 54)		

Access to products and services

The Co-operative aims to retain and invest in viable community stores, and is obliged to consult member-controlled area committees on intended store closures, store disposals and new developments. A detailed process involving the area committees and regional boards is invoked if a store is under consideration for disposal or closure.

Trading Group

As the UK's fifth largest food retailer, The Co-operative operates almost 2,900 local community stores. There is now a Food store in every single postal area in the UK, and each week some 17m customers are served. The Food stores located in deprived areas (page 51) represent, on average, 23% (2009: 25%) of the food retail space provided in those areas³.

Compared to other supermarket users, a significantly higher proportion of Co-operative Food customers travel on foot when making shopping trips, and over a quarter of Food customers are aged 50 and over⁴. A free home delivery service is now offered in 318 stores nationwide, supporting those who may find it difficult to carry or transport their shopping home. The scheme is planned for further roll-out in 2011, and is targeted at stores in areas with low car ownership or a mature demographic.

The Co-operative Pharmacy seeks to ensure people have good access to medicines and healthcare advice. All 771 branches offer a prescription collection service, with 94% also offering a home delivery service, which provides vital access to medicines for people who may be unable to easily access their local pharmacy.

Proportion of outlets in deprived⁵ areas

	2007	2008	2009	2010
Food	18%	18%	18%	17%
Pharmacy	28%	26%	26%	28%
Funeralcare	37%	37%	37%	36%

As the UK's biggest funeral provider, The Co-operative Funeralcare operates 865 branches – open 24 hours a day.

Financial services

CFS offers access to financial products and services through a variety of channels.

Customers of The Co-operative Bank and Britannia can carry out financial transactions at 93 and 245 branches respectively. From 2011, all customers can carry out basic transactions across the entire branch network. In 2010, the pilot of in-store banking – small staffed banking outlets located in Co-operative Food stores – was extended to four locations. This provision is to be further extended in 2011.

The Co-operative Bank at the Matlock food store, part of the in-store banking pilot.



Access to financial services in deprived areas

	2008	2009	2010
Branches in deprived ⁶ areas	–	33%	35%
Stores offering access to financial services via Post Offices in deprived areas	18%	20%	16%

In addition to branch access, customers benefit from access to services via the internet, telephone, cash machines, Post Offices and a network of Financial Advisers. There are 252 (2009: 262) Post Offices located in Food stores throughout the country, further contributing to the range of financial services accessible to customers.

There is no charge for use of any of the 2,183 ATMs, and 37 ATMs are located in communities eligible for a financial inclusion premium⁷. In several remote locations, such as Scottish Islands and Highland villages, the bank believes it is the only ATM provider.

Financial inclusion and education

Banking support for small businesses in deprived areas

Finance to small businesses⁸ in deprived⁹ areas as a proportion of equivalent bank activity remains significantly above the industry average.

Performance benchmark

	2007	2008	2009	2010	Industry average ¹⁰
Business current accounts	8.0%	6.6%	6.6%	6.3%	4.5%
Overdrafts	6.5%	6.5%	5.9%	5.5%	4.7%
Loans	7.0%	6.4%	5.0%	5.7%	3.5%

Support for credit unions

Credit unions are financial co-operatives that offer savings and low-cost loans to members, many of whom are unable or unwilling to use more traditional services. The Co-operative Bank is the largest provider of banking to the credit union sector, providing facilities to approximately 60% of the British movement, and works in partnership with the Association of British Credit Unions Ltd (ABCUL) to provide a current account and support to its members.

🎯 The Credit Union Current Account¹¹ is considered to represent a 'step change' in the ability of credit unions to promote financial inclusion, and was extended to a further two credit unions during 2010, bringing this to a total of 25 credit unions. It is likely that the economic climate resulted in a lower uptake than anticipated in 2010. A total of 30,597 individual accounts were open at the end of 2010, an increase of 22% on the previous year.

In 2010, The Co-operative Electrical rolled out a partnership scheme with credit unions, providing members with the opportunity to buy online goods via a credit union loan. This aims to prevent members entering into agreements with irresponsible lenders or high interest rental companies. The initiative was available in nearly 80 credit unions in 2010, and it is anticipated that the number of credit unions involved will at least double in 2011.

Throughout 2010, regional Co-operative Membership teams also worked to support local credit unions. Activities included campaigns in local communities to promote responsible borrowing, credit union representation at membership events, and sponsorship of financial literacy events.

The bank continued to support the ABCUL main annual conference and its newsletter, contributing £53,000 in 2010.

In 2011, a new three-year strategy for work with credit unions will be developed, which will be informed by the results of research mapping and evaluating current support for the sector.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

SOCIAL INCLUSION

Bank accounts at HMP Forest Bank, Salford

The Co-operative piloted bank accounts for prisoners in 2006 at HMP Forest Bank, Salford, and now has opened over 1,000 accounts at the prison.

"The Co-operative Bank's intervention to enable prisoners to open a bank account has been a major contribution to the reduction of re-offending rates of prisoners leaving Forest Bank."

Steve Taylor, Deputy Director, HMP Forest Bank

"Getting this bank account from the Co-op has allowed me to get paid for my job; it has given me a sense of self-respect more than anything and allowed me to feel part of society again."

HMP Forest Bank ex-prisoner



Basic bank account provision

The Co-operative Bank offers a basic bank account, Cashminder. Features include: an option to pay bills by direct debit (which can yield bill reductions); the ability to have pensions and benefits paid directly into the account; and access to money via a debit card. Research commissioned by the British Bankers' Association shows that over three-quarters of adults who had opened a basic bank account felt more confident in dealing with money as a result¹². There was a 29% increase, to 234,677 (2009: 181,874), in the number of Cashminder accounts provided by the bank from November 2009 to November 2010.

Performance benchmark

In 2010, The Co-operative Bank had a 2.8% market share in the provision of basic bank accounts, which exceeds its 2010 current account market share of 2.3%¹³.

Bank accounts for prisoners

Throughout 2010, work continued on a pioneering project that enables prisoners to open a basic bank account while in prison, ready for use on release. Applications are now accepted from 30 UK prisons (18%). The number of accounts opened since the scheme began reached 5,587 in November 2010, representing a 54% increase since 2009.

The provision of a bank account can be a vehicle to facilitate employment and housing for offenders leaving prison; factors which are considered key to the reduction of re-offending. While it is difficult to wholly attribute causality, research undertaken by John Moores University in 2009 found that, of a group of over 100 prisoners who opened an account before leaving prison, only 34% re-offended, nearly a third less than the national average of 47%¹⁴.

Performance recognition

In 2010, The Co-operative was awarded a Guardian Public Service Award for its partnership with HMP Forest Bank pioneering prisoner bank accounts.

Financial education and employability

CFS' Skills4Schools package promotes three education initiatives to inspire young people and improve numeracy and financial literacy: Fit4Finance, Number Partners and Enterprise4Education. In 2010, over 6,800 hours of business time and expertise, equating to over £93,000, was invested in the programme, supported by learning resources worth over £6,000. Over 500 employee volunteers are involved in the scheme, which benefits 12,000 young people.

CFS' Fit4Finance programme aims to improve the financial skills and awareness of secondary school students. Workshops cover topics such as savings and interest, budgeting, and credit and debt, and support the Money Advice Service's national strategy. In 2010, Fit4Finance extended its reach to include schools in the North West region, including The Co-operative Academy of Manchester. There are now more than 300 trained employees, who during 2010 coached over 2,700 students at 68 schools and devoted over 1,300 hours of time.

Woodcraft First school students take part in Number Partners.



Number Partners is a national volunteering scheme that brings together business volunteers and primary schools to improve numeracy skills and boost confidence levels amongst pupils. In 2010, more than 100 volunteers donated approximately 4,500 hours of their time to the programme, helping approximately 600 children at 25 schools. Enterprise4Education seeks to develop secondary pupils' employability, creativity and problem-solving skills and provide insight into the world of work. In 2010, 132 employees donated 924 hours of time, which benefited 8,792 young people in 112 schools and colleges near CFS' offices.

To support its work on financial literacy, CFS highlighted the importance of financial education programmes for young people and led panel debates, with the Money Advice Service, on sustainable approaches to personal finance within the 'Youth Zone' (page 59) at the Liberal Democrat, Labour and Conservative party conferences in Autumn 2010.

The Skills4Schools programme will continue to recruit and train new employee volunteers. By the end of 2011, the programme aims to maintain relationships with 90 schools, including 15 co-operative trust schools, supported by 500 volunteers.

Wholesale Loan Fund

In 2007, The Co-operative Bank provided a loan facility of £3m to the Wholesale Loan Fund, launched by Greater London Enterprise. The fund, which totals over £4m, provides capital to locally-based Community Development Financial Institutions, who, in turn, lend to less advantaged entrepreneurs. As at December 2010, the fund had enabled 275 businesses to start up, maintain jobs, or grow. Approximately 40% of all loans from the fund are made to businesses led by women, and more than half of all loans are made to business owners of an ethnic minority background.

Support for Shelter



Throughout 2010, CFS promoted an initiative to support housing and homelessness charity, Shelter, through its home insurance product.

From January to September, a targeted group of 'ethical consumers' were offered a home insurance policy which featured a £10 donation from CFS to Shelter. From October this was extended to all customers for three months, during which time CFS gave a £5 donation for every policy opened. Over 30,000 customers have opened policies through this campaign, which contributed to a donation of £250,000.

Bank screening of finance

During 2010, 29 finance opportunities (2009: seven) were referred to the Ethical Policy Unit in connection with financial inclusion, of which six were declined (2009: two) with an estimated cost of £397,000 in terms of gross income foregone.

Financial inclusion-related business declines 2010

	Estimated income foregone 2010
Home-collected credit provider £10m contribution to a syndicated loan facility for a business offering home credit to overseas markets. Research indicates that loans targeting low-income groups at interest rates considered extortionate are common in the home credit sector. Business did not disclose APRs charged.	£320,000
Personal loans (four instances) £2m lending (one instance), transfer facilities (one instance) and banking facilities (two instances) for business providing short-term 'payday loans' at exploitative interest rates of between 1,400% and 2,900% APR.	£76,000
Multi-level marketing Banking facilities for a multi-level marketing distributor. Concern over 'misleading' marketing techniques and minimal returns available to new entrants of such schemes.	£1,000

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

In 2010, TCAM was presented with two overseas shareholder resolutions relating to social inclusion, of which one was supported and one vote of abstention was registered.

Company	Resolution	Vote registered
BB&T Corporation	To report on overdraft policies and practices and their impacts on borrowers.	Supported
East Japan Railway Co	To develop a fund for the maintenance of local and minor train lines.	Abstained ¹⁵

Community support and integration

The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers is an initiative that aims to improve the life chances of young people through sports volunteering, operating in the 20% most deprived communities across England and Wales. Further details are provided on pages 57 and 58.

Making Opportunities programme

For a number of years, selected Food stores have provided work placements for Mencap clients through the Mencap Making Opportunities programme, which aims to give people with learning difficulties equal opportunities in gaining employment. Since 2008, over 216 Mencap clients have participated in work trials, which has resulted in 92 of those clients gaining permanent paid employment. The Co-operative has committed to permanently recruit all participants who complete their work trial successfully and who wish to take up a position, regardless of whether a vacancy existed at the store – a guarantee offered by no other Mencap partner. In 2010, Mencap was adopted as The Co-operative Charity of the Year (page 20).



Making Opportunities programme

92 Mencap clients have gained permanent employment since 2008

Community investment

International development and human rights

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SOCIAL INCLUSION

► Performance recognition

The Co-operative received The Employment Award 2010 for its pioneering 'Making Opportunities' scheme at the Business Charity Awards.

Offenders' art exhibitions

The Koestler Trust aims to inspire offenders to lead more positive lives by motivating them to participate and achieve in the arts. In 2010, The Co-operative continued to support The Koestler Trust's exhibitions of offenders' art, providing support for two regional exhibitions (in Manchester and Edinburgh), and the national Koestler Awards Exhibition at The Southbank Centre in London. In total, over £90,000 was invested in offenders' art exhibitions in 2010, which attracted over 40,000 visitors. Additional funding of £164,000 has been committed to support the national exhibition in 2011–2012, and will enable delivery of four regional exhibitions, and four art projects involving young people, over the two years.

Exhibit from The Co-operative Koestler Exhibition, Scotland 2010.



Lifeshare

In 2010, a relationship was established with charity Lifeshare – which works with homeless people in Manchester and Salford – as part of its commitment to deliver benefits to the local community surrounding its new head office (page 63).

In 2010, a donation of £87,000 was provided to the charity, and over two years, assistance will be offered through volunteering and professional development support.

Influence and action

Bank accounts for prisoners

In June 2010, The Co-operative participated in a joint British Banking Association/UNLOCK (the National Association of Reformed Offenders) meeting on access to banking for prisoners. The Bank showcased its activities, reiterated the recommendations outlined in its 'Still Banking on a Fresh Start' research¹⁶, and encouraged more institutions to become involved in prisoner banking. In December 2010, following the publication of the Government's green paper on sentencing and re-offending, a letter was sent to Crispin Blunt MP, Minister for Prisons, to highlight how the provision of bank accounts has been linked to reduced re-offending.

Future of the Post Office network

The Co-operative Retail Trading Group (CRTG) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices.

In early 2010, in conjunction with CRTG, a submission was made to the Department for Business, Innovation and Skills consultation on Post Office Banking. This welcomed Government proposals for the Post Office's enhanced role in the provision of financial services, highlighting that 'universal' access to transactional banking by third parties, such as via The Co-operative Bank, is a unique and valued provision, and recommended expanding this functionality to other third-party financial services providers and credit unions. These points were reiterated at an event on Post Office banking held by the All Party Parliamentary Group on Debt and Personal Finance.

In late 2010, the Government Postal Services Bill proposed the separation of Royal Mail and Post Office Limited and consideration of a mutual or co-operative ownership model for the Post Office. In response, written evidence was submitted to the Postal Services Bill Committee outlining the scale and reach of its Post Office interests and mutual democratic ownership structure.

Votes at 16 campaign

Through its campaign and membership of the Votes at 16 Coalition, The Co-operative is seeking to improve the inclusion of young people in society. Further details are provided on page 59.

Fuel Poverty Directive

In February 2010, a response was issued to the Energy and Climate Change Committee Inquiry into Fuel Poverty. This highlighted the role of decentralised energy generation systems, which can be effectively delivered through a community co-operative model.

Accompanying notes


- | | |
|---|---|
| <p>1 National Equality Panel (2010) An anatomy of inequality in the UK: Report of the National Equality Panel.</p> <p>2 Taylor, M (2011) The long term impacts of financial capability: Evidence from the BHPS.</p> <p>3 Analysis is based on all food stores within a one-mile radius of Co-operative Food stores.</p> <p>4 Based on research conducted on behalf of The Co-operative by McCallum Layton, July 2010. The research sampled 1,160 households through online polling, which included 151 supplementary interviews with users of The Co-operative Food.</p> <p>5 Where deprived areas correspond with the most deprived 20% of areas identified in the Indices of Deprivation 2007, webarchive.nationalarchives.gov.uk/+/communities.gov.uk/communities/neighbourhoodrenewal/deprivation/</p> <p>6 2008 analysis for the branch network is incomplete, as Britannia estate data is unavailable.</p> <p>7 In December 2006, following lobbying by The Co-operative Bank, the LINK Network Members Council agreed the introduction of a new financial inclusion premium, which incentivises ATM operators to deploy free-to-use cash machines in financially excluded target communities.</p> | <p>8 Refers to businesses with an annual debit turnover of up to £1m.</p> <p>9 Where deprived areas are defined as those 5% of postcode sectors equating to the 2% most deprived electoral wards in Great Britain.</p> <p>10 British Bankers' Association (2011), Lending to Small Businesses in Deprived Areas 2010, www.bba.org.uk</p> <p>11 Enables credit union members to: withdraw cash from their credit union account at any ATM machine in the LINK network; use direct debits and standing orders to pay regular household bills; and use a Visa debit card at Visa locations worldwide.</p> <p>12 British Bankers' Association (March 2006), Basic Bank Accounts give customers confidence in handling their finances.</p> <p>13 Basic bank account market share is based on British Bankers' Association overall market figures (as at end of 2010), and current account stock market share data from GfK NOP, December 2010.</p> <p>14 Jones, Paul A (2009) Still Banking on a Fresh Start, Liverpool John Moores University.</p> <p>15 Information provided was insufficient to evaluate the financial impact of the proposed fund upon the company and shareholders.</p> <p>16 Ibid footnote 14.</p> |
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INSPIRING YOUNG PEOPLE

Background

Almost a third of the UK's population are young people¹, who continue to be affected more than any other age group by the impacts of the recession. Socially, 16 to 25 year olds remain the age group most likely to live in a disadvantaged area². As youth unemployment rises³, an increasing proportion of jobs are likely to require a graduate level qualification⁴, making opportunities for young people to gain qualifications and skills more important than ever. Playing an active role in society can deliver many benefits for young people; for example, there is a positive relationship between participation in volunteering and education, employment and income⁵.

Materiality and strategy

As a business owned and democratically controlled by its customer-members, and as an employer, The Co-operative believes it can have a significant impact on the lives of young people – those aged 25 and under. 'Inspiring young people' is an area of major focus for the new Ethical Operating Plan (page 13), and aims to help bring about a cultural shift in the way that young people are viewed and treated in this country.  To achieve this vision, a new inspiring young people strategy was launched in June 2010, supporting young people through co-operative education, opportunities and campaigning.

 Targets 2010	Progress	Targets 2011
Indicator: Community investment		
Launch and implement an inspiring young people strategy during 2010.	 The inspiring young people strategy was publicly launched in June 2010 (see above).	 Provide £30m for the inspiring young people programme by 2013.
Indicator: Education		
		 Support the establishment of 200 Co-operative Trust Schools by 2013.
Launch The Co-operative Academy of Manchester and The Co-operative Academy at Brownhills in Stoke-on-Trent in September 2010.	 The Co-operative is the lead sponsor of both academies, which launched on schedule in September 2010 (page 56).	Launch The Co-operative Academy in Leeds in 2011, and establish a total of six Co-operative Academies by end of 2013.
Launch Green Schools during 2010.	 Work commenced in 2010 to bring together all environmental initiatives that inspire young people in a refreshed Green Schools programme, which launched in 2011 (page 57).	 Drive forward the Green Schools programme, which reaches over 100,000 children per annum.
Indicator: Opportunities		
Begin work to enable the launch of The Co-operative Apprenticeship Academy in 2011.	 During 2010, apprenticeship opportunities were identified and the types of qualification to be offered were agreed. A training provider was selected in early 2011 (page 58).	 Establish a Co-operative Academy that will create 2,000 apprenticeships by 2013.
		 Broaden the work of The Co-operative Enterprise Hub (page 98) and offer advice and training to support young people who wish to start up co-operative businesses by 2013.
		 Create an advisory panel of young members who will inform a newly appointed Board Champion for young people by 2013.
Recruit a total of 3,000 young people in disadvantaged communities as StreetGames Young Volunteers by 2012.	 3,017 young people have joined the programme since 2007.	
Indicator: Campaign activity		
Launch a campaign in 2010 to lower the voting age to 16.	 In February 2010, The Co-operative launched its campaign to lower the voting age, and joined the Votes at 16 coalition (page 59).	 Continue to campaign for Votes at 16 and demonstrate how young people are ready, able and willing to be more fully engaged.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

INSPIRING YOUNG PEOPLE

Membership

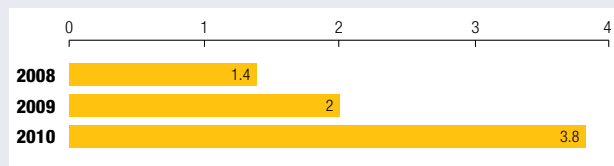
The Co-operative offers membership to anyone aged 16 or over who lives in the UK. While young people aged 16 to 18 are excluded from traditional democratic processes, as part of The Co-operative, all members aged 16 or over can exercise their democratic control, with equal rights and benefits. Although under represented, some 270,000 young people⁶ were members of The Co-operative in 2010⁷.

In order to ensure the views of young people are better represented, a commitment has been made to create a Youth Advisory Panel, which will inform a new Board Champion for young people. At a local level, work will be undertaken to increase the number of younger candidates in membership area elections (page 96), and subject to a change in legislation, membership will be widened to under 16s.

Community investment

The level of cash investment dedicated to supporting young people has increased significantly in recent years, and activity in 2010 benefited a total of 330,000 young people across the UK.

Total cash investment in inspiring young people programmes (£m)



Top five cash investments in inspiring young people programmes 2010

The Co-operative Foundation's Truth about Youth	£1,050,058
Green Schools	£540,260
Co-operative Schools	£453,194
The Co-operative StreetGames Young Volunteers	£339,365
The Co-operative British Youth Film Academy	£264,569
Total	£2,647,446

Beneficiaries 2010

330,000 young people benefiting from inspiring young people activity

Provision is set to increase further with establishment of a Co-operative Apprenticeship Academy, which will contribute to the total of £30m (which includes cash investment, leverage and awareness-raising spend) to support activity during 2011–2013.

Education

Co-operative Schools

The Co-operative has committed to invest £1m to support the expansion of Co-operative Schools, and in 2010, £453,194 was invested in programmes which aim to improve educational outcomes and skills of students, and give communities a greater say in how their local schools are run.

Co-operative Trust Schools

In partnership with The Co-operative College, a model for co-operative trust schools in England has been developed. At the end of 2010, 108 Co-operative Trust Schools had been established. Support has been provided for the establishment of an independent co-operative to drive the strategy, profile-building and networking for all co-operative schools.

In Scotland, support is provided to the Co-operative Educational Trust Scotland (CETS), which delivers co-operative enterprise education and professional development programmes, and facilitates access to the Co-operative Movement across Scotland. Involvement includes financial support, board representation and provision of secretariat support.

Business and Enterprise Colleges

Throughout 2010, relationships were maintained with 10 Business and Enterprise Colleges sponsored by the Government's specialist schools programme across the UK. Support includes provision of governors⁸, assistance with curriculum development, and funding for The Co-operative College to develop curriculum materials.

Co-operative Academies

The Co-operative is the lead sponsor of two Academies, both of which opened in September 2010. Led by The Co-operative Financial Services (CFS) in Manchester, and The Co-operative Travel in Stoke-on-Trent, and working in partnership with local councils and educational institutions, sponsorship provides extensive business expertise, and funds the community work of the Academies. The Academies specialise in business and finance (Manchester) and business, maths and ICT (Stoke-on-Trent).

In late 2010, 10 students studying at The Co-operative Academy of Manchester worked alongside senior managers and executives at The Co-operative for a day as part of the Children's Commissioner for England's Takeover Day.



Financial education

The Co-operative Financial Services' Skills4Schools programme seeks to improve numeracy, financial literacy and employability; see page 52 for further details.

Green Schools

🎯 In 2010, The Co-operative began to draw together its range of community projects that help young people gain the knowledge and enthusiasm to live more sustainably. Over 2011–2013, a further £1m has been committed to extend the offering as a refreshed Green Schools Revolution programme. During 2010, more than 128,000⁹ children and young people benefited from Green Schools initiatives, which include:

• **Walking Buses**

In the last 20 years, the proportion of British children (aged five to 10) walking to school has fallen from 62% to 48%¹⁰. The Co-operative Walking Bus initiative reduces the carbon footprint of schools by enabling children to walk to school together in safety, thereby reducing school traffic. Schools are provided with high-visibility vests and wrist bands for children, posters, and a banner to promote the bus to children and parents.

During 2010, 82 buses were established. In total, 326 Walking Buses have been established since the initiative's launch in 2007, and have benefited more than 3,200 children.

• **Green Energy for Schools**

The Co-operative's Green Energy for Schools (GEfS) programme operated between 2007 and 2010, enabling UK schools to install solar panels at no cost, and subsidising installation of small wind turbines, biomass boilers and ground source heat pumps. In February 2010, the Government's Low Carbon Building Programme, which part funded installations, closed to new grant applications. During 2010, the final installations – two wind turbines and one biomass boiler – were completed and 189 schools now generate their own renewable energy as a result of the programme. In 2010, almost 100,000¹¹ young people benefited from the programme.

Grove Primary School pupils became 'Eco Warriors' for a day. In 2010, solar panels were installed at their school, via the Green Energy for Schools programme.



• **WasteWorks**

The WasteWorks education facility closed in December 2010 to allow for the construction of The Co-operative's new head office site (page 63). Since 2007, WasteWorks, based at the Manchester recycling centre, has offered a curriculum-linked programme to key stage two school pupils. During its lifetime, WasteWorks welcomed over 19,000 visitors, including some 13,000¹² children on school visits to learn about recycling.

• **Energy Works**

Energy Works gives young people the opportunity to learn about the environment and renewable energy generation. During 2010, 67 classes visited the education centre at The Co-operative wind farm in Cambridgeshire. Since 2007, more than 5,500 students have benefited from the programme, which also provides school workshops and resource packs.

• **From Farm to Fork**

From Farm to Fork is designed to enable children from primary schools to visit one of The Co-operative's working farms, providing them with a learning experience that promotes greater insight into how food crops are grown and harvested. In 2010, almost 15,500 children visited Co-operative Farms. The programme, which started with one farm in 2005, now operates on seven sites across the UK. Children are given advice on healthy eating and recipes to make with their parents using seasonal produce. They are also taught about general farm management, including issues such as biodiversity.

• **Sustainable Travel**

The Co-operative Travel is working to develop children's knowledge of sustainable travel, through talks on responsible tourism delivered by local branch managers. A total of 48 schools participated between July and September 2010. Some 1,700 young people have benefited since the project launched. In 2011, it is planned to increase participation to 120 schools and 4,200 young people.

Opportunities

The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers programme aims to improve the life chances of young people aged 16 to 25 through sport, and operates in around 100 locations in disadvantaged communities across England and Wales.

🎯 Since the partnership began in 2007, 3,017 young people have joined the programme, achieving the target for 2012 ahead of schedule. Participants have donated 70,000 hours of time volunteering in their local communities. In 2010 alone, 31,215 young people participated in sports activities run or assisted by the volunteers, which aim to promote increased community cohesion, healthier lifestyles and reduce anti-social behaviour. Volunteers are provided with training, support and resources to improve their leadership skills, and have used this experience to pursue vocational qualifications and further training; at the end of 2010, 2,092 qualifications and accreditations had been achieved by young volunteers. The Co-operative has committed to invest a further £1.2m in the programme from 2012–2014, when the project will be rolled out to communities in Scotland and Northern Ireland.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

INSPIRING YOUNG PEOPLE

The Co-operative Street Games Young Volunteers

Before becoming a Co-operative StreetGames Young Volunteer, Jamie was planning to leave school straight after her GCSEs. Now she is a mentor who runs her own dance troop. She has joined the Board of Directors at the North East Music Factory Project, gained coaching qualifications and is studying for her A-levels.

"It's definitely helped me develop skills I never thought I'd have. I'm proud of what I've achieved and how I'm now able to lead sessions, plan and organise events. When you have pride in yourself it shows and I think the young people I work with notice – it's something they then want to achieve."

Jamie Mitcheson



Performance recognition

In May 2010, StreetGames was awarded the prestigious Sir James Wilson Award at The Chief Medical Officer's Public Health Awards, for its work using doorstep sport to tackle health inequalities in areas of deprivation.

In June 2010, The Co-operative StreetGames Young Volunteers won the Business Charity Award for the best UK project.

The Co-operative Foundation's Truth about Youth

'Truth about Youth' is a grants scheme aimed at challenging and changing negative perceptions of young people. The scheme provides funding for a charity partner in each democratic region, with a total of £2m committed to the programme from 2009 to 2012 – see page 19 for further details.



The Co-operative British Youth Film Academy

In 2009, The Co-operative announced a three-year partnership with the British Youth Film Academy (BYFA), investing £500,000 to establish The Co-operative British Youth Film Academy. The BYFA

provides a link between the commercial film industry and young people, regardless of their background or experience.

In 2010, BYFA delivered two summer camps, focused on the production of a full-length feature film. At the camps, young people work with professional film-makers on a real film set – activities include working on photography, lighting, sound, and post-production.

In addition, BYFA runs film workshops in Further Education colleges. In total, 10,168 young people participated in BYFA activities in 2010. BYFA is a co-operative, and has a membership of 18 further education and higher education institutions (2009: 16) in four educational clusters: West Midlands, North West, East Midlands and Yorkshire. It aims to become the UK's most accessible film-making training academy, and will establish two new educational regions every year until nationwide coverage is achieved, supported by an additional £700,000 funding from 2011–2013.

www.britishyouthfilmacademy.com

John Montegrando co-directs a production of Julius Caesar at a BYFA summer camp.



The Co-operative Film Festival

The Co-operative has been supporting young people's film making for 45 years through The Co-operative Film Festival. The Festival gives young people the chance to have their short films shown at the National Media Museum in Bradford, encouraging co-operation, creativity and self-expression. Each year 100 short films are shown over two days, covering a range of topics, including issues faced by young people, such as violent crime and bullying. In 2010 approximately 1,000 young people attended the festival.

www.co-operative.coop/filmfestival

Employment

The Co-operative directly employs almost 30,000 young people¹³ across its family of businesses, and also offers a range of opportunities for young people to gain business skills and experience via work experience placements, internships and apprenticeships.

• Apprenticeships

In 2010, it was announced that £9m will be invested from 2011–2013 to launch a new Apprenticeship Academy that will benefit at least 2,000 young people. The apprenticeships will enable young people to gain quality work experience, work towards a recognised national qualification, and potentially progress onto the graduate programme. During 2010, apprenticeship opportunities were identified across the key business areas and the types of qualification to be offered to apprentices were agreed. A third-party training provider has been selected through a tender process.

• Student and graduate schemes

In 2009, a 12-month undergraduate placement programme was launched, and is accredited with the National Council of Work Experience Quality Mark. A graduate scheme is also offered (page 109).

Influence and action – campaign activity

Votes at 16



➤ In February 2010, The Co-operative launched its campaign to lower the voting age, and joined the Votes at 16 Coalition as a steering group member. The campaign aims to secure legislative change to lower the voting age to 16 for all local and national elections in the UK, and empower young people to be active citizens. £500,000 has been committed to the Votes at 16 campaigning over two years.

Throughout 2010, The Co-operative worked alongside steering group partners to develop the strategic direction of the Coalition campaign and funded and co-ordinated campaign rebranding and the redevelopment of the Coalition website, which relaunched in March 2011.

➤ www.votes@16.org.uk

Activities include:

- Creation of a 'Youth Zone' within the secure area at each party political conference, with young people acting as 'media ambassadors' interviewing politicians and influential attendees on Votes at 16 and issues of importance to young people.

- Event held with Demos which engaged 100 young people to offer views on the proposed Government spending cuts; a follow-up report¹⁵ was published in 2011.

- Work undertaken with Natascha Engel MP to table an Amendment to the Alternative Vote Bill, to allow 16 and 17 year olds to vote in the 2011 alternative vote referendum.

- Production of a half-hour TV documentary¹⁴ with the Media Trust, which followed three 16 and 17 year old campaigners as they met and lobbied people of influence on Votes at 16.

- Production of Citizenship education resources on Votes at 16 which were widely distributed to schools through the Association of Citizenship Teachers (ACT) network, and Co-operative Schools.

- Development and funding of bespoke Votes at 16 workshops for the network of Co-operative Schools, which have been delivered to more than 700 pupils.



Accompanying notes

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| <p>1 Those aged 25 and under. The figure presented here is from the Office for National Statistics, and relates to under 25s. www.statistics.gov.uk/downloads/theme_social/Social-Trends40/ST40_2010_FINAL.pdf</p> <p>2 www.statistics.gov.uk/downloads/theme_social/Social-Trends40/ST40_2010_FINAL.pdf</p> <p>3 As at Jan 2011, the youth unemployment rate (including students) had risen to 18.1% (Feb 2010: 17.6%), the second highest figure on record. The rate for those aged 25 to 49 was 6.3% (Feb 2010: 6.2%) and for those aged 50</p> | <p>and over, 4.5% (Feb 2010: 4.7%). Centre for Economic and Social Inclusion: www.cesi.org.uk/statistics/previous_months/lms_jan2011</p> <p>4 By 2020 40% of all jobs will require a graduate level qualification www.bitc.org.uk/workplace/talent/the_talent_skills.html</p> <p>5 Institute for Volunteering Research (2009) Young people, volunteering and youth projects: A rapid review of recent evidence inspired.com/uploads/admin_assets/datas/282/original/v_formative_evaluation_rapid_evidence_review_Dec_2009_x_2.pdf</p> <p>6 Members aged between 16 and 24 years old.</p> |
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| <p>7 Some 5% (269,021) of Co-operative members were aged 16–24 in October 2010, compared to 15% of the general population www.statistics.gov.uk/downloads/theme_social/Social-Trends40/ST40_2010_FINAL.pdf</p> <p>8 Governors are employees of The Co-operative and elected members.</p> <p>9 See footnote 11 for details of estimated Green Energy for Schools beneficiaries included in this figure.</p> <p>10 www.statistics.gov.uk/downloads/theme_social/Social-Trends40/ST40_2010_FINAL.pdf</p> | <p>11 124 primary schools with an average of 280 pupils and 64 secondary schools with an average of 1,016 pupils.</p> <p>12 50% of visitors to the holiday programme and 75% of outreach beneficiaries were children.</p> <p>13 Employees aged 16 to 25 as at February 2011.</p> <p>14 www.co-operative.coop/corporate/ethicsinaction/inspiring-young-people/what-were-doing/campaigning/Votes-at-16</p> <p>15 www.demos.co.uk/publications/backtothefuture</p> |
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