



**SUSTAINABILITY
REPORT
2015**

FEDERATED
CO-OPERATIVES
LIMITED



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CO-OPERATIVES
LIMITED



ABOUT US

Federated Co-operatives Limited (FCL), based in Saskatoon, is one of the largest companies in Canada and the largest non-financial co-operative in Canada. FCL is a unique multi-billion dollar wholesaling, manufacturing, marketing and administrative co-operative owned by over 200 autonomous retail co-operatives across Western Canada. Together, FCL and those local retail co-operatives form the Co-operative Retailing System (CRS). FCL serves our retail co-op member-owners, and these retailers in turn provide their individual members and customers with products and services that help build, feed and fuel individuals and communities from Vancouver Island to northwestern Ontario. The CRS workforce totals 24,500 employees in more than 500 communities. Co-op is a different kind of business — we invest our profits and support worthwhile causes to build our shared communities, and we offer our members and customers quality products and exceptional service at fair prices. Members and customers also have the opportunity to share in the co-op's success through cash back and equity payments.

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CEO'S MESSAGE



FCL and the Co-operative Retailing System have always been dedicated to our members and our communities, by investing locally and creating shared value.

We create value together by growing in a sustainable way. When we invest, we consider the impact we are having on our communities, the environment and resources.

The many local owners in the co-operative business model gives us a broader view on how to create shared value. We're not just following current trends. We plan for long-term growth that benefits communities across Western Canada.

It's this long-term thinking that allows us to share profits with our members, invest in our communities and work with municipalities, businesses and community leaders. Some examples of this include:

- The Wastewater Improvement Project, which will allow the Co-op Refinery Complex to recycle its own wastewater.
- Grown at Home, which redevelops the relationship between producers, regulators, retailers and consumers.
- Co-operatives First, which promotes co-operatives as a local solution to product and service gaps in rural and indigenous communities.

Thank you to our employees and Co-op members for supporting and sharing in our vision. We are building on over 80 years of co-operative work, continuing a legacy to improve the environment we share. Together, we are making our communities a better place to live, work and play.

Scott Banda
Chief Executive Officer

INTRODUCTION

CORPORATE INFORMATION

Federated Co-operatives Limited (FCL) is a co-operative with over 200 independently owned and operated retail co-operative member-owners across Western Canada. FCL serves its member-owners, their 1.8 million individual members and many more non-member customers. Together, FCL and its retail member-owners form the Co-operative Retailing System (CRS). FCL's business operations include wholesaling across all primary consumer goods lines (food, home and building supplies, crop supplies, livestock feed and petroleum), manufacturing, administrative support and marketing support. FCL owns The Grocery People – which delivers fresh groceries to retail stores, restaurants and food establishments – and the Co-op Refinery Complex – which manufactures and supplies petroleum products.

REPORT PROFILE

This is FCL's fourth report on its sustainability and social responsibility efforts, highlighting its five pillars: Fiscal Responsibility, Environmental Sustainability, Community Investment, Employee Engagement and Co-operative Leadership. This report contains content on material issues as identified in the 2015 Materiality Assessment. Data contained in the 2015 report reference FCL fiscal period from Nov. 1, 2014, to Oct. 31, 2015, with editorial features referencing events up to June 2016.

STAKEHOLDER ENGAGEMENT

FCL's [Let's Talk Co-op](#) community panel provides an opportunity for Co-op members and customers to provide feedback and insight into existing and proposed products and services. Since it was launched in 2014, the online community has grown to 7,900 members who respond to surveys regularly. The information gathered through this research is used to improve overall customer experience, enhance customer satisfaction and build customer loyalty.

In addition to the panel and surveys, meetings throughout the year – such as district, region and annual meetings – to provide information to and receive feedback from its co-operative retail members.

BUSINESS INTEGRITY

FCL's Ethics Alert Hotline allows our team members to report activities they suspect to be fraudulent or unethical or outside our corporate values and the Code of Conduct. It is confidential, anonymous and operated by an independent third party. While not required, FCL has established an ethics hotline as a way to increase transparency and enhance business integrity. As one of three priorities resulting from a compliance and ethics audit – along with introducing compliance and privacy officers – FCL has improved visibility of the hotline through rebranding and providing access to the information individually to each team member.

AWARDS:

- SaskBusiness Magazine: Top 100 Companies in Saskatchewan
- Fairtrade Canada: Retailer of the Year, Excellence in Merchandising
- Saskatchewan's Top Employers
- Canada's Greenest Employers
- Financial Post Top 500 Companies in Canada

MATERIALITY

Material issues include those that have a direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large. In 2015, FCL completed its first materiality assessment to gain a better understanding of issues that matter most to employees, members and our many stakeholders. The results of the materiality assessment are being used to inform strategy development and sustainability reporting, ensuring everyone can understand the steps we are taking now to position the Co-op for the next generation.



FISCAL RESPONSIBILITY

\$539M
NET INCOME

(before other comprehensive income)

\$9.1B
SALES

\$375M
PATRONAGE ALLOCATION

For more information, please see FCL's [2015 Annual Report](#).

ENVIRONMENTAL SUSTAINABILITY



Jade Stolen, Edmonton Warehouse Supervisor

WASTE DIVERSION

	2015	2014	2013
Waste Diversion	48%	37%	30%

*Waste diversion rate excludes Co-op Refinery Complex and Crude Oil Department

MANAGING WASTE

FCL is reducing the waste going to landfills as the result of its operations. The latest initiative, as part of the larger goal, is composting organic materials from distribution centres in Calgary and Edmonton. Not only will organic products be turned into compost and nutrients – which can grow future products and effectively complete a full sustainability cycle – but most product packaging is sent for recycling. Organic materials include fresh and packaged food no longer suitable for distribution to Co-op Food Stores.

FCL also donates perishable food items when possible to food banks. In 2015, FCL gave 675,000 kilograms of perishable food items to food banks in Calgary, Edmonton, Saskatoon and Winnipeg.

CARBON FOOTPRINT

TONNES OF CO₂e¹ (In thousands)

	2015	2014	2013
Co-op Refinery Complex	2,145	1,879	2,004
Crude Oil	91	65	83
FCL Operations	50	53	60
Total	2,286	1,998	2,147
Intensity ²	252	184	228

¹Carbon dioxide equivalent (CO₂e)

²Intensity is calculated as tonnes of CO₂e per million dollars in revenue



GROWN AT HOME

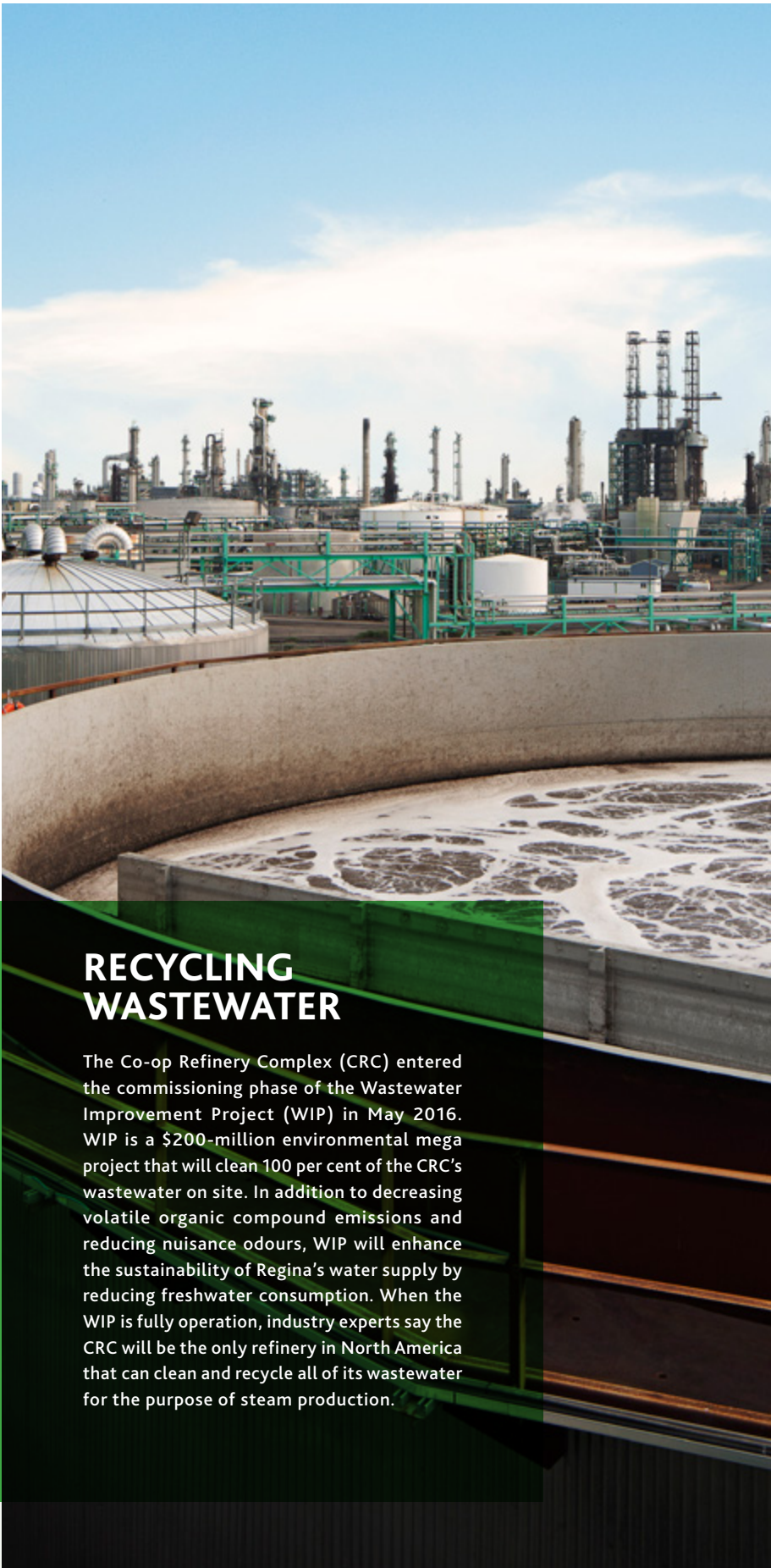
FCL has a long tradition of sourcing fresh fruits and vegetable products from local producers when possible. FCL and its produce-handling business unit, The Grocery People (TGP), are breaking new ground working with producers and marketing products from Western Canada through the At Home campaign. FCL has worked with the Prairie Fresh Food Corporation – a collective of 16 growers – to supply Saskatchewan produce in Co-op Food Stores in the province. In 2015, FCL purchased 2.1 million pounds of produce from the organization, an increase of nearly 200 per cent from its initial buy two years earlier. FCL and TGP have also developed relationships with growers across Western Canada, providing local produce to members and customers in British Columbia, Alberta, Saskatchewan and Manitoba.

Rick Wagenaar, The Cucumber Man, Redcliff, Alta.

DESIGNING FOR EFFICIENCY

FCL helps build and design safe and sustainable facilities. Over the years, Co-op has been at the forefront in investing in efficient and sustainable technologies. FCL has adopted LED lighting for gas bar canopies, car wash interiors, convenience store interiors and exteriors and yard lights. LED technology provides well-lit areas for customers and employees while reducing electricity consumption; some exterior lights are even “dark sky” compliant. At gas stations and bulk plants, three levels of protection are being built into sites to avoid leaks and contain petroleum products. With refrigeration accounting for half of electricity use at food stores, FCL promotes the use of more sustainable technologies such as enclosed glass-door coolers and freezers.





RECYCLING WASTEWATER

The Co-op Refinery Complex (CRC) entered the commissioning phase of the Wastewater Improvement Project (WIP) in May 2016. WIP is a \$200-million environmental mega project that will clean 100 per cent of the CRC's wastewater on site. In addition to decreasing volatile organic compound emissions and reducing nuisance odours, WIP will enhance the sustainability of Regina's water supply by reducing freshwater consumption. When the WIP is fully operation, industry experts say the CRC will be the only refinery in North America that can clean and recycle all of its wastewater for the purpose of steam production.



\$65M

\$65M: FCL spent \$64.9 million on environmental projects in 2015, including \$56.3 million at the Co-op Refinery Complex.

5%



5%: Co-op Premium Diesel improves fuel economy by up to five per cent.

TRANSPORTING FUEL THE SMART WAY

FCL and its petroleum fleet have become one of the 3,000 North American companies that are part of the SmartWay Transport Partnership. Originally launched by the United States Environmental Protection Agency (EPA) in 2004, the voluntary public-private partnership aims to reduce fuel costs and improve environmental performance in the transportation industry. It does this by providing a system to measure, benchmark and share information about fuel use and freight emissions. In doing so, companies will be able to review and improve their logistics operations while reducing their carbon footprint.



COMMUNITY INVESTMENT



CO-OP RESPONDS

Two provinces, two summers and tales of two wildfires.

More than 80,000 residents were forced to evacuate Fort McMurray, Alta., and surrounding areas in May 2016 to escape what was dubbed the 'The Beast.' More than 2,400 homes and businesses were destroyed by a fire that covered more than 575,000 hectares.

Co-ops in Western Canada joined Canadians from across the county in rallying to provide disaster relief. Local retail co-ops worked extended hours to serve the influx of evacuees as they travelled south, and benefitted from the help from Co-op member volunteers, customers and a crew from FCL's Edmonton Region.

FCL also worked to ensure that product and fuel shipments were given priority for affected locations, including local Tempos, to keep them from running

out. FCL and The Grocery People helped load a Hercules military aircraft with food after a call from the Alberta Emergency Management Agency less than 16 hours earlier.

Then there were the donations from retails, employees, Co-op members and customers. The Co-operative Retailing System across Western Canada donated over \$800,000 in cash and in-kind donations in support of the relief efforts.

The cumulative support for the Canadian Red Cross included: \$200,000 from FCL on behalf of the CRS, \$160,000 from over 55 local co-ops and \$411,000 from Co-op members and customers. Retail co-ops also made in-kind donations to other charities valued at over \$45,000.

Co-ops donated fuel and products and fundraisers. A young cashier from Leduc Co-op captured everyone's

hearts when he paid for an evacuee's groceries, an act that garnered positive reactions on social media.

SASKATCHEWAN STEPS UP

La Ronge and communities in the surrounding area know the threat wildfires pose. In July 2015, 7,000 residents from communities in northern Saskatchewan were forced to flee raging wildfires. Yet the Co-op Food Store Manager in La Ronge remained behind, camping in the parking lot, in order to supply firefighting crews and the 600 military personnel dispatched to help.

Prince Albert and Saskatoon housed evacuee centres, with Saskatchewan co-ops supplying products and donating to the Red Cross. FCL not only contributed to the Red Cross – part of its five-year, \$1 million commitment – but its Saskatoon employees also volunteered at evacuation centres.



COMMUNITY BUILDERS

FCL employees are not only the foundation of our organization, they are invested members of the community. They dedicate their time and effort outside of work hours to community organizations and initiatives that matter most to them.

In 2015, FCL introduced its Community Builders program, which provides up to \$1,000 to a non-profit or charitable organization where an employee volunteers. Every month, one employee from each of FCL's five operating regions – Calgary, Edmonton, Regina, Saskatoon and Winnipeg – and Home Office will be awarded the Community Builders donation.

This donation acknowledges the importance of our employees – at work and in the community.

AJ Renneberg, centre, is an FCL employee who volunteers at Pack Project, improving the lives of dogs and people in communities.



CREATING EVEN MORE SPACES

Co-op Community Spaces was launched in 2015 to help support projects related to recreation, environmental conservation and urban agriculture projects. In 2016, program funding increased to \$1.5 million. Since its inception, the program has provided nearly \$2.5 million in funding for initiatives across Western Canada, including 15 projects in 2015 and another 21 projects in 2016. For a full list of the funding recipients and feature videos, please visit communityspaces.ca.

REFINERY SUPPORTS SAFETY ALERTS

Emergencies can happen at any time. This is why preparedness is critical for organizations and communities alike. The City of Regina can now reach residents, including FCL employees, with timely information thanks to a new notification system called Notifynow. In May 2016, Gil Le Dressay, Vice-President of Refinery Operations, presented a \$320,000 donation, a commitment to be made over five years, from the Co-op Refinery Complex to Regina Fire Chief Ernie Polsom and Mayor Michael Fougere to help purchase and maintain the system.

≡ \$4.9M



FCL donated \$4.9 million to community causes in 2015.



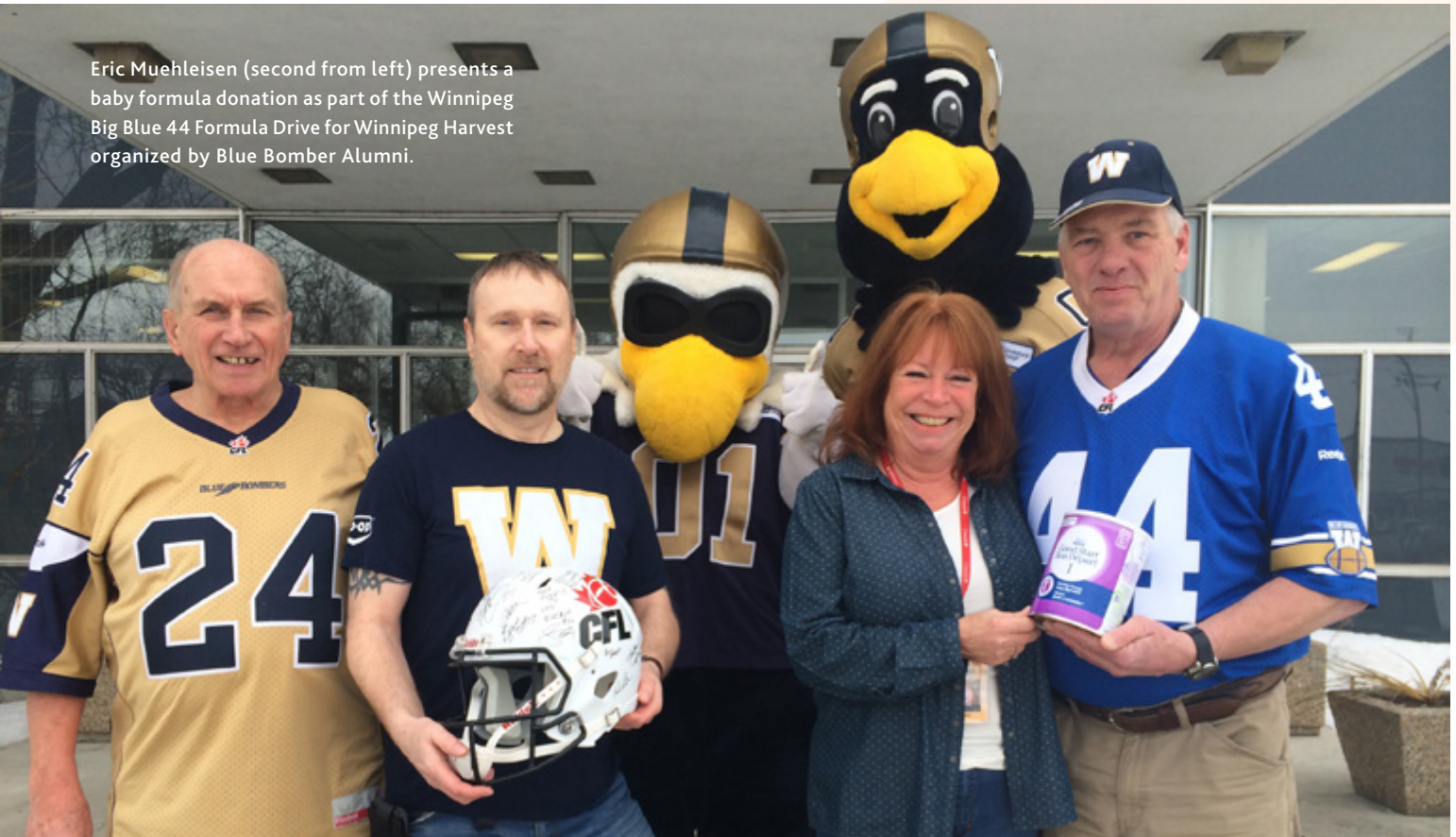
EMPLOYEE ENGAGEMENT

GOING HOME SAFE

FCL was among the inaugural signatories to the Saskatchewan Health & Safety Leadership Charter. In May 2016, general managers from more than 100 retail co-operatives, representing more than 9,500 employees, signed the charter. The Charter aims to shift perceptions on injuries and injury prevention, advocating for health and safe workplaces and communities.



Eric Muehleisen (second from left) presents a baby formula donation as part of the Winnipeg Big Blue 44 Formula Drive for Winnipeg Harvest organized by Blue Bomber Alumni.



EMPLOYEES SUPPORTING THEIR COMMUNITIES

FCL's [Community Investment Fund](#) supports community programs and organizations that matter to our employees. This fund is administered by employee-led committees in Calgary, Edmonton, Saskatoon, Regina and Winnipeg.

Eric Muehleisen, a warehouse supervisor in FCL's Winnipeg Region, is one of seven members of the local committee who evaluates incoming requests. "We receive an overwhelming response from organizations that we've helped," Muehleisen said. "It helps them out so much. I love it, it's a great program."

Each committee directs local giving based on results from an annual employee survey. For Winnipeg, that means funding will go to organizations involving health, youth, animal protection and environmental causes. In the past year, Muehleisen said they've

helped organizations such as Before the Bridge Senior K9 Rescue, ArtsJunktion mb and L'Arche Winnipeg – which creates homes and vocations for people with intellectual disabilities.

"It develops a sense of pride," Muehleisen said. "Employees respond to the survey. They read the bulletin board and are proud of the donations the committee is making."

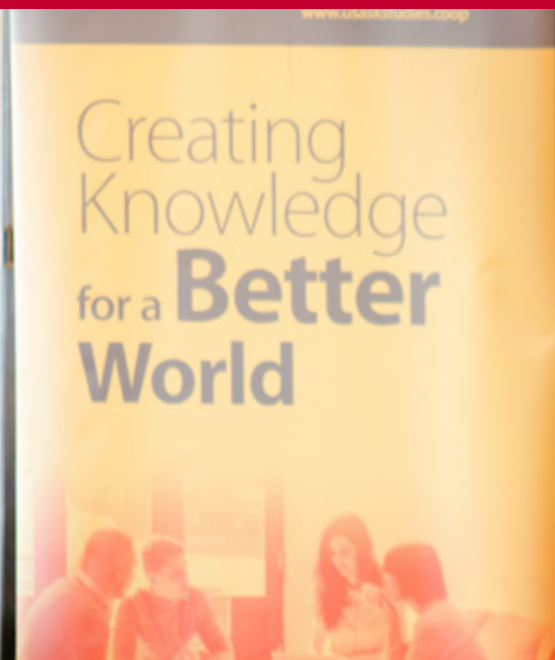
The Community Investment Fund is becoming part of FCL's work culture, which is creating new. For example, FCL's Winnipeg warehouse now donates dog food to Save a Dog Network after the organization applied for the Community Investment Fund.

"It's our responsibility," said Muehleisen. "We have to support the people who support us. That's what

differentiates us from other companies.... We're part of your community."

Charitable and non-profit organizations can apply for support from FCL's Community Investment Fund at wecare.coop.

CO-OPERATIVE LEADERSHIP



Vic Huard, Executive Vice-President Strategy

FUNDING A NEW FIRST

The co-op model remains feasible in rural and indigenous communities, but needs vigorous co-op development locally and focused efforts across provincial boundaries.

These findings of the two-year, FCL-funded Co-operative Innovation Project (CIP) encouraged funding the next phrase. In January 2016, FCL announced a five-year, \$5 million commitment to establish Co-operatives First, an organization designed to inspire co-operative development.

Co-operatives First will continue to work with the University of Saskatchewan's Centre for the Study of Co-operatives and the Plunkett Foundation (based in the United Kingdom) to develop a more systematic approach to co-operative development. The model is inspired by the Plunkett Foundation's four-step model: Explore, Inspire, Create and Thrive.

CIP PROJECT RESULTS

As a non-profit, Co-operatives First will work with small- to mid-size rural communities, as well as with indigenous communities, to identify innovative,

community-led solutions to modern challenges and opportunities. The top needs found through the research project included healthcare, housing, transportation and retail.

The project also found knowledge of the co-op model is not as deeply understood as it once was, with people seeing co-ops as a specific organization as opposed to a solution. The CIP found rural and aboriginal communities are receptive to locally driven solutions, but needed assistance getting started.

According to the report, current co-operative development in rural and indigenous communities:

- Doesn't inspire innovative co-operative solutions;
- Requires capacity, knowledge and empowerment to explore if a co-op is the right solution;
- Has limited financial and technical support to create robust and sustainable co-ops; and
- Lacks co-ordination to help co-ops thrive.

NEXT STEPS

A board of directors has been established for Co-operatives First, which has attained non-profit status. An executive director was hired in June 2016, who will arrange for more staff and lead activities. One initial objective for the organization includes hosting Community Inspire events and community-led conversations across Western Canada to identify opportunities for development and collaboration.



RESEARCH COLLABORATION

Co-operatives continue to be leaders in sustainability. As the founding member, FCL and three other co-operatives – including Arctic Co-operatives Limited, UFA and CHS – are working together with researchers and industry as part of the Sustainable In-Situ Remediation Co-operative Alliance (SIRCA). SIRCA targets research that leads to sustainable, economical and practical solutions for cleaning up contaminated fuel and fertilizer sites. As of June 2016, there were 17 members of SIRCA in Canada and the United States. In 2015, SIRCA partners produced 14 academic papers.



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