

The **co-operative** good for everyone

As the UK's largest mutual retailer, wholly owned by its members, The Co-operative's winning formula is built on trust and sound ethics. Under the master brand, its family of businesses from food retail to financial services is experiencing a renaissance as consumers increasingly see the value in The Co-operative's integrity. The acquisition of Somerfield in 2009 and merger with the Britannia Building Society are taking the Group from strength to strength.

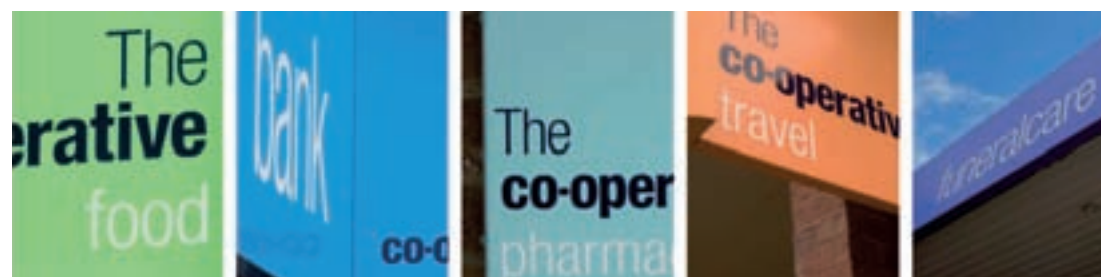


Market

The Co-operative is now the clear leader in the community food sector – the fastest growing area of the grocery market. Furthermore, since acquiring Somerfield, The Co-operative has become the fifth biggest food retailer in the country, accounting for eight per cent market share. In its Food arm alone, its 3,000 stores generate annual sales of more than £7 billion.

With interests in food, funerals, travel, pharmacy, online electrical, motors, financial services and legal services, The Co-operative's broad portfolio has helped the Group negotiate a difficult climate. Its operating model, which means it doesn't answer to stock markets and speculators, has appealed to those mistrustful of the way in which big businesses operate, especially in light of the current economic downturn.

Over three million new members have joined The Co-operative since it relaunched its



membership scheme and reintroduced the famous dividend scheme in 2006. This takes the current membership base to 5.5 million. Members receive a payment based on points earned every time they trade with any of the Group's businesses; the dividend amount varies according to the Group's performance. In 2008, the Group's members earned £38.6 million as a share of profits.

Product

Now united under the The Co-operative's umbrella brand, its businesses embrace multiple sectors and offer unparalleled reach across all areas of the country. Best known for its food stores, The Co-operative is also the country's largest independent travel agency, the third largest pharmacy and its Funeralcare concern has become Europe's leading funeral business. The Co-operative Bank is featured overleaf.

Perhaps less well known among its activities is that The Co-operative is one of the UK's largest farmers with more than 50,000 acres in England and Scotland. It is also diversifying into wind farms with a target to generate 15 per cent of its own energy by 2012 through these and other renewable energy sources

such as hydropower, biomass and ground-source heat.

In 2006, The Co-operative set out on the largest rebranding exercise in UK corporate history when it began the task of converting its entire estate to 'The Co-operative'. The £1.5 billion upgrading exercise involves refitting and rebranding its stores; to date, 3,445 of its 5,300 outlets have undergone this transformation.

Achievements

In November 2009, Group chief executive, Peter Marks, was named Leader of the Year at the Orange National Business Awards. He was recognised for his outstanding achievements and demonstration of exceptional business acumen and vision over the past 12 months. In addition, The Co-operative won the People's Choice Supermarket Award at the RSPCA's Good Business Awards. This recognises The Co-operative's track record in animal welfare initiatives and achievements, in particular for its commitments to Freedom Food, free range eggs and responsible fish sourcing.

In July 2008, The Co-operative was awarded the International Climate Change Award by Business in the Community for its strategic,



comprehensive and innovative approach to tackling climate change. Other accolades have included being named Most Ethical Brand in the UK in the Consumers & Ethical Brands survey conducted by GfK NOP. Its ethical credentials have been further reinforced by The Co-operative brand claiming two of the top 10 places in the annual independent Ethical Reputation Index (ERI) – for two consecutive years.

In 2009, retail analysis experts IGD highlighted The Co-operative as one of the top 10 worldwide businesses whose 'innovative and exciting approaches' mark them out.

The Co-operative's corporate social responsibility activities are extensive and pervade all aspects of its business. Notably, it was the first major retailer to champion Fairtrade and now accounts for over 16 per cent of all UK Fairtrade sales. In February 2008, it became the first and only retailer to convert its entire own-brand hot beverage range to Fairtrade.



The Co-operative Group has seen unprecedented growth. Interim results for 2009 showed Group revenues were up 17 per cent and Group profit was up 33 per cent. The Food business total year-on-year sales grew by 66 per cent, boosted by the acquisition of Somerfield and the business has reported 14 consecutive quarters of like-for-like sales growth.

Recent Developments

In February 2009, the Somerfield supermarket chain was acquired by the Group for £1.56 billion, propelling The Co-operative up the food retailer ladder to become the fifth biggest player in the UK grocery market. The Co-operative is combining the 'best of the best' of both businesses, maximising the talents of both teams towards the common goal of becoming the UK's top community food retailer.

The merger with Britannia and on-going consolidation in the co-operative sector means the Group is going from strength to strength.

Promotion

In February 2009, The Co-operative launched a £10 million national master-brand marketing campaign to raise awareness of its family of businesses and re-assert itself as the pioneer of ethical business. Led by an iconic two-and-a-half minute TV advert set to Bob Dylan's 'Blowin in the Wind', the integrated campaign clearly demonstrated the organisation's leadership values and 'Good for Everyone' qualities. Results have been outstanding and show the campaign to have delivered significant uplifts against key brand awareness and perception measures.



Brand Values

The Co-operative's vision is to be 'Good for Everyone' with five key components forming the core of its brand: consistent quality, trustworthy, rewarding, championing and community.

A consumer-owned business where its members have a democratic say in the way the business is run and how its profits are distributed, collective action lies at the heart of The Co-operative. In 2008, it again polled its members to determine the causes and campaigns that it will support. Three priorities emerged which have become the focus of the Group's Community Plan: inspiring young people, combating climate change and tackling global poverty.

Just £1 allows anyone to join The Co-operative and each member has an equal say in how the business is run and how it achieves its social goals.

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Things you didn't know about The Co-operative

Community involvement is at the heart of the Group's activities and its co-operative heritage. In 2008, The Co-operative gave £11.5 million to community projects.

Waste Works, The Co-operative's in-house recycling centre, is the largest in the UK. Paper from head office is recycled into the own-brand toilet tissue and kitchen towel sold in its food stores.

The Co-operative is one of the largest purchasers of renewable energy in Europe; 99 per cent of its outlets run on green energy.

1863	1872	1942	1965	1985	2000
The Co-operative Wholesale Society (CWS) is established with the Scottish CWS following in 1868.	The Co-operative Bank is set up, initially as the CWS Loan and Deposit Department.	The first self-service shop is opened by the London Co-operative Society. By 1950, 90 per cent of all the self-service stores in the UK are operated by co-operatives.	Dividend Stamps are introduced as an alternative to the traditional methods of paying the 'divi'. The CWS launches the national Dividend Stamp Scheme in 1969.	The CWS stops all animal testing on its own-brand toiletries and household products. It co-sponsors a Private Member's Bill to improve labelling for products tested on animals.	Co-operative Retail Services (CRS) and CWS merge, creating the world's largest consumer co-operative.

2003	2006	2007	2009
The Co-operative switches all own-brand coffee to Fairtrade, generating an extra £1 million each year for coffee farmers in the developing world.	The Co-operative becomes the most trusted retailer among UK consumers (Source: AccountAbility and National Consumer Council).	The Co-operative Group and United Co-operatives merge, successfully becoming one business within one year – ahead of schedule.	The Co-operative acquires Somerfield, creating a powerful fifth player to challenge the established big four retailers.