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tracking supermarket progress towards a
fairer and greener food system

2003 company profile

CO-OPERATIVE GROUP (CO-OP) Ltd

1.1 Engagement with Race to the Top

CO-OP was one of the first companies to sign up to the Race to the Top project in 2001. It has worked constructively with other project partners to develop and test the data collection methods used by the project. It has collected and submitted data for the project in 2003, and took part in the supplier survey.

1.2 Company overview

The Co-operative Group operates over 1,800 food stores and has 43,000 employees. The current structure formed in 2000 when the Co-operative Wholesale Society (CWS) and Co-operative Retail Society (CRS) merged to create the world's largest consumer co-operative. Apart from food retailing, the Group also has businesses in banking, insurance, funeral directing, car dealerships, travel retail, pharmacy and farming.

Though market share is only around 4.2%, the CO-OP is market leader in top-up food shopping, through its Welcome convenience store format, the 600 store Alldays convenience chain acquired in 2002, and the Balfour chain of convenience stores and newsagents acquired in June 2003.

In terms of ability to do well in ethical business, the CO-OP has structural strengths and weaknesses. Unlike plc's, the CO-OP's business mandate is 'based on a set of values and principles, which include values of social responsibility, openness democracy, equality and caring for others'. "Commitment to Responsible Retailing" says the CO-OP, "is about turning these values into a practical reality within the market place." Issues of fair and ethical trade are therefore pillars of the business. Other principles of the Co-operative movement include education, training and information, concern for the community and cooperation between Co-operatives. Consequently, the CO-OP sees itself as campaigning organisation as well as a retailer; examples include the 'honest labelling' and 'food crimes' campaigns.

But small store size and the 'top-up' shopping market segment present major, challenges such as restricted shelf space for ethical lines of produce, and a customer demographic profile traditionally resistant to paying premium prices for Fairtrade organic or high-welfare niche produce.

The Group has experienced a recent upturn in profitability as it focuses on the convenience and top-up retail sectors. In 2002 the Group won the prestigious 'Multiple Retailer of the Year' prize.

1.3 2003 results: overview

The CO-OP was far and away the leading company in Race to the Top 2003. The Group achieved 'Best in Category' in 6 out of 7 categories of Race to the Top themes--Producers, Workers, Local Economies, Nature, Animals, and Health. Putting policy into action is not always smooth—the supplier survey, for example, indicated that the CO-OP has work to do in terms of supplier relationships. And the store survey associated with the 'Local Economies' module showed that local sourcing of food is a weakness. But in general, these outstanding results show what can be achieved when a company puts its whole operation behind the idea of responsible retailing, despite

a challenging position in the food retail market. It would have been very interesting to compare the CO-OP's results with those companies with high-end customer bases—especially Waitrose and M&S—to see just how far the Group has come, and how the assumed ethical leaders now have to watch out for the Co-op moving the goalposts of responsible retailing. And there are many lessons from CO-OP's performance, which has accompanied its re-invigoration in the fortunes of co-operative retailing, for the companies, which say that ethics are a luxury they cannot afford.

Comments from CO-OP :

“Aspects of broad social responsibility play a strong role within the Co-operative Group’s corporate strategy, supporting our consumer membership and the values and principles upon which the Co-operative Movement was founded. Placed alongside our respected product range and our extensive store portfolio providing convenient shopping in many communities, our approach as a Responsible Retailer is entirely consistent with our strategy, and our position as a modern, competitive retailer with the interests of consumers at its heart.

The different aspects of Race To The Top have formed elements of our approach for some years, developing animal welfare standards, creating opportunities for improved diet through product composition and clear labelling, or through being the leading supermarket for Fairtrade, the Co-op Brand product range of food, grocery and non-food products has and continues to play a vital role in delivering the standards of social responsibility that set targets for others.”

David Croft, Co-op.



ENVIRONMENT module

1.1 Corporate Commitment to Environmental Responsibility & Performance

Indicator: Board-level responsibility, training and reporting for environmental issues.

CO-OP obtained high scores in this Indicator, with only a small dip in points regarding staff training and environmental reporting. Both these areas have been recognized and improvements are being made in the near future. Within Co-operative Retail, the Head of Co-operative Brand & Technical has responsibilities for environmental management at Board level. Environmental issues and performance are reported within each monthly Board report. The Chief Operating Officer of the Co-operative group chairs the Environmental Steering Group, which meets on a quarterly basis, reporting progress to the Board.

Senior Management with environmental impact responsibilities receive training and development in the Co-operative Groups policies and practices and on the environmental management systems in place. There is no specific environmental awareness training for store-based personnel but this is due to take place in the near future using a range of communication media including induction and staff information posters.

The Social Accountability summary report covers all areas of Corporate Social Responsibility well. It would be good to see a combination of the Environment section from the report with additional information from the Environmental Management System Strategy and the Responsible Retailing leaflet. Hopefully these will be tied together in the new Social Accountability report planned for Spring 2004.

1.2 Climate Change

Indicator: Energy Use and Emissions of Carbon Dioxide (CO₂)

CO-OP reports that their overall management of environmental impacts was not well co-ordinated previously, but have since shown great commitment in this area, developing a model Environmental Management System. For this Indicator they did score well as they have rolled out objectives, targets and procedures for the reduction of in-store and transport emissions. It is not clear whether CO-OP is using the DEFRA Environmental Reporting Guidelines for a company reporting on Greenhouse Gas emissions. CO-OP is developing opportunities for back-hauling, which will reduce mileage, fuel and the number of vehicles on the road.

1.3 Waste

Indicator: Waste Management and Minimisation

Through their committed approach to waste minimisation in the future more points could be awarded to the CO-OP for reducing waste sent to landfill. At present the cost of waste sent to landfill is quite high. The CO-OP is currently trialling a small meat waste composting scheme and several stores and depots are involved with Crisis Fairshare resulting in 110 tonnes of fruit and vegetables reaching charitable causes. CO-OP has set and achieved their waste targets for this year and have set manageable targets for the year ahead.

The CO-OP was the first supermarket to introduce degradable carrier bags, with product packaging now adopting the same plastic. The CO-OP has also a number of initiatives for the reduction of



packaging and the use of recycled material. This includes taking waste paper from CO-OP offices to produce 100% recycled toilet tissue and kitchen towels, which are sold through the stores, hence closing the loop. This scheme earned the CO-OP a Green Apple Award. Organic fruit and vegetables utilise biodegradable packaging, but this is still only 5% of fresh food packaging.

Customers are encouraged to use reusable carrier bags rather than the disposable bags and a reward scheme for reuse through the loyalty card is currently under review.

Overall commentary and examples of good practice:

CO-OP performed very well and achieved high scores across all indicators.

Areas of good practice

- €# As noted above, the CO-OP's initiative to 'close the loop', recognised within the Environmental Best Practice category at the Green Apple Awards.
- €# CO-OP launched Britain's first biodegradable carrier bag in an effort to reduce landfill waste. CO-OP still encourage customers to reuse carrier bags rather than the (biodegradable) disposable bags.

Areas for improvement

- €# We strongly recommend CO-OP aim for absolute CO₂ emission reduction in accordance with Government targets and obligations. Emissions of greenhouse gases should be calculated using DEFRA guidelines and CO-OP should sign up to MACC2 (making a corporate commitment) to set more ambitious targets to reduce CO₂.
- €# Reduce energy emissions through modifications to store lighting and through recovering waste heat from refrigerant systems. Replace older HCHC store refrigerant systems with new more efficient units (HFCs).
- €# Consideration should be given to push forward targets for reducing greenhouse gases and other emissions, through sourcing in-store and distribution centre energy from renewable sources. Other leading supermarkets purchase 10-25% of their electricity from renewable sources.
- €# Decrease current waste sent to landfill – and hence cost associated with it by employing waste minimisation techniques. Primarily reduce the amount of packaging used, secondly, increase the use of recycled materials in packaging and thirdly seek to utilise biodegradable packaging of all fruit and vegetables (not just organic).
- €# Develop a CO-OP green travel plan, including car share schemes and walking and cycling initiatives to influence ways staff travel to work.
- €# Look into becoming a member of Transport 2000's 'Ground floor partnership' – a National group of employers to promote best practice regarding travel plans and transport policy.
- €# Experiment with new technology in the form of alternative fuels (biodiesel, liquid petroleum gas, compressed natural gas) and new vehicle designs that minimise fuel use through aerodynamic changes and new tyres. Another leading supermarket anticipates running its entire distribution vehicles on chicken fat and waste cooking oils.
- €# Divert freight off the roads; consider using more environmentally friendly modes of transport: rail, coastal shipping and waterways where appropriate. Combined transport can provide very cost-effective and reliable alternatives to road-only options.
- €# Develop further opportunities for back-hauling, which will reduce mileage, fuel and the number of vehicles on the road.
- €# Consideration should be given to implementing environmental and full cost accounting as part



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Module 1: Environment

of CO-OP's risk management and internal control, which can be published within the Annual Environmental report.

€# Introduce Environmental awareness training for all CO-OP staff, through the induction process

Comments from CO-OP :

“Our environmental policy is having a significant impact on a range of business activities, and progress has been swift. Since this report, an increase in the amount of ‘green’ electricity has been introduced, achieving the goal set with 11% now from this source. At the same time, part of our distribution fleet has converted to compressed natural gas fuel, with the opening of two new fuel sites. Inevitably, with stores in locations as diverse as the Isles of Scilly and Shetland, distribution is a challenging area of environmental impact but efficient fleet management and route-planning alongside back-hauling and a regionally-focused supply chain help to manage this effectively. Our travel plan for head office staff contributes to the same aim. Targets have been set on reducing CO₂ emission and waste that will be supported by improvements in equipment and store design, and packaging use, with training programmes for store personnel helping to achieve our aims.”



PRODUCERS module: Best in class.

2.1 Corporate commitment to trading integrity with the supply chain

Indicator: Board-level responsibility for trading integrity

The CO-OP's Chief Operating Officer represents the retail part of the CO-OP on the Executive Board, with responsibilities covering ethical trading in the supply chain. Responsible Retailing is addressed primarily through the retailing division under the head of the CO-OP Brand and Technical team.

2.2 Trading integrity with the supply chain

Indicator: Standards and codes of practice.

Codes of practice on relationships with suppliers: The CO-OP has signed up to the Department of Trade and Industry (DTI) Code of Conduct, though it was not obliged to (the Code was targeted at the 'Big Four' retailers with market shares greater than 8%). The CO-OP has also developed its own code of conduct on supplier relations, which includes more rigorous language than the DTI Code. This is incorporated within the CO-OP's *Code of Business Conduct*, though unfortunately not in the publicly available summary version. Buyers are trained in the Codes and CO-OP suppliers are regularly informed, but 'first tier' suppliers are not obliged to implement the code with *their* suppliers—generally smaller suppliers or farmers.

Country of Origin labelling. The CO-OP has adopted the Food Standards Agency best practice guidelines for Country of Origin labelling, and has spelled out a supportive policy position (supplied to RTTT), committing the group to always indicate the country of origin of a product and "will not use any national flags, emblems, symbols and particular colour combinations on any product except where the product is manufactured and packed in the country concerned."

Pricing of 'sustainable' products. The CO-OP has a policy of not making higher profit margins from organic and Fairtrade produce compared to conventional produce.

2.3 Fair trading relationships

Indicator: Integrity of the trading relationship with UK farmers and suppliers

The CO-OP was one of only two companies, which participated in the RTTT supplier survey, designed and conducted by the Centre for Food Chain Research at Imperial College. The 23 responses received from Co-op suppliers yielded a score below the median of results from the pilot year. This suggests that the CO-OP has some way to go [before it has ensured that policies of equity and justice in trading relations feed through to company buyers.



Indicator 2.4

Issue: Support for smallholder producers in developing countries

Indicator: Availability of and promotion of Fairtrade Marked products

At the time of reporting, the CO-OP stocked a total of 38 Fairtrade Marked products in 11 product categories, including 6 categories with own-brand Fairtrade products, with at least one product per category appearing in the bulk of the Group's 1100 stores. These products are supported by a sustained effort of promotions, in-store advertising, special events during Fairtrade Fortnight etc. Even considering the CO-OP's ethical business constitution, this is a remarkable achievement and points the way for companies with a similar set of business challenges to go out and actively develop the Fairtrade sector.

Overall commentary and examples of good practice:

Examples of good practice

The CO-OP has been at the forefront of introducing Fairtrade-marked products into its stores, including own-brand, as a concerted campaign. This shows that developing the Fairtrade sector is not governed entirely by the income level of a retailers' customer base. The CO-OP:

- ⌘ Is the first UK retailer to introduce Fairtrade bananas and Fairtrade mangoes
- ⌘ Is the first retailer to launch an own-brand Fairtrade product—CO-OP Divine milk chocolate, in partnership with the Day Chocolate Company; all CO-OP block chocolate has been converted to Fairtrade
- ⌘ Has developed own-brand Fair Trade roast and ground coffee, and own-brand fairly traded wine
- ⌘ Has 'done more to support Fairtrade Fortnight than any other grocery retailer'
- ⌘ Has received the Retail Industry Award for Marketing Campaign of the Year 2001 for their Fairtrade campaign, and Retail Week's In Store Promotion of the Year.

Areas for improvement:

- ⌘ Incorporate the company's Code of Conduct on supplier relations in Terms and Conditions of Purchase from suppliers, so that the principles of the Code are transmitted 'upstream' to smaller suppliers and farmers.
- ⌘ Include the company's Code of Conduct in the CO-OP 'Code of Business Conduct' and publicise that code on the company's website and printed information
- ⌘ Improve communication and collaboration between retail buyers and suppliers, and ensure that code of conduct become the spirit as well as the letter of trading relations

Comments from CO-OP :

"Fairtrade products are now a core part of our Co-op Brand range, with the recent conversion of all Co-op Brand coffee to Fairtrade signifying our strong commitment and moving Fairtrade firmly to the mainstream of supermarket retailing. There is still scope for others to add their support to Fairtrade, and we would encourage both retailers and major brands to adopt Fairtrade within their ranges. The dialogue and close relationship with producers that Fairtrade develops brings additional strength to our relationship and to our products. Both are being developed, although the diverse nature and extent of our supply chain means that we continue to work to foster effective relations with suppliers. Our code of business conduct supports this and is an open and transparent commitment to delivering our values in this area of our activity."



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Module 2: Producers

WORKERS module. Best in class

3.1 Corporate commitment to Labour Standards within the company and in the supply chain

The Co-operative Group scored full marks for company commitment to labour standards. The company has agreed a group-wide approach to sound (ethical) sourcing which reflects the Code of Conduct used by Co-operative Retail. Their response demonstrates board level commitment and senior management posts with 100% resource time allocated to these responsibilities.

3.2 Labour Standards within the Company

Indicator: Remuneration of Supermarket employees and conditions of employment

The CO-OP scored well on this indicator although there is room for improvement.

Overall, staff working as General Assistants / Checkout Operators tended to stay with the company for a reasonable length of time and the company provides some flexibility for staff over their working hours. Rates of pay exceed the National Minimum Wage and build in additional allowances for those working in expensive areas.

The company also scored well on staff benefits, available to staff from the start of their employment.

3.3 Core labour rights and employee representation

Indicator: UK Company employee representation

This was an area of good practice and the company score was high.

Recognised structures exist for both communication of company policies on labour rights and for consultation with retail staff over pay and working conditions. These include national and regional consultative committees, staff forums and trade unions.

Retail staff are covered by collective agreements negotiated at both trade union and staff forum levels and the company makes good provision for all staff representatives including paid time off to attend meetings and training courses. This positive approach is also reflected in pay negotiation, which is conducted at national level.

3.4 Labour standards in the supply chain

Indicator: Existence and application of Labour Standards Code of Conduct

Co-operative Retail has a well defined Code of Conduct modelled on the Ethical Trade Initiative (ETI) Base Code and has been a member of ETI since 1997. The code is currently only applied to own brand suppliers.



The company has a good record of providing training for suppliers, including a self-development workbook on ethical trade practice and running local seminars for suppliers, NGOs, farmers, trade unions etc. Company provision does not currently extend to any financial support to help with implementation.

At company level, key personnel take part in a training programme to brief them on the code and the specific issues it raises which include monitoring and social auditing.

Implementation of the Code is monitored both internally, externally and with assistance from trade unions and NGOs. The company records a high level of implementation with first tier, own brand suppliers but this is much reduced with second tier and primary producers. In addition, the CO-OP has a commitment to external verification and is actively engaged in taking significant corrective actions although many still remain unresolved.

Overall commentary and examples of good practice:

CO-OP's high performance in the Workers' module is a sign of real commitment to labour standards.

Company pay and conditions of employment reflect good labour standards within the company and the CO-OP was particularly strong on employee representation. Recognised structures exist for both communication of company policies on labour rights and for consultation and negotiation with retail staff over pay and working conditions.

Co-operative Retail's well-defined Code of Conduct, modelled on the ETI Base Code, has been applied to own brand suppliers since 1997. The company's response to the questionnaire and the information in the supporting documents shows real progress made on ethical trading issues since 1996 and also demonstrates their commitment to raising awareness of these issues internally with company staff, with their suppliers and with the public.

The company has a good record of providing training for suppliers and for key personnel and implementation of the Code is monitored both internally, externally and with assistance from trade unions and NGOs. In addition, the CO-OP has a commitment to external verification and is actively engaged in taking significant corrective actions with suppliers who do not comply with the Code.

Examples of Good Practice

- ⌘ Retail staff are covered by collective agreements negotiated at both trade union and staff forum levels
- ⌘ The company has agreed a group-wide approach to sound (ethical) sourcing
- ⌘ CO-OP commitment to training for their suppliers includes a self-development workbook on ethical trade practice and running local seminars for suppliers, NGOs, farmers, trade unions etc.
- ⌘ The company has taken steps to deal with exploitative gangmasters and has assessment procedures and an internally developed code in operation. It is also part of the ETI work in this area.

Areas for improvement

- ⌘ The Code is currently only applied to own brand suppliers
- The company provides no financial support to help suppliers with the implementation of the Code.



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Module 3: Workers

Comments from CO-OP :

“Ensuring and developing working standards for our own teams and those within our supply chain continues to be at the heart of our business strategy. Developing our People Values strategy is fundamental to building on the business growth and success we have seen over recent years.

The Co-operative Group’s membership of the Ethical Trading Initiative and our work with suppliers throughout the world support workplace standards and worker rights for those providing our own range of products. This leads to improved standards, such as drinking water provision and better worker housing, and we continue to focus on areas of greatest risk within our worldwide supply chain that creates a constant challenge. Working alongside local development organisations and with our suppliers, has helped to provide confidence that international standards are met. Our aim is to continue to improve workplace conditions through our work with suppliers and through our work on Fairtrade and the support it can provide for communities, often in some of the world’s poorest countries.”



LOCAL ECONOMIES module

4.1 Support for the local economy

Indicator: Company policy on sourcing food 'locally' and 'locality' foods, and on promotion

The Co-operative Group does not have a written corporate policy of sourcing local foods, where possible, using the 30-mile definition, nor do they have a written policy of sourcing locality foods. However, they do have a policy of sourcing UK meat, poultry, dairy, fresh produce and organics wherever possible for the Co-op own brand range subject to availability, quality and season.

The Co-operative Group does not have overall percentage targets for sourcing local foods. It approaches sourcing on a category-by-category basis. However it does have specific local food sourcing projects within Scotland, the South West, Wales and Northern Ireland. For locality foods, The Co-operative Group is "targeting 10% regionally", also determined on a category-by-category basis.

A proportion of the overall food promotions budget is allocated to promote the sale of local and locality foods, although the figure given is vague, and the focus is mainly on Scotland and Northern Ireland. In addition, Co-op store managers do have discretion to recommend local products for inclusion in the range for their stores.

4.2 Support for the local economy

Indicator: Extent of local and regional sourcing and promotion

The Co-operative Group have provided percentage figures for their stocking of food lines sourced as local to the Co-op store in which they were sold (<5%), as 'locality' food lines sold in or within the source region (<10%), and as 'locality' foods sold in all their stores (<10%). Although these give a useful indication of the approximate proportion of local and locality foods stocked by the Group relative to all food lines, these figures are vague, as '<5%' could mean zero or less than one per cent.

The Group states that for Scotland during seasonal production times, 'locality' food lines sold in stores within the source region could be 'up to 80%'. This is an excellent level, although more data on which foods this covers and the lengths of the periods during which these stocking levels are sustained would be very useful. Similarly, more detailed figures for other regions would be useful. Provision of this additional data could gain the Company additional points in Race to the Top.

Promotional activities for local and locality foods were carried out by the Group, including special product displays, point of sale advertising and articles in staff/consumer magazines.

The Co-operative Group does have staff with a dedicated responsibility for helping the company and individual stores to source local and/or locality food.



4.3 Support for the local economy

Indicator: Extent of local and regional sourcing and promotion

A store shelf survey of local and locality foods stocked by retailers - focusing on apples, potatoes, fresh milk, pre-packed cheese, fresh beef and fresh lamb - was conducted by Sustain and the NFWI. The final survey sample consisted of just 4 stores. This sample was smaller than desired, and had a more limited geographical coverage than desired, thereby reducing the extent to which the store survey findings can be taken as representative of the retailer's overall performance in terms of local sourcing. The small size of this particular sample was partly due to the fact that many Co-op stores around the UK are independent and have sourcing policies that differ from those of Co-op branches under the direct management of the Co-operative Group. At the request of the Co-operative Group, these independent Co-op stores were therefore excluded from the survey at the outset.

In terms of actual stocking of local and locality foods the Co-op gained the lowest score of the three participating retailers. This result needs to be considered in the context of the smallness of the sample size, and also bearing in mind the sizes of the Co-op stores, which may have been generally smaller than the Safeway and Somerfield stores surveyed.

None of the Co-op stores surveyed had information leaflets for customers on local food, nor any special in-store displays for any local foods. None of the Co-op stores included in the survey had any local varieties of the six foods selected for inclusion in the survey. None of the Co-op stores had any locality apples or locality lamb either, and only one had locality beef. 50% of Co-op stores surveyed (ie 2 stores) stocked locality potatoes, 50% stocked locality milk, and 50% stocked locality cheeses. The average number of different varieties of locality products stocked was also small: 1.5 varieties of locality cheeses, 1.75 varieties of locality potatoes, 1.75 varieties of locality milks, and 3 varieties of locality beef cuts.

Thus the Co-op store survey results suggest that the company's policies on local sourcing are not being translated into good performance. This may also reflect the fact that 2 of the 4 Co-op stores included in the survey were located in major cities (Cardiff and Newcastle), which tallies with the Co-op's policy of stocking more local products in market towns than in urban areas, due to greater consumer propensity to buy local products in market towns. However the results for the Redruth, Cornwall store and for the Peterborough store were also low.

Overall commentary and examples of good practice:



Overall the Co-operative Group scored the highest marks in this module of all participating retailers. The Co-operative Group provided far more detail than other retailers who responded to the questionnaire, which is reflected in the higher overall score attained. However this still did not meet the full level of detail required.

The Group explained that they have determined that the propensity to buy 'local' foods in terms of 'County', 'Locality' and 'Immediate Locality' is greater in market town and rural communities than in urban areas. Their stocking policy is largely a reflection of this perception.

According to information provided by the Group, examples of good practice in stocking local and locality foods include Scottish potatoes for sale in the same region, local brands such as Namburrie Tea in Northern Ireland, and Bowyers Pies in the South West of England. In addition, they state that for a number of years the Group have been sourcing bakery lines through a number of local bakers, particularly in Scotland and Northern Ireland, with the help of a regional development agency. Over 30 such local baker partnerships now exist.

The Co-operative Group have a policy of origin labelling beyond the legal minimum on their own brand in general, which they currently take down as far as county level wherever possible for fresh produce, but aim to take down to farm/packer level when feasible with the suppliers. This is a useful way of enabling consumers to choose local or locality products, and can be seen as a way of raising awareness, at least among those consumers who read the labels.

The Group have held a number of well-publicised 'meet-the-buyer' events to allow contact with potential new suppliers and to encourage growth in this area, the information from which is fed back to the category teams.

The Co-operative Group also use other means to support the local economies in which they trade. They Group works to complement rather than to compete with existing small local traders by not impacting on their business (eg on occasion not including an in-store bakery). They also provide monetary support for community groups to develop local food initiatives such as allotment schemes and food co-ops, along with providing facilities for farmer's markets.

Issues thrown up by verification processes: Despite the good level of commitment demonstrated by the above, the verification process suggested that there is still a long way to go before this gets translated into greater availability of local and locality products in stores.

Comments from CO-OP :

"With stores in all areas of the country, our regional and community links play an important part in our supply chain and in our role within the communities we serve. Many Co-op products are sourced within the region in which they are sold, for example fresh meat (apart from New Zealand lamb) and fresh milk in Scotland and Northern Ireland. In a number of cases, we have developed strong links with small local suppliers, especially in the more remote areas of the country where our stores provide a strong community focus. Local bakeries are a particular part of our range, especially in Scotland, although we have been developing links with small producers in various parts of the country where their products can form a part of our range and where food safety standards can be demonstrated. There remain issues of consistency of supply if these are to grow, but our activity helps to deliver this. In the case of one small brewery, our Truly Irresistible Goldminer Ale from the Freeminer brewer, has now achieved national recognition having won a coveted award for quality, and this helps demonstrate our commitment to developing small



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Module 4: Local Economies

suppliers with national marketing support. “



NATURE module. Best in class

5.1 Environmental issues within the supply chain

Indicator: Corporate commitment to addressing nature conservation issues within the supply chain

The CO-OP provides comprehensive training of primary produce buyers, including site visits (no supplementary information was provided). The company also has a comprehensive approach to ensuring consumer choice on GMOs, including labelling, website, and customer care phone lines.

5.2 Environmental issues within the food chain

Indicator: Producer suppliers with retailer-supported farm environment audits and/or plans

All fresh produce suppliers are required to develop an environmental management policy – a very positive step. A comprehensive Code of Practice on environmental issues in the food chain is in place. The CO-OP has made positive steps to work with external Farm Assured standards towards the inclusion of environmental standards in those schemes, but it's difficult to spot any change on the ground at present time.

Fresh produce suppliers have to be Assured Produce accredited so can demonstrate compliance with the Voluntary Initiative on pesticides. Transparency is high--there is internal and external verification of compliance, plus desk based verification. International suppliers asked to adopt EUREP-GAP standards

The Code of Practice on environmental issues is only relevant to fresh produce producers. Livestock and dairy Farm Assured schemes do not require farm environment audits.

There is in-kind support to assist producers develop environmental plans, but it is not clear if this only for fresh produce growers.

5.3 Sustainable fisheries

Indicator: Wild and farmed fish from sustainable sources

The CO-OP has no specific policy on sustainable fish procurement, but the company is an active member of the Marine Stewardship Council, and stocks sustainable canned salmon.

There is regular assessment of suppliers, but no supplementary information was provided. Over 70% of cod and prawns are from sustainable sources; haddock 65%

Overall commentary and examples of good practice:

Examples of good practice:

- ⌘ The CO-OP runs a comprehensive environmental training programme for its primary produce buyers, and ensures consumers can access information via a number of means.
- ⌘ The CO-OP requires their fresh fruit and vegetable farmers to belong to an assurance scheme (Assured Produce Scheme in the UK, EUREP-GAP overseas)



Areas for improvement:

- €# A key area for improvement is a misplaced reliance on farm assurance schemes (in particular those operating under the Little Red Tractor logo) to ensure environmental delivery. At the present time the environmental component of nearly all the assurance schemes is weak, and by and large relies on compliance with legislation. The horticulture scheme does encourage the farmer to look to conserve the environmental capital on the farm, but it is not a compulsory element of the scheme.
- €# It is important to note that all actors in the food system must recognise the need to reward and share the costs of higher standards.
- €# Consumers need to be able to access information about the impacts of different production practices so that they can make a reasoned choice in favour of sustainable food products,
- €# Work with suppliers towards long-term improvement of standards, and to provide support for the shift to more sustainable practices where appropriate.

Comments from CO-OP :

“A number of Co-op products now adopt marine and forestry stewardship standards in their sourcing, whilst consumer concerns over pesticides and their potential effects on health and the environment have been at the heart of our policy of minimising residues in foods. Our approach encourages the use of alternative and more benign controls that build upon the pioneering work done on our own farms. Our work on pesticides has received support from many quarters and helps to demonstrate that sustainable business can have commercial strengths. Through work with growers to develop alternative means of control, we have begun a process of broader environmental delivery that is encompassed in our environmental management systems. Wider development of assurance schemes will support those environmental aims and add further value to farming, whilst some consideration of the regulatory approach to aspects such as pesticide control can offer opportunities to encourage alternative, more benign and environmentally beneficial controls in the future. “



ANIMALS module *Best in class*

6.1 Corporate Commitment

CO-OP has both a named board member responsible for animal welfare and a written corporate farm animal welfare policy. CO-OP is to be congratulated on its effort in promoting non-cage eggs, the sale of which is seen as a key indicator of performance on animal welfare. It is disappointing therefore to see that the proportion of sales of non-cage eggs have declined since 2002 to 41%. However, CO-OP is to be congratulated again on its commitment to a target date of 2007 by which it intends to cease selling both own label and branded battery eggs

6.2 Welfare of Breeding Pigs - Pregnant Sows

In 2001, CO-OP was one of only 3 top-10 companies to still be selling stall and tether-produced pigmeat (10% of bacon & ham) under its own label. Own label sales proportions of stall and tether produced pigmeat in the 2003 dataset are reported to be 1.85% of ham. CO-OP continues to sell high levels of stall & tether-produced bacon, ham & processed pigmeat under brand labels. Stalls and tethers for pregnant pigs have been prohibited for use in the UK on welfare grounds.

6.3 Welfare of Laying Hens

CO-OP is committed to cease selling cage produced eggs by 2007. It is a matter of concern, therefore, that the sales proportion of non-cage eggs has fallen since 2002. All CO-OP non-cage eggs are free range, a system with high welfare potential. However, the price step from battery to free range may be inhibiting overall sales of non-cage eggs.

6.4 The Welfare of Broiler (Meat) Chickens

The sales proportion of low welfare intensively produced chicken has dropped slightly since 2002. This is a welcome development, as too is the increase in promotional effort in selling free range and organic broiler chickens.

**Indicator 6.5
Transport of Farm Animals**

CO-OP is to be congratulated on reducing the maximum journey limit from 8 hours to 6 hours for cattle and sheep travelling to slaughter. The maximum journey time of 4 hours for slaughter pigs sets a high standard. Across all red meat species, average journey times remain about 2 hours below the maximum permitted by company policy.

Overall commentary and examples of good practice:



CO-OP continues to perform well on animal welfare.

Areas of good practice

⊘ [to be completed]

Recommendations and areas for improvement

- ⊘ Investigate the background to this decline in the proportion of non-cage egg sales.
- ⊘ Ensure that all pigmeat, own label or branded, is produced without the use of stalls and tethers for pregnant sows.
- ⊘ Consider introducing barn eggs in order to encourage consumers to buy further up the welfare hierarchy.
- ⊘ Continue to ensure adherence to the principle that animals should be slaughtered as near to the point of rearing as possible.

Comments from CO-OP :

“Working with suppliers, we have been able to improve welfare standards in a number of cases, reducing journey times being an excellent example. We have also adopted an independent review process to track welfare standards in pig farming back to sources in the UK and continental Europe, helping to provide confidence that standards are being met. Naturally the policies of branded suppliers are difficult to influence, but we would encourage improved welfare standards by all. Having been the first supermarket to establish labelling that clearly indicates the origin of caged hen eggs for consumers, we continue to promote free-range alternatives within our mainstream range. This and our support for schemes such as the RSPCA’s Freedom Foods standards are growing, recognising consumer concerns for animal welfare, and building upon our existing policies that already support welfare such as avoiding antibiotic growth promoters and our aims to avoid GM in the diet of livestock.”



HEALTH module. *Best in class*

7.1 Issue: Corporate commitment to public health.

Indicator: Responsibility for and action on food and public health

The CO-OP scored full marks for this question, expressing commitment to support public health policy in all three areas (action on food poverty and health inequalities; commitment to widening access; and nutrition and healthy eating), and having published policies on all three, with a specified post at board level responsible for implementing them.

7.2 Action on food poverty and health inequalities.

Indicator: Store location and pricing policy

The CO-OP scored well on the question relating to pricing policy, indicating that it subsidises the costs of foods categorised as healthy (or as healthier alternatives to standard products) to encourage healthy eating and bring it within customers' reach. Unfortunately, in spite of its tradition and policy commitment to maintain stores "at the heart of communities", the CO-OP did not score well on the indicator relating to store location. The answers showed that only a small proportion of stores newly opened or refurbished were in catchments that matched the company's overall customer demographic for C2DE shoppers, which suggests that the focus may have shifted away from these communities. However, with no year on year data to compare it is impossible to say whether this was an exceptional year, or reflected a trend.

7.3 Access to and within stores.

Indicator: Commitment to widening access

A relatively low proportion of the CO-OP's customers use cars to shop at the stores. The CO-OP provides a delivery service for all customers, though it is not always free. It also has policies relating to customers with a range of special needs, including the blind and the elderly.

7.4 Nutrition and healthy eating.

Indicator: Extent to which sales support dietary guidelines

The CO-OP scored highly on all the questions relating to the extent to which sales support dietary guidelines (but see note in the Overall Review of this module). It has reduced salt, sugar and fat content in the product lines specified, and provides full nutritional labelling. It also supports the department of Health's Five a Day logo. The CO-OP also gained points for having IT systems in place that could help customers analyse their purchases nutritionally on the basis of their till receipts, for example by indicating the total fat or salt purchased, but although this information was said to be available via Customer Relations, it had never routinely been supplied to shoppers.

Examples of good practice

- ⌘ Published policies stating the company's commitment to widening access to its stores and products
- ⌘ Does not advertise products high in salt, fat or sugar during children's TV hours
- ⌘ Provides support (in the form of a group discount, advice, small grants and help in kind) to



not-for-profit community food groups

Areas for improvement

- €# As highlighted above, the reported low proportion of store openings and refurbishments in areas with high concentrations of C2DE shoppers would be disappointing if it indicated a shift in the CO-OP's focus away from the areas of deprivation, which it has served well in the past.
- €# The CO-OP could make greater use of its IT systems to analyse sales in relation to dietary goals, track progress, and help customers analyse the nutritional content of their purchases.

Overall commentary and examples of good practice:

Although it is a relatively small organisation, with a market share of less than 5 per cent, the CO-OP performed outstandingly in this module, achieving the highest score by a wide margin. The fact that it was able to answer (and score highly on) most questions suggests that the issues in this module (which are not yet routinely addressed by other retailers) already form part of CO-OP policies.

It demonstrated a high level of awareness of the impact its policies and actions can have on public health, and showed a responsible attitude towards addressing the problems of diet-related illness. In particular, the supplementary materials the company supplied demonstrated a commitment to widening access to a healthy diet in a variety of ways – for example through its history of maintaining a large number of relatively small stores within walking distance of communities, or by means of the extensive use of Braille on packaging and information, or by supporting not-for-profit community food groups, such as self-help CO-OPs. The company's questionnaire responses and supplementary submissions reflected a not just a commitment to support government public health targets (for example by using the Department of Health's Five-a-Day logo), but also a willingness to be proactive to develop health-supporting policies – such as the decision not to advertise foods high in fat, salt or sugar during children's TV hours. All of this is especially to be commended given that more than half the CO-OP's customers fall into the poorer (C2DE) sections of society, where the health problems associated with poor diet are concentrated.

Comments from CO-OP :

“With origins that support the interests of consumers, our policies have developed to provide a range of products with clear labelling information that helps consumers make an informed choice that can support their dietary needs. These are supported by our fresh fruit and vegetables, alongside product ranges that support a healthy diet, with both being available in a wide range of stores, even the smallest. Our marketing reflects this and our policy of not advertising fatty, salty and sugary food products to children continues to receive praise. Our recent acquisition of the Alldays and Balfours chains has introduced Co-op products to a new set of communities, where our approach is being welcomed and our products are gaining support. Many of our stores are the focus for local shopping, with people able to walk to their local Co-op and find a broad range of products that meet their needs as well as offering healthy diets, competitive prices and attractive new products usually associated with much larger stores.”