

The **co-operative**

Sustainability Reporting and Indicators: Co-operative Financial Services

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Co-operative Financial Services

- CIS and The Co-operative Bank came together under Co-operative Financial Services (CFS) in April 2002;
- CFS has:
 - 5.5 million customers
 - Over 8,000 staff
 - Assets under management: £38bn
 - 90 bank branches
- CFS' vision is to be the UK's most admired financial services business
- First Co-operative Bank Partnership Report produced 1998; declared '*world's most significant publication*' Tomorrow Magazine



Sustainability: drivers for businesses

External drivers

- Unprecedented media focus in recent years
- Growing public distrust of business and reputation dents
- Market for ethical goods and services
- Competitiveness

Internal drivers

- Risk-management
- Product/service innovation
- Staff attraction/retention
- Operational efficiency

Also for the Co-operative Group

- Member and customer expectations
- Values and principles
- Maintaining leadership position



Sustainability reporting leaders

- **Reporting history...**
 - Bank first reported, 1998
 - CIS, 2000
 - Group, 2004 (in present consolidated format)
- **From outset, Bank recognised as a world leader**
 - Best Stakeholder Report, UK and Europe 1999
 - Winner, UK Social Reporting Awards, 2000 & 2001
 - Winner, UK Sustainability Reporting Awards, 2002, 2003, 2004
- **Reputation extended to CFS in 2004, with first CFS Report**
 - Ranked 1st in world by United Nations
 - Winner, UK and European Sustainability Reporting Awards
- **Group Report 2007/08**
 - Short-listed for Best Sustainability Award (winners to be announced)



Altogether different and

**making
a difference**



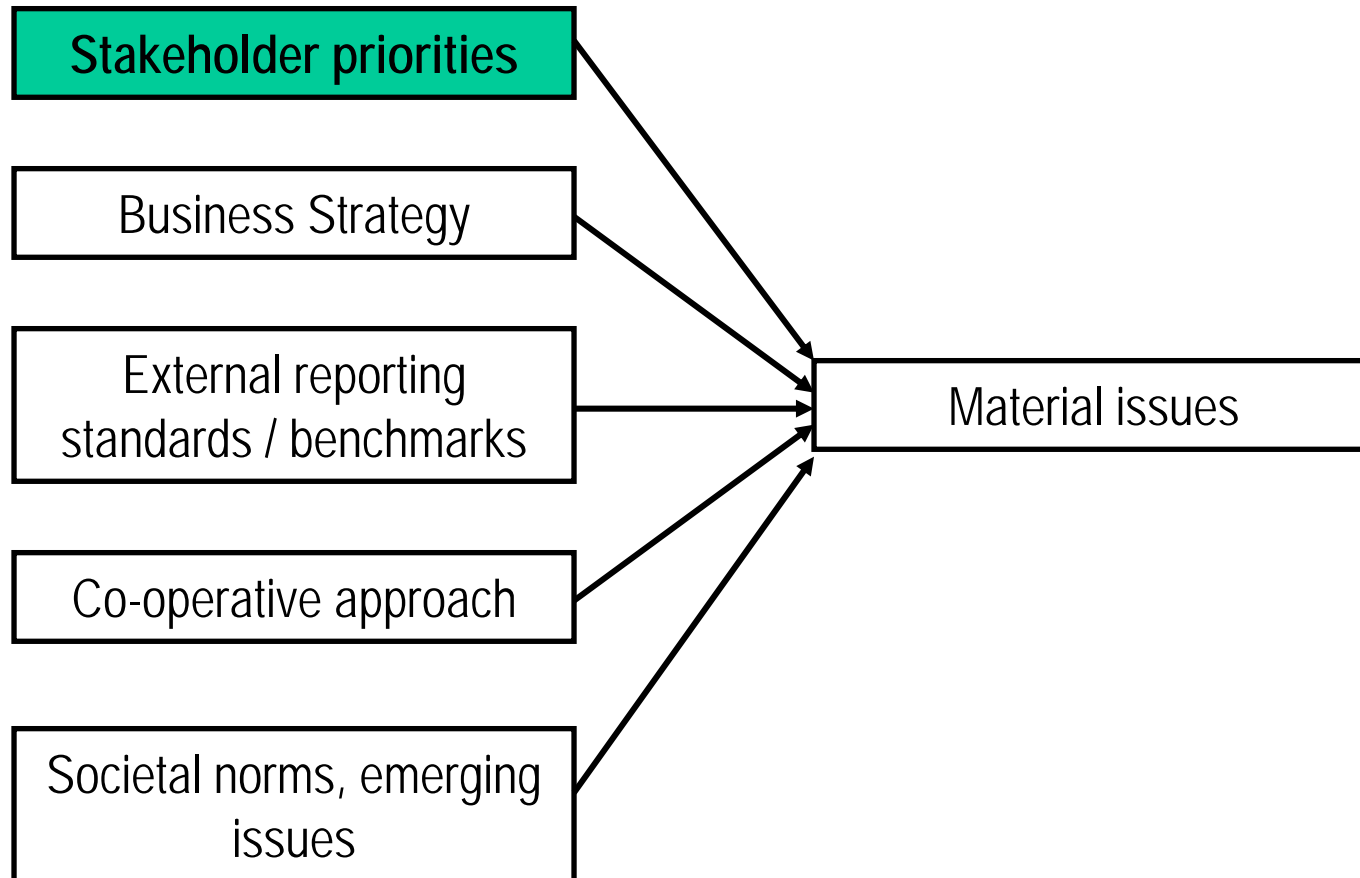
Our approach

- Identify material issues
- Develop indicators
- Monitor performance and set targets
- Commitment to transparency

Materiality

- “Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders ” (AccountAbility)
- Bank’s key impact is the provision (or otherwise) of financial services.
 - Dictated by customer-mandated Ethical Policy
- Range of other business impacts
 - Reported on alongside ethical finance issues
- Prioritisation – impossible to respond to and report on everything

Identifying material issues

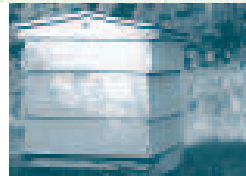


Material issues: identifying stakeholder priorities



Customers

What? Focus groups undertaken with CIS customers found that issues of 'relationship' are of primary importance (Source: Nurwood Consulting 2004).



Society

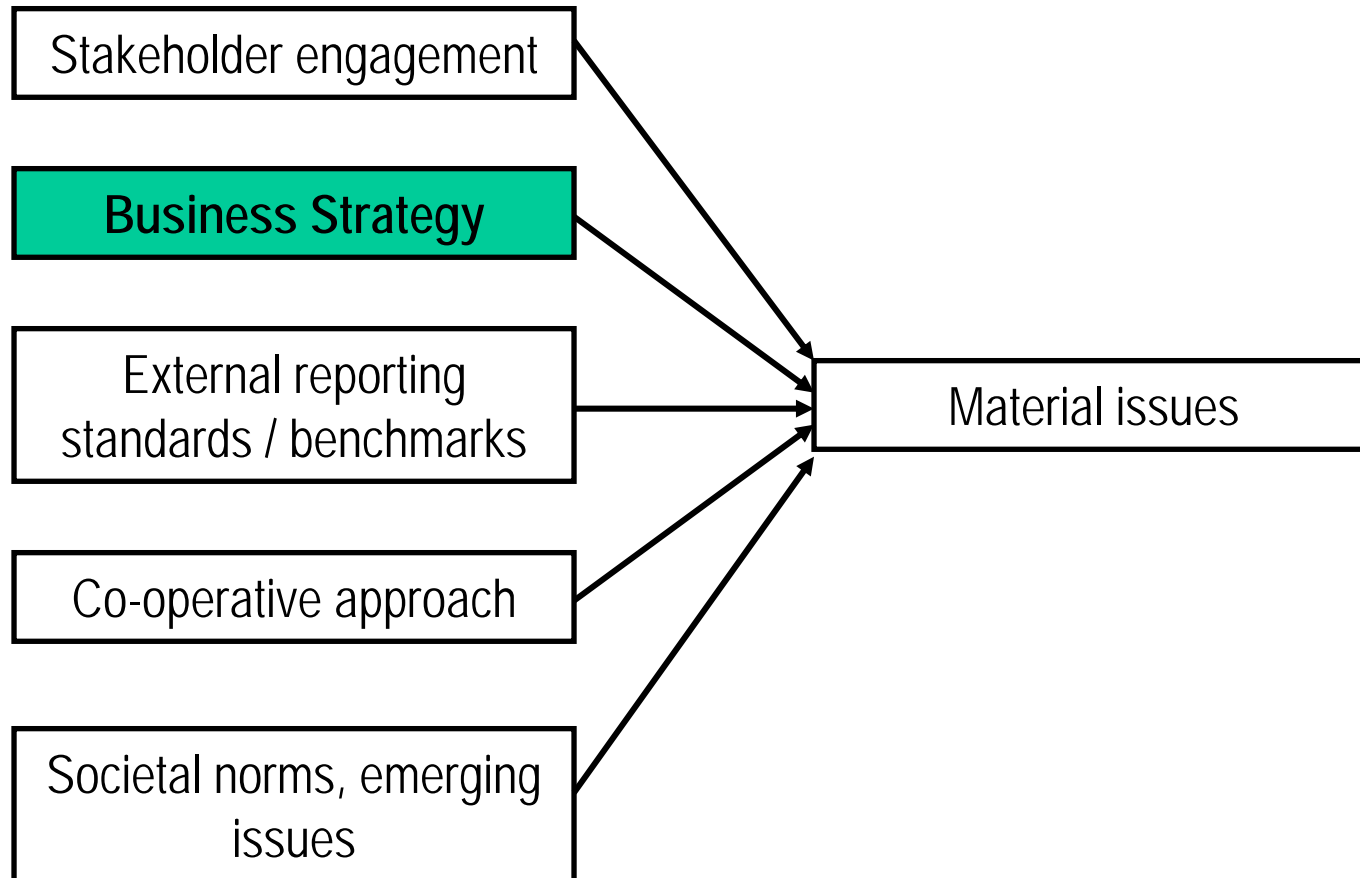
What? Determining, for CFS, a common set of priorities directly with society as a whole is next to impossible. Instead, the Bank has periodically balloted customers on a series of Ethical Policy issues since 1992. Customers are both



Staff

What? Qualitative research undertaken amongst Bank staff has indicated the following to be priority issues, in descending order of importance: 'salary package', 'personal development and career opportunities', 'relationships and working environment', 'job security' and 'co-operative culture and ethical conduct' (Source: Keeling Staff Research 2001). Given that CIS operates in the

Identifying material issues



Material issues: business strategy

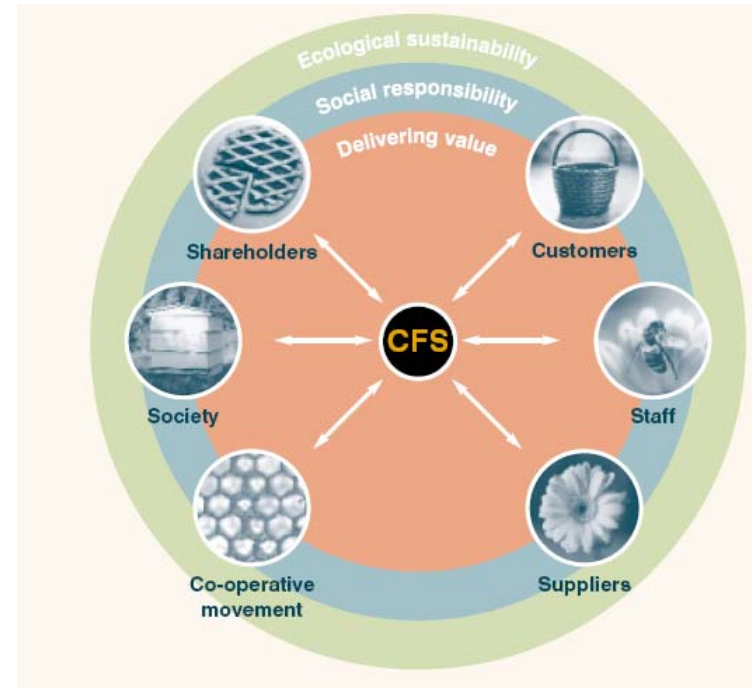
• Sustainable Development Policy

- Triple bottom line approach
- Six key stakeholders
- Transparent and accountable
- Securing independent verification
- Setting clear priorities and targets for all material activities

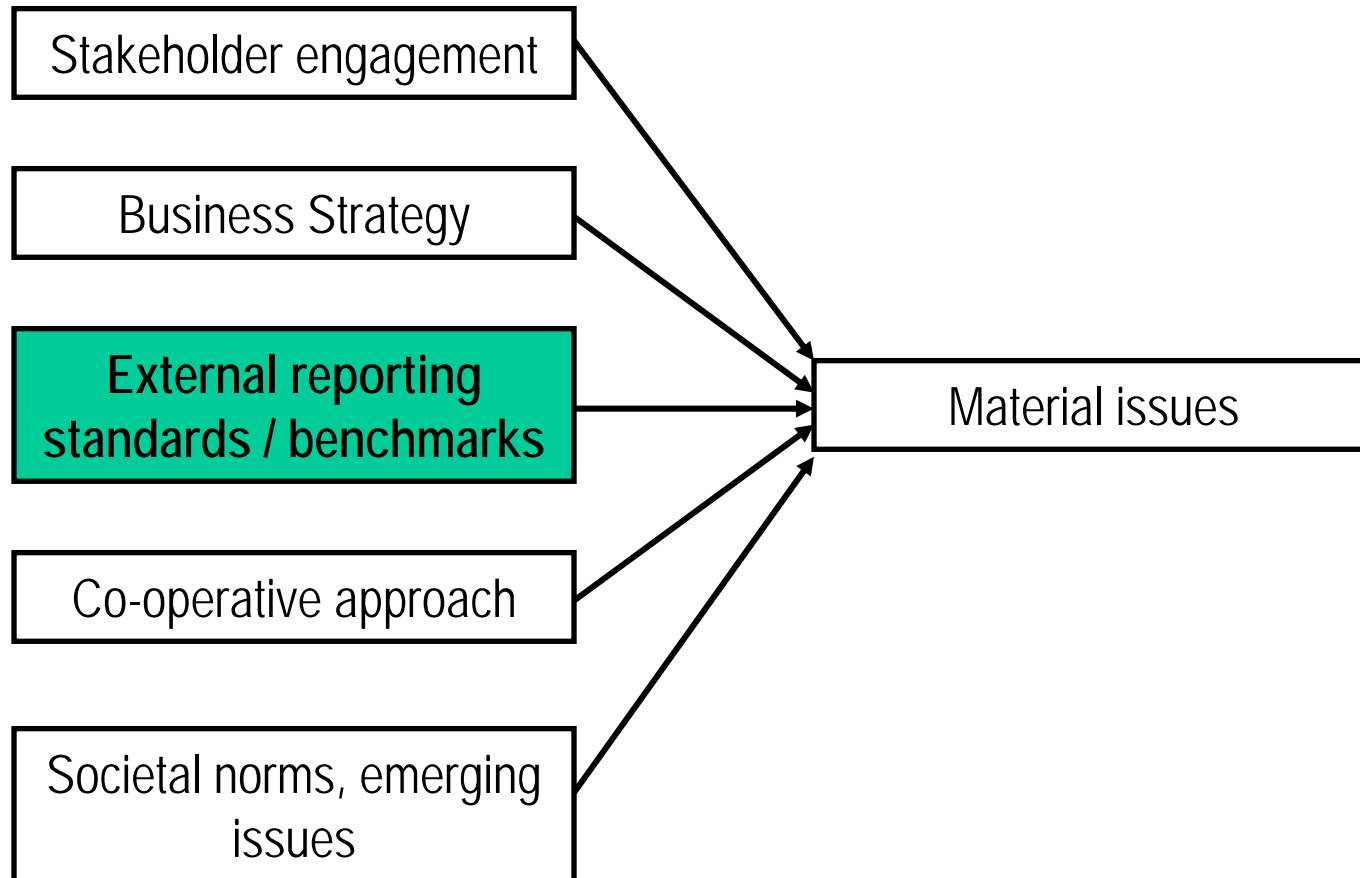
• Balanced Scorecard

- Three strategic imperatives
- Six measures
- Range of other policies / strategies

The **co-operative**



Identifying material issues

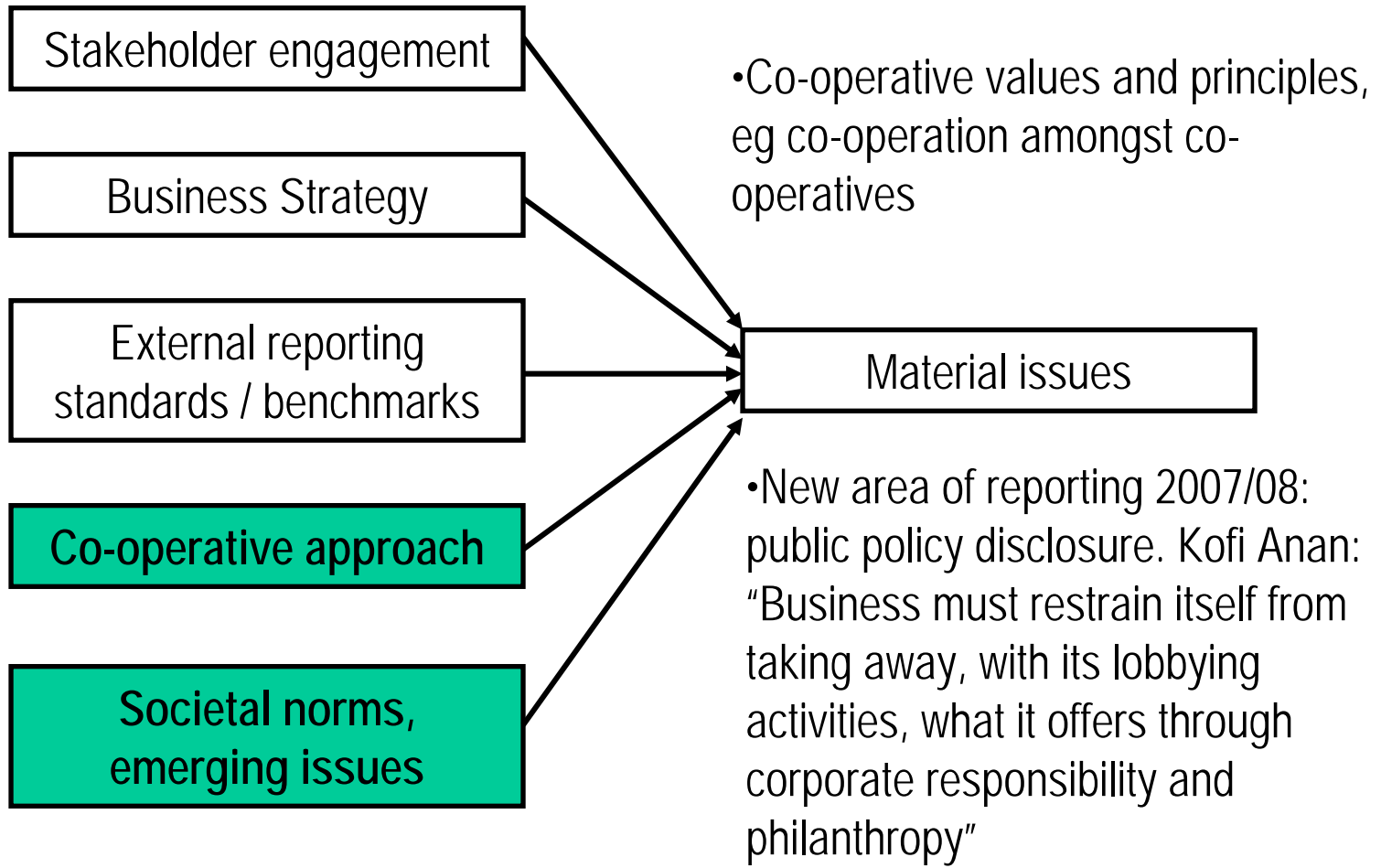


Material issues: reporting standards and benchmarks

- The Co-operative Bank: first company in the world integrate AA1000 with its 1998 Partnership Report
- Reporting assured in line with AA1000AS (more on this later...)
- Global Reporting Initiative (GRI)
- Co-operatives^{UK} indicators
- Issue-specific benchmarks



Identifying material issues



Indicators

- Once material issues have been identified, progress (or lack of it) in each area must be understood
- Indicators relating to material issues developed:
 - aspects that the business has the ability to control / influence

Areas of material impact: the Co-operative Group

Social Responsibility: International development / human rights; Animal welfare; Diet & health; Ethical finance; Social inclusion; Community investment

Ecological sustainability: Climate change; Waste; Biodiversity; PBT chemicals

Delivering value: Modern co-operation; Economic impact; Employees; Customers; Public policy

Indicators

Indicators derived from:

- **Stakeholder** – specific consultation with stakeholders eg personal development and training
- **Strategy** – ‘leadership’ indicators derived from business strategy eg. Employee engagement
- **Standard** - derived from standards and guidelines eg. Employee turnover

Employees

Indicators

Employee engagement

Organisational change

Employee turnover

Trade union recognition

Personal development and training

Salary and benefits

Health, safety and well-being

Work/life balance





Accounting, monitoring and target-setting

- Accounting systems developed relating to each indicator
 - Eg. annual employee survey (employee engagement)
 - Owned by relevant business function, brought together by Sustainability and Ethics Team
 - Robust datasets built over time – significant work required
- Targets agreed and reported on annually

Targets 2007

- | | |
|--|---|
| Promote and increase usage of the Employee Assistance Programme. | ✓ |
| Achieve a CFS 'colleague satisfaction' measure of 60%. | ✓ |
| Increase the overall Trading Group engagement score by 2 points to 76. | ✗ |

Target achievement: 2007/08

Level of progress	Definition	2007 targets falling within each progress level
 Target achieved	Target attained	43 (63%)
 Close to target	75–99% attained (for targets set for completion in 2007)	4 (6%)
 On track	Attained 75% or more of progress expected in 2007 (for longer-term targets)	15 (22%)
 Behind schedule	Attained less than 75% of progress expected in 2007 (for short- and longer-term targets)	4 (6%)

Commitment to transparency

- The Co-operative Group's 'Warts and all' approach:
 - Focus on material issues
 - Thorough understanding of performance, reflected in reporting and communications
 - Report targets not achieved and where the business falls behind industry benchmarks as well as good performance
 - Independently assured using AA1000AS:
 - materiality, completeness, responsiveness
 - Verification of key data and claims
 - Assurance provider chosen as professional, challenging and sensitive to aims of sustainable development
- Over 4,500 companies report worldwide (www.corporateregister.com); but far too often these focus only on positive performance - not credible source of information / catalyst for change

Commitment to transparency

- Over a dozen reporting awards
- CFS: BITC Business of the Year 2007
- 2007/08 Report Jonathon Porritt's commentary: *"the way in which the data are reported, interpreted and assured leaves readers with an overwhelming 'so what's not to trust?' feeling in terms of overall impact"*
- Drives real change in the business
 - eg. auditing and reporting on corporate lending decisions makes Ethical Policy genuine
 - eg. continuance of staff survey
- Informs stakeholder decisions
 - eg. historically up to third of personal banking customers chose to bank with The Co-operative based on its ethical/environmental reputation