

A year in review

2016 Annual Report





The background of the image is a solid red color with a white topographic map pattern overlaid. The pattern consists of numerous irregular, wavy contour lines of varying thicknesses, creating a complex, organic texture that resembles a geographical map. The lines are more densely packed in some areas and more spread out in others, giving a sense of depth and movement.

**No matter the height,
no matter the distance,**

**we're all united by
our Western Canadian
landscape and a
common purpose
of co-operation.**



A year in review 2016 ANNUAL REPORT

Message from the President	4
Message from the CEO	5
Business Profile	6
About Us	7
Senior Leadership Team	8
A Year in Review	10
Board of Directors	18


FINANCE

Financial Highlights	22
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BUSINESS UNIT REPORTS

Ag and Consumer Business	26
Co-op Refinery Complex	28
Energy	30
Human Resources	32
Innovation	34
Operational Support	36
Retail Operations	38
Strategy	40

Statement on Co-operative Identity	42
Code of Ethical Standards	43



Message from the President

The economic conditions in Western Canada are in constant flux. Just like the rest of Canada, our economy expands and contracts with the ever-changing dynamics of an increasingly connected world.

While it is challenging, and sometimes a little unnerving, to ride the waves of resource-driven, boom-bust cycles, Federated Co-operatives Limited (FCL) and the Co-operative Retailing System (CRS) must take a leadership role to help our local economies grow. It's what Co-op has done for decades. We continue to invest in our local communities, building new – and improving existing – infrastructure and creating jobs. FCL works to support other local businesses – as we do when we purchase products that are grown, raised and produced in Western Canada – because local matters.

As a system, we must continue to tell our story – a story that is created in the communities of Western Canada. Not only do we keep profits local and invest in local economies, we act as community leaders and give where we work and live. In only its second year, Co-op Community Spaces is building communities by supporting local initiatives relating to recreation, environmental conservation and urban agriculture. We also launched a new paint donation program, Co-op Communities in Full Colour, this year. In addition, our system – FCL, retail co-operatives and Co-op members and customers – came together to raise over \$800,000 to support those affected by the great wildfire in Fort McMurray, Alta.

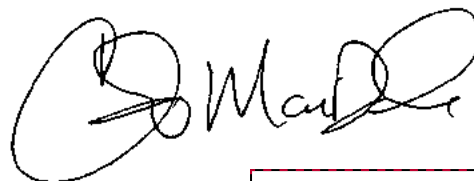
FCL supports the larger co-operative sector, whether it's through financial support or board member representation. We support the provincial co-operative associations and the national association, Co-operatives and Mutuels Canada, as well as the work of the Canadian Co-operative Association and the Co-operative Development Foundation of Canada. In 2016, FCL announced a five-year, \$5 million commitment to fund the new Co-operatives First initiative on behalf of the CRS. Co-operatives First is designed to inspire and assist co-op development activity in rural and Indigenous communities across Western Canada.

All of these investments are based on FCL's values-driven strategic focus, which is set by the Board of Directors. The Board of Directors represents our retail co-operative members, who are also FCL's owners. As part of our governance model, in 2016 we completed a review of the organization's bylaws. While some are strictly wording changes, others may require more time for discussion and implementation.

We must continue to engage our membership and provide assistance with governance at local levels. All of us must understand the roles we play in our respective co-operatives. We've done a lot of work on the Director Development Program that continues to improve the tools and education opportunities available to our members. This year saw four more modules rolled out, with another – Fundamentals of Business Strategy – slated for completion in 2017. In addition, the Board has approved the development of a course aimed at the unique challenges faced by board chairs. We are committed to providing co-op- and CRS-specific governance education to assist our leaders who serve on the boards of our member retail co-operatives.

In 2016, the Board worked with FCL's Senior Leadership Team to refine the corporate performance management system. The combination of the Balanced Scorecard, which monitors specific key performance indicators, and the Progress Report, which reviews specific initiatives in relation to the set objectives, helps track and guide strategic decisions.

FCL and the CRS will always face challenges, both in the near term and in the future. We must provide the guidance and develop the strategic framework to maintain a solid foundation and provide the flexibility to adapt. We will continue to work together as a system, and in doing so, I am confident that we will strengthen our organization, meet the challenges, and benefit our members and our communities.



Dusty MacDonald, President/Chair of the Board



Message from the CEO

Weaker economic conditions in Western Canada created challenging business conditions in 2016. Overall sales and earnings were impacted. While we're not alone in facing these market challenges, our local presence helps us persevere. When most other organizations are pulling back and reducing operations, Co-op continues to invest in our home communities in Western Canada. We can attribute this to the diversity and long-term outlook of our organization, the resiliency of our retail co-operative member-owners and our ability to work together as a federation of co-operatives.

FCL continues to work with retail member-owners to diversify investments in areas where we can create unique value propositions. For example, fertilizer provides an opportunity for significant growth for both FCL and our retail co-operative members. In 2016, FCL announced and began construction on two state-of-the-art, high-throughput fertilizer terminals that will improve our retail members' competitive offerings in fertilizer and complete FCL's suite of ag products and services. This project is an example of what co-operation can accomplish; FCL and retail co-operatives worked together to scope the project, develop a plan and are now collaborating on implementation.

The fertilizer project is also an example of the power of co-operation derived from FCL and retail co-ops working in concert to differentiate our local products and services. FCL is committed to continued growth and to exploring other areas of potential diversification. The revised retail investment and retail lending programs were implemented to support diverse business development in local communities to strengthen and increase our Co-op presence in Western Canada. Member retails, in conjunction with FCL, introduced many new Co-op products to the market and continued to bring our Co-op brand to life.

The energy sector had another volatile year. Energy pricing and margins continued to fluctuate, and the economic downturn led to a significant decline in demand across most trading areas. To make matters worse, snowfall in early October brought the prairie harvest to a standstill, further reducing petroleum demand and significantly increasing inventory. All of this impacted our business.

The Co-op Refinery Complex (CRC) operated in a competitive, challenging market. We do not control the market, so we have to focus on improving our operations. This year, improvements were made in operational reliability and efficiency. Progress must continue in these areas.

Other FCL operations have taken a similar approach. In FCL's Logistics Department, many changes were made that reduced operating costs as well as increased and improved safety service levels at our five distribution centres. The Grocery People (TGP) operated as a wholly owned subsidiary since its acquisition in 1993. In 2016, the work was completed to roll it into an FCL department effective November 1, 2016, to fully realize efficiencies.

It is critical for our organization to continue investing in sustainable initiatives. The CRC's Wastewater Improvement Project demonstrates our commitment to sustainability and improving our impact on the environment and community. Climate change and associated regulations are critical, pressing issues for us, particularly in key business lines such as energy, agriculture and transportation. We are engaged with all levels of government as they develop policies and regulations that allow us to improve our sustainability while at the same time mitigating as much as possible the short-term impact on FCL and the entire CRS.

Change is constant. There is change in competitors, communities and customers at an ever-increasing pace. As an organization, we must challenge ourselves to think differently, be more creative and seek innovative solutions – ultimately with the purpose of being relevant to our members.

We have established and pursued our strategic priorities, laying the groundwork through three foundational areas – brand, technology and talent management – in preparation for the future. FCL is now building on these foundations for our long-term sustainability and how we interact and serve our customers every day.

In spite of the challenges before us in the short-term, there are reasons to be optimistic. We have great people, outstanding facilities and a fantastic brand. We are an integral part of the fabric of communities across the West, and we will continue to invest in those communities. With all of us working together as a Federation, we will continue to thrive for the benefit of all Western Canadians.

D. Scott Banda, Chief Executive Officer

Values**Integrity****Business Profile****Wholesaling**

FCL sources and distributes products across all primary consumer-goods lines: food, home and building supplies, crop supplies, livestock feed and petroleum. FCL's subsidiary, The Grocery People (TGP), delivers fresh produce to co-op communities. The CRS benefits from combined purchasing power, which allows local co-ops to remain competitive with larger, integrated companies in all business areas.

Manufacturing

The Co-op Refinery Complex (CRC) in Regina, Sask., has the capacity to process 130,000 barrels of crude oil per day, enough to fuel the needs of the CRS. FCL is also a member of Interprovincial Cooperative Limited (IPCO), which produces crop-protection products. FCL operates six feed plants located in Alberta, Saskatchewan and Manitoba. FCL also contracts the manufacturing of a variety of Co-op private-label products: CO-OP® GOLD, CO-OP ÇENTSIBLES®, MARKET TOWN®, CO-OP GOLD PURE® AND CO-OP® CARE+®.

Administrative Support

FCL provides a range of services to enhance retail members' capacity and reduce members' cost of doing business. For example, FCL provides IT infrastructure support, accounting services, risk-management services, human-resources support, recruitment and ongoing employee training. FCL also assists with planning and developing capital construction projects, and owns and maintains a trucking fleet for distribution of fuel, food, and home and building supplies across the CRS.

Marketing Support

FCL provides comprehensive marketing support across all major business lines, including centralized and regional campaigns, point-of-sale promotions, centralized flyers and digital marketing services. FCL also provides market-research analysis to identify consumer needs and perceptions and to determine the viability of new programs and services, as well as product and service development.

ty, Excellence, Responsibility

About Us

Vision

Federated Co-operatives Limited will set the world standard in consumer co-operative excellence.

Aspirational Statement

Strong co-operative governance is the foundation upon which we pursue a common purpose with our retail owners. Working together, we sustain a vibrant Federation by creating shared value.

We leverage our financial strength to steward the sustainable growth of our Co-operative Retailing System. At Co-op, our members/customers feel at home, because we are part of the fabric of the communities we serve. We foster meaningful careers and inspire our employees to bring our brand to life every day. We model and celebrate a culture of teamwork, learning and innovation.

Mission

To provide responsible, innovative leadership and support to the Co-operative Retailing System for the benefit of members, employees and Canadian communities.





Senior Leadership

Left to right: Gil Le Dressay (Vice-President, Refinery Operations), Faramarz Farahani (Executive Vice-President, Innovation), Cal Fichter (Vice-President, Energy), Scott Banda (CEO), Gerard Muyres (Vice-President, Retail Operations), Heather Ryan (Vice-President, Human Resources), Tony Van Burgsteden (Vice-President, Finance), Vic Huard (Executive Vice-President, Strategy), Tom Kishchuk (Vice-President, Operational Support), Brad Bauml (Executive Vice-President, Ag and Consumer Business)

A year in review

Every day is an opportunity to serve members as well as local communities. FCL's story is defined by a connection with others, shared in moments that illustrate the organization's values. The 2016 highlights represent the continued effort to meet the needs of and create sustainable value for those members and communities.

December

SaskBusiness Magazine's
Business of the Year



January

Co-operatives First funding: FCL, on behalf of the CRS, announces a five-year, **\$5 million commitment for critical start-up funding** for a new organization to facilitate co-operative development in Western Canada. (See page 41 for more information.)



February

**SASKATCHEWAN'S
TOP EMPLOYERS**

January

Packaging Consortium
Global Leadership Awards:
Gold rating in Brand Marketing



A year in review

March

Launch of Co-op Premium Diesel



April



Fuel Up to Win: A resident of Unity, Sask., wins \$100,000 by collecting the seven required game stickers.

April





May

Co-op helps support Fort McMurray wildfire evacuees: FCL, retail co-ops, Co-op members and customers donate more than **\$800,000** to help with emergency disaster relief. FCL and TGP also deliver two trailers of supplies in less than 16 hours to be loaded on a Hercules military aircraft.

The CRC commissions Wastewater Improvement Project: The CRC invests more than **\$200 million** to clean and recycle its wastewater for the purpose of steam production.



May



May

The CRC supports the Notifynow service in Regina: The CRC donates **\$320,000** over five years to help purchase and maintain the mass notification system for the City of Regina.



A year in review



COMMUNITIES
IN FULL COLOUR



June

Co-op
Community
Spaces awards
\$1.5 million to 21 projects
across Western Canada.



June

FINANCIAL POST

Named one of *Financial Post's* 500 largest
companies in Canada (#56)

June

Retail Council of Canada Grand Prix New
Product Awards: Private-label condiments
and sauces, private-label sweet snack



July

Announced \$75 million investment to construct two fertilizer terminals



August

Introduction of new Co-op Agro marketing strategy



September

New propane storage facility in Dryden, Ont.



September

SaskBusiness Magazine's Top 100 (#1)



A year in review



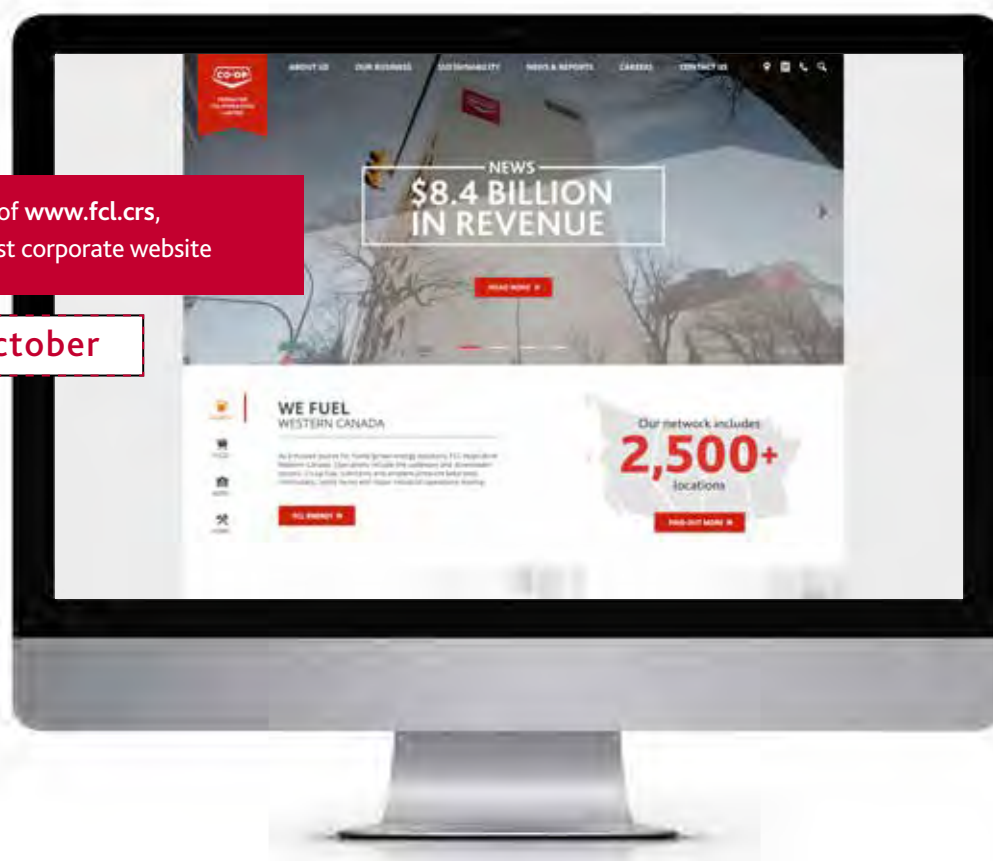
CO-OPERATIVE
COFFEE

October

Launch of Co-operative Coffee

Launch of www.fcl.crs,
FCL's first corporate website

October



IT'S A
CO-OP
THING!

October

It's a Co-op Thing contest
celebrates Co-op Week
with 14,000 submissions.



IT'S A **CO-OP** THING

co-op

Directors





Left to right: Valerie Pearson (Region Chair), Doug Potentier (Vice-Chair/Region Chair), Marc Topola, Brad Schultz (Region Chair), Ryan Anderson, Sharon Alford (Region Chair), Judy Clavier (Region Chair), Randy Graham, Tara Burke, John Rudyk, Russell Wolf, Steffen Olsen, Dusty MacDonald (President/Chair of the Board), Jocelyn VanKoughnet



Board of Directors Report

Corporate Governance

FCL is governed by a Board of Directors elected by FCL's member co-operatives to oversee the management and affairs of the Co-operative in accordance with applicable legislation and bylaws. The directors must act honestly and in good faith with a view to the best interests of the Federation as a whole.

The Board held nine meetings during the year. In addition, the Board's standing committees – Governance, Audit, Human Resources and Sustainability – met at various times throughout the year. Two other committees – Credentials and Board Code of Conduct and Ethics – also met as required.

This past year, the Board developed and adopted a Code of Conduct and Ethics Policy that outlines the principles and standards of conduct that will govern members of the Board. In addition, the Board conducted a comprehensive review of FCL's bylaws. A number of bylaws were identified as requiring updated language and changes to reflect current practices and the provisions of the Canada Cooperatives Act. Others were recommended for change in order to provide for better governance. Nine special resolutions to amend FCL's bylaws were approved by the Board and will go to the 2017 Annual Meeting for consideration by the delegates. Other identified changes will be brought forward in subsequent years.

One of the Board's core responsibilities is to set the long-term strategic direction for FCL and to provide oversight that guides FCL toward achieving its goals. The Board and Senior Leadership Team work together to establish the vision and mission. They set five-year evolving corporate goals supported by annual strategic priorities. Each business unit develops its plan and budget to support these priorities, with the overall budget reviewed and approved by the Board. The Board uses the Balanced Scorecard and Progress Report with key performance indicators to measure corporate performance.

Board Development

Given FCL's complexity, including its size, scope and scale of operations, its many diverse business lines and the large geographical area in which it operates, it is crucial to educate the Board about FCL's operations and the environment in which it competes. First- and second-year directors receive a comprehensive orientation that is supplemented by ongoing education for all directors. Throughout the year, the Board spends half a day with each of FCL's business units. These meetings provide the Board with an opportunity to meet key personnel and ask detailed questions that provide valuable operational context for determining strategic direction and oversight.

In June, the Audit Committee attended a training session on cyber risks that was also attended by most Board members. In August, the Board met in Regina at the CRC where it held a facilitated session on board dynamics and toured the CRC and the Petroleum Facilities Department. The Board also held its annual development day in October, which included a number of presentations on a range of topics including a review of director and officer liability and insurance coverage, a review of sustainability and FCL's sustainability practices, and a facilitated session on strategy and boards. Board members also attended region fall conferences, June district meetings and meetings of co-operatives within their districts, as well as meetings with other co-operatives and related organizations across Canada.

In addition, individual directors completed Director Development Program (DDP) courses, and many attended outside development opportunities that directly enhanced their role on a board.

Annually, the Board conducts formalized assessments of the effectiveness of the Board, each committee and individual directors. This information provides the Board with performance feedback and identifies areas for development.

DISTRICT	DIRECTOR	BOARD MEETINGS ¹	FCL, RETAIL & OTHER MEETINGS (INCLUDES TRAVEL)	TOTAL DAYS	TERM EXPIRES
1	Judy Clavier, Dawson Creek, B.C.	18	45	63	2019
2	Steffen Olsen, Rimbey, Alta.	18	34	52	2017
3	Tara Burke, Wainwright, Alta.	18	39	57	2018
4	Doug Potentier, Victoria, B.C.	18	76	94	2017
5	Elaine Smith, Calgary, Alta. ²	7	16	23	-
	Vacant ²	-	-	-	2018
6	Rodger Vizbar, Medicine Hat, Alta.	4	22	26	-
	Russell Wolf, Red Deer County, Alta. ³	14	28	42	2019
7	Marilyn McKee, Mossbank, Sask.	4	15	19	-
	Marc Topola, Assiniboia, Sask. ³	14	27	41	2019
8	Dusty MacDonald, Saskatoon, Sask.	18	243	261	2018
9	Brad Schultz, Melville, Sask.	18	40	58	2017
10	Valerie Pearson, Saskatoon, Sask.	18	35	53	2018
11	Beryl Bauer, Lake Lenore, Sask.	4	15	19	-
	Randy Graham, Battleford, Sask. ³	14	13	27	2019
12	Ryan Anderson, Melfort, Sask.	18	41	59	2017
13	Sharon Alford, Swan River, Man.	18	50	68	2019
14	Jocelyn VanKoughnet, Carman, Man.	16	34	50	2018
15	John Rudyk, Fisher Branch, Man.	18	46	64	2017

¹ Includes business unit reviews, training and planning meetings.

² District 5 Director resigned in May 2016. District 5 delegates will elect a District Director Elect to serve the remaining one year of the term at a meeting held in conjunction with the 2017 annual meeting.

³ Elected at the annual meeting in February 2016.

Director Development Program (DDP)

Board governance practices have evolved, and as our retail members grow in size and complexity, boards must move from being operational boards to becoming strategic boards. Content for the DDP reflects the most recent research and findings in governance. It helps directors build specific knowledge and skills that will make them more strategic in carrying out their important roles and responsibilities as elected leaders of their co-ops. The first phase of the DDP, the Foundations of Co-operative Governance, was rolled out in 2015. It consists of six online modules and one in-person workshop.

Rollout of the second phase, Building Strategic Leadership, began this past year. It consists of two online modules and four in-person workshops. The online modules "Boards and Sustainability" and "Guiding Corporate Performance Management" are available. Two of the in-person workshops, "Leadership" and "Advanced Financials," were made available for the first time at the 2016 fall conferences. The two remaining in-person workshops, "Business Development" and "Board Chair Effectiveness," will be developed in 2017.

Committees

Governance Committee

D. MacDonald (Chair), D. Potentier, J. Clavier, B. Schultz, V. Pearson, S. Alford

Audit Committee

R. Anderson (Chair), J. Clavier, B. Schultz, V. Pearson, R. Graham

Human Resources Committee

J. VanKoughnet (Chair), D. Potentier, S. Alford, J. Rudyk

Sustainability Committee

T. Burke (Chair), S. Olsen, R. Wolf, M. Topola

Code of Conduct and Ethics Committee

D. Potentier (Chair), D. MacDonald, J. VanKoughnet

Credentials Committee

D. Potentier (Chair), J. Clavier, S. Olsen, J. Rudyk

The President/Chair of the Board sits as an ex-officio member on all committees.

FCL Membership Changes

At October 31, 2016, FCL was made up of 202 member retail co-operatives, two affiliate members and eight associate members.

Nine changes occurred during the year:

- Cupar Co-op and Prairie Co-op at Melville amalgamated to form Prairie Co-op.
- Wolseley Co-op and Hometown Co-op at Broadview amalgamated to form Hometown Co-op.
- South Country Co-op at Vauxhall and Medicine Hat Co-op amalgamated to form South Country Co-op.
- Gainsborough Co-op and Southern Plains Co-op at Estevan amalgamated to form Southern Plains Co-op.
- Montmartre Co-op, Loon Creek Co-op at Southey and Sherwood Co-op at Regina amalgamated to form Sherwood Co-op.
- Comox Co-op at Courtenay and Peninsula Co-op at Saanichton amalgamated to form Peninsula Co-op.
- Weldon and Andrew Co-ops were removed from membership because of dissolutions.

Integrity, excellence, responsibility

Financial Highlights

Membership Returns

FCL is owned by its retail co-operative members. A significant portion of FCL's earnings are returned to its members in the form of patronage allocations based on their purchases throughout the year. In 2016, a patronage allocation was introduced for both fertilizer and freight. The Board has approved the following patronage allocation rates:

	2014	2015	2016
Crop Supplies	5.972%	5.531%	4.626%
Feed	1.043%	2.356%	1.149%
Food	4.116%	4.345%	4.316%
Home and Building Solutions	5.464%	5.925%	5.770%
Freight	n/a	n/a	28.396%
Energy – Fuels (¢/L) ¹	6.444¢/L	4.671¢/L	4.666¢/L
Energy – Propane	9.650¢/L	11.751¢/L	6.243¢/L
Energy – Oil & Grease	25.121%	21.319%	20.938%
Fertilizer (\$/MT) ²	n/a	n/a	\$3.377/MT

¹ cents per litre (¢/L) ² dollars per metric ton (\$/MT)

Over the last 10 years, FCL has made patronage allocations to its member-owners of \$4.5 billion and share redemptions of \$3.8 billion in cash.

\$8.4B

Sales

\$515M

Net Income

\$364M

Patronage Allocation

\$344M

Share Redemption



A year in review

Business Unit Reports



**244 PER CENT INCREASE IN
UNIQUE PAGE VIEWS FOR
COOPHOME.CA IN 2016**

Store brands go beyond basic

FCL is developing Co-op-brand products that tell a story and offer value, but – most importantly – create a food experience customers can enjoy.

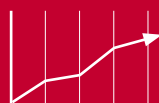
Three years ago, the Store Brands Team in the Food Department began to focus more on the customer and developing premium-quality and innovative food products at exceptional value. FCL is now creating standout brands with products that go beyond basic.

To meet the growing focus of health and wellness, FCL officially launched Co-op Gold Pure in January 2016. The brand continues to expand to meet demand for products free of artificial flavours and colours and with no preservatives.

One key trend has been consumers' interest in where and how food is sourced and grown. The Store Brands Team has engaged consumers by introducing many new Co-op products made in Western Canada, providing Co-op with meaningful differentiation within the marketplace and then conveying the product journey story through multimedia channels.

Overall, Co-op brand sales were up 8.4 per cent last year. Co-op brands now account for 19.4 per cent of product sales in the grocery category – up from 17.0 per cent in 2013.

Sales increases mean Co-op-brand products, like the new Co-operative Coffee, are being noticed by customers. Products are also being recognized in the industry, with two Canadian Grand Prix Awards for best new product for Co-op Gold Pure Chocolate and Co-op Gold Whisky Caramel Sauce.



**SALES INCREASED 129 PER CENT TO
\$662 MILLION IN FCL'S CROP SUPPLIES
BUSINESS (INCLUDING FERTILIZER)
OVER THE PAST FIVE YEARS**

Report Feature
AG AND CONSUMER BUSINESS

2016 Business Unit Report

Ag and Consumer Business

In 2016, a new farm marketing strategy was developed by a cross-commodity team with the objective of defining what the Co-op brand means to farm customers. With a renewed strategy that tells Co-op's unique story, the business unit has positioned the CRS to advance the business and help customers grow, fuel, feed, equip and build their farms. The new strategy will help build confidence in retail front-line staff through training and professional development opportunities, which will strengthen Co-op's expanding network.

In Phase 1 of the central procurement model introduced in 2015, the Fertilizer Department focused only on sourcing potash. In 2016, the department began executing Phase 2 to include products from all fertilizer categories. In order to enhance retail knowledge, the department hosts bi-weekly webinars on industry information and insights. A Safety and Regulatory Manager was added to provide leadership and support on training, emergency response and environmental stewardship. All these actions provide significant value to retail co-operatives.

In 2016, the Feed Department focused on developing marketing programs to drive retail growth on value-added feed products. Bagged feed sales grew by 12 per cent, while sales of feed supplement tubs were up 16 per cent. The department also centralized the procurement of feed ingredients with intentions of improving product consistency, reducing the cost of goods and mitigating risks associated with fluctuating inventory valuations.

With the rapid advance in agriculture technology, the CRS is uniquely positioned to help its farm customers navigate the opportunities in emerging trends. The CRS provides expert advice every day and, in 2016, the department focused on amplifying conversations with timely, relevant information that farm customers would find interesting and useful. Marketing materials

have evolved and Co-op's digital presence has increased, including the launch of the *Agro Advisor*, where a new article is delivered weekly to customers' email inboxes. This has resulted in a 147 per cent increase in site traffic to coopag.ca this past year.

The Home and Building Solutions Department launched an exciting new Co-op Home Centre training initiative called Get Selling. This program for front-line team members, was introduced in January 2016. This online series of short training sessions hosted on the Co-op Learning Centre will support an improved customer experience in-store, resulting in increased sales and profits.

The Co-op Home Centre "Commitment to Excellence" recognition award program was also introduced at the 2016 Spring Buymart. Recognizing retailers for their team contributions, the awards have a goal improving employee engagement and operations. The awards will be presented for the first time at the 2017 Fall Buymart.

The Food Department continued to be focused on serving the needs of the end consumer in a highly competitive environment. In 2016, FCL expanded the resources in the Fresh Food Team and have adopted a category-management-based organizational structure. The Produce Team moved from TGP to the broader FCL Food Department to improve strategic alignment. TGP itself began the transition from being a wholly owned FCL subsidiary to being a business unit within FCL in preparation for streamlining and simplifying operations.

The Food Department also co-ordinated the efforts of several business units within FCL to help support Saskatchewan retail co-ops in their proposals for liquor licenses for private liquor stores.

"Our business priorities are focused on the end customer. In co-ordination with our retail members, we are working to enhance customers' experience and address their needs through the development of our product and program offerings."

Brad Bauml
Executive Vice-President
Ag and Consumer Business





2016 Business Unit Report

Co-op Refinery Complex

“The Co-op Refinery understands the important role we play in the Co-operative Retailing System. We view ourselves not only as the refinery in Regina, but also as an integral part of a CRS and FCL team that is focused on fuelling the needs of Western Canadian communities.”

Gil Le Dressay
Vice-President
Refinery Operations

Operations

In 2016, the Co-op Refinery Complex (CRC) continued to focus on the safety and reliability of refinery operations. The CRC made solid progress on the reliability of its assets, leading to a better mechanical performance than the previous year. Better performance led to processing a record volume of crude, as 40.4 million barrels were processed in 2016 versus 39.7 million barrels in 2015. Overall gasoline production increased from 18.3 million barrels to 19.7 million barrels. Diesel production, however, was lower by about 1.5 million barrels because of lower market demand for the product.

Economics

The CRC, like most North American refineries, is facing difficult market conditions. An oversupply of diesel and gasoline has increased the negative pressure on refinery crack spreads (margins). Weaker demand at the fuel pumps compounded an already oversupplied market as North American refineries continued to build inventory. In addition, a protracted Western Canadian harvest, brought on by unfavourable weather conditions, added to increasing gasoline and diesel inventories. These market dynamics will continue to put pressure on transportation fuels for the foreseeable future.

2016 saw the beginning of increased refining capacity in Western Canada with 25,000 additional barrels of capacity coming online. External pressures and competition will continue to be a hallmark of the refining industry as another refinery in Alberta is scheduled to begin production in late 2017. Pending pipeline project approvals also create uncertainty around Western Canadian crude pricing.

Safety, Reliability and Sustainability

While the market poses challenges, the CRC is responding by creating positive safety results and driving down costs in order to remain competitive. In 2016, the CRC continued to see tremendous results in process safety. The CRC's 2016 process safety results put the CRC among the leaders in our industry.

While the market is in a down cycle, the CRC has aggressively gone after areas it can control. Two key areas have been asset reliability and cost-reduction initiatives. These initiatives will allow the refinery to remain competitive and sustainable in difficult market conditions.

The CRC also announced the commissioning phase of the Wastewater Improvement Project (WIP) in 2016. This major initiative demonstrates the refinery's commitment to protecting the environment, its dedication to social responsibility and its drive to become a recognized leader in the petroleum refining industry. The CRC will continue to prepare for the future by focusing on the overall sustainability of its operations.



A first for North American refineries

On May 25, 2016, the CRC announced that its \$200 million Wastewater Improvement Project (WIP) was in the commissioning phase. The WIP uses industry-leading technology to clean and recycle 100 per cent of the CRC wastewater. In addition, the project makes the CRC the only refinery in North America that can clean and recycle wastewater for the purpose of steam production.

The WIP has many benefits for the refinery, the City of Regina and the Province of Saskatchewan. By cleaning and recycling more than two million gallons of wastewater per day, the CRC ensures the future sustainability of its own water supply, while reducing the facility's reliance on the fresh water resources it shares with the citizens of Regina and the province. By reducing the refinery's water consumption, the facility is helping to provide sustainable water resources for future generations.

Report Feature
CO-OP REFINERY COMPLEX



THE CRC WILL REDUCE ITS
FRESHWATER CONSUMPTION
BY THE EQUIVALENT OF
3,100 HOUSEHOLDS

1,500 GALLONS PER MINUTE (GPM) OR 2 MILLION GALLONS PER DAY THE QUANTITY OF WASTEWATER THE WIP WILL CLEAN PER DAY.

THE PROJECT IS CAPABLE
OF CLEANING AND
RECYCLING **100 PER CENT**
OF THE CRC'S WASTEWATER.



2016 Business Unit Report

Energy

"I'm proud to say our investment in our refinery, distribution network, and retail and FCL facilities has made us the most reliable and customer-focused supplier of energy products and services in Western Canada."

Cal Fichter
Vice-President
Energy

The Energy Business Unit provides the CRS with all its energy product needs, including gasoline, diesel, propane, lubricants and associated products. The business unit acquires product from the CRC and other suppliers, and it operates a fleet of trucks and railcars and a bulk distribution network across Western Canada. It also produces crude oil that is sold to the CRC and other refiners.

The Petroleum Department was rebranded in 2016 as the Energy Products Department. This is the first step in the evolution of the Energy Business Unit into products other than conventional petroleum fuels. Research is underway to determine if and when FCL expands into other business lines.

Reduced commercial demand because of general economic conditions, particularly in the oil and gas sector, impacted sales of gasoline and diesel in 2016. Gasoline sales increased, but diesel sales decreased from the previous year, reflecting the downturn in commercial activity. Locations supplied from the CRC and FCL's Carseland Terminal were able to offer the new Co-op Premium Diesel product, formulated to provide a higher level of detergency and fuel efficiency. FCL enhanced its diesel exhaust fluid offering with a new packaged product and expanded the lubricant product line. Additional resources enabled a focused effort on strategic growth in lubricants, which is set to begin in 2017.



The opening of several new bulk plants in 2016 improved the CRS's petroleum distribution network. The first full year of operation of the fuel storage terminal in Carseland, Alta., further increased distribution efficiency by allowing for shipment of product by rail from the CRC in Regina to southern Alberta. FCL delivered over 500 million litres of product from the Carseland Terminal in 2016, exceeding projections for the first year of operation.

Propane sales were down slightly from the prior year because of an abnormally warm winter and resultant reduction in heating demand. FCL opened a new bulk distribution centre in Swift Current, Sask., which will improve service capability in that area. Work is progressing on several additional facilities, which will allow for growth in new market areas in 2017 and beyond.

The focus in FCL's crude oil operation was on reducing operating costs and drilling only in low-risk, high-potential areas because of low and volatile crude oil prices throughout the year. The drilling of 12 new successful wells largely offset natural production declines.





61 PER CENT DECREASE IN PREVENTABLE INCIDENT FREQUENCY IN PETROLEUM FLEET SINCE 2013.

Bulking up fuel distribution

FCL has been working to increase bulk fuel storage capacity strategically throughout the CRS since 2009. The new bulk plant program is replacing existing facilities with larger, more centralized ones that are more environmentally friendly, safe and efficient.

In 2016, FCL completed construction of 10 new bulk plants, bringing the total number of new facilities to 54. FCL expects an additional 16 new facilities to open by the end of 2018, which will complete the program. At that time, the number of bulk plants will have been consolidated from 141 to approximately 75, while increasing total storage capacity from 97 million litres to 205 million litres.

The new bulk petroleum facilities are designed with the latest containment, monitoring and operational controls in place to meet and exceed applicable government standards. FCL is emphasizing a safety culture with further communication, reviews, training and implementation of new policies and procedures. The organization has added resources in 2016 to accelerate these initiatives throughout its distribution network.

The upgraded distribution network is vital to ensure the timely and cost-effective distribution of bulk fuel to Co-op members as the CRS grows into the future. The benefits are already being realized, allowing for delivery of a record monthly volume of 602 million litres in September 2016 with higher efficiency and exceptional reliability.

Report Feature
ENERGY

529 MILLION LITRES OF FUEL PASSED THROUGH THE CARSELAND TERMINAL IN ITS FIRST FULL YEAR OF OPERATION.

147.700L
DIESEL

2525

FEDERATED CO-OP
Region

**\$278,000 INVESTED IN
CONTINUED POST-SECONDARY
EDUCATION (TUITION) IN 2016**



Shifting the learning approach

The Co-operative Retailing System has a history of providing development opportunities to its employees. This commitment will continue at retail co-operatives as well as FCL with an approach that uses three different learning methods.

The approach portions development into experiential, on-the-job learning; coaching, mentorship and feedback; and formal in-class training in a ratio of 70-20-10, respectively.

FCL supports structured training opportunities, whether it is through scholarships, tuition-assistance programs, management-development training or executive development. This training helps FCL and CRS employees learn the skills necessary to pursue and advance their careers.

The framework integrates formal and informal training, but acknowledges the importance of practically applying what has been learned. Learning and development is an ongoing process that requires the continued need to practice skills in real-world situations beyond the classroom.

This approach is a shift in traditional thinking, providing a new definition for what constitutes learning and engaging employees at all levels.

Report Feature
HUMAN RESOURCES

2016 Business Unit Report



Human Resources

In a world of evolution and change, the only constant in Human Resources (HR) is that it is all about the people. People are FCL's most important assets, whether it is attracting, developing, empowering, rewarding or engaging them. And its people practices determine the effectiveness in tapping into the talents of the organization's human resources. Throughout 2016, the business unit's focus was on revising and evolving talent-management practices to ensure they were meeting business needs and were aligned with FCL's values and brand.

HR often finds itself pondering, "Would this practice make someone feel at home here?" The business unit wants to establish processes that enable FCL teams to reach their goals and objectives in the most productive and efficient manner while allowing people to tap into their full potential.

FCL also partnered with outside organizations and educational institutions to share its story and ensure the CRS is viewed as a career destination where values are transparent and solid work ethic is rewarded.

Implementing transformational changes requires a dedicated team. Throughout the year, HR worked to build the appropriate, driven and engaged team to carry out its 2016 goals. Execution of any plan requires focused goals, appropriate measures, open communication and personal and professional accountability. As a team, HR appreciates the journey is never over, but it is up for the challenge to keep the processes and practices used by the organization's most important resources relevant, appropriate and aligned with the Co-op brand.

"Credibility is the heart of HR. As an enabling business unit, our purpose is to provide the people practices that make sense and add value. We do not impose and enforce, as true buy-in and accountability can't be dictated. But we can influence, coach and support for positive outcomes, and these only come as the result of solid relationships built on trust and credibility. That is where HR adds value and that is where our relevance lives."

Heather Ryan
Vice-President
Human Resources



**\$275,000 INVESTED
IN SCHOLARSHIPS
IN 2016**



2016 Business Unit Report

Innovation



“For the first time in decades, FCL opened a new IT office. Our presence in Calgary will have tremendous impact on expediting delivery of strategic initiatives by allowing increased access to the talent pool in Western Canada.”

Faramarz Farahani
Executive Vice-President
Innovation

New IT Office in Calgary

To better position FCL's IT team in attracting and retaining technical resources, and to continue its commitment to employ technical resources within Western Canada, FCL opened a new IT office location in Calgary on March 14, 2016. This adds to the IT offices already existing in Saskatoon, Regina and Edmonton. These resources in Calgary contribute to FCL's strategic and transformation initiatives as well as support FCL's network and infrastructure operations for region offices and distribution centres in Alberta. In addition, the Calgary IT team delivered Online Learning Management to Calgary Co-op this year and was an integral part of the team that implemented the Enterprise Service Bus project.

Ag Point-of-Sale System

This multi-phase initiative will replace the existing system and business processes to enable greater business agility, competitiveness, profitability, customer service and regulatory compliance for Co-op Agro Centres. In 2016, FCL piloted the first phase of Tronía – an ag-specific point-of-sale system. The system automates and standardizes member, item, pricing, sales, inventory and purchase-order processing for retail co-ops to serve their agronomic customers better. The new system merges science with technology – recording transactional information, such as purchased crop inputs and services on a field level, together with soil tests and scout results to allow retail co-op agronomists to consult with their growers to maximize yields. In 2017, the focus will be to implement the new system further across the CRS.

New Corporate Website

In 2016, FCL launched www.fcl.crs, a new corporate website. This was an important milestone as the website is the first dedicated digital corporate presence, built on a new server infrastructure and updated web technology that will serve many CRS digital initiatives well into the future. More importantly, it represented the first public use of the CRS's own generic top-level domain: .crs.

With a privately owned and managed top-level domain, the CRS can select and use any domain name that ends in .crs. The CRS can leverage this flexibility to employ a unified naming strategy, including consistent email addresses, across the system.

Buymart App

For the 2016 Fall Buymart, FCL implemented a dedicated mobile app to help attendees and exhibitors more effectively navigate and participate in the show. The app provides functions such as schedules and reminders, interactive vendor profiles, show maps, deal visibility and more. This is the first time a mobile app was leveraged to support a CRS event, with the goal of providing value-added features while reducing the monetary and environmental costs associated with printing and distributing paper materials at future shows. With strong adoption and usage rates of the app taken into consideration, planning will now begin for the 2017 Spring Buymart and other events that can benefit from this new approach.

IN 2016, RETAIL CO-OPS PLACED
1.14 MILLION ORDERS WITH FCL
CONSISTING OF 32.1 MILLION PRODUCTS





**FCL BLOCKED OVER 2.24
MILLION VIRUSES, MALWARE
AND SPAM ATTACKS IN 2016**

Improving connections between software applications

An organization as diverse as FCL requires innovative systems to perform an array of tasks, such as managing its supply chain, including warehousing and transportation, refinery operation and financial and point-of-sale transactions. In addition, to support the migration of applications off of FCL's mainframe legacy system to best-of-breed solutions, the organization needed secure and scalable integration technology.

In 2016, FCL implemented IBM Enterprise Service Bus (ESB) to connect applications. The ESB acts as a backbone that reliably and securely sends data between systems in real time, significantly improving the interoperability of these systems. The ESB Team uses industry standards and best practices to provide scalability to connect FCL's strategic applications, and support the migration of legacy applications off of the mainframe.

Currently, the ESB platform is used to support implementation and integration of the new Ag and Home point-of-sale systems, as well as the new transportation management system, with the existing warehouse management system and the mainframe. Over the next few years, the ESB integration platform will be used to support other major strategic initiatives, including financial, refinery-maintenance management and order-management systems. This will allow for significant reuse of the interfaces, which will result in cost savings during project implementation and ongoing operational support.

Report Feature
INNOVATION

**ALTOGETHER, CO-OP WEBSITES RECEIVE OVER 25 MILLION
PAGEVIEWS A YEAR. THAT'S OVER 3,000 PAGEVIEWS AN HOUR.**



2016 Business Unit Report

Operational Support

“In 2016, we made significant progress in building the foundation for the use of continual improvement methodologies in multiple operational areas.”

Tom Kishchuk
Vice-President
Operational Support

The Operational Support Business Unit comprises four functional areas: Health and Safety, Logistics, Facilities and Growth and Business Development.

Health and Safety

Ensuring the health and safety of employees is our first priority. Operational Support has taken great strides in 2016 in building the foundation of an integrated health and safety framework and establishing standardization throughout FCL business units and the CRS. The Health and Safety Team provides training and advice including hazard identification and control, inspections, investigations, disability management, contractor management, and health and safety program development.

Logistics

The Logistics Team is responsible for the safe and efficient movement of groceries, home and building supplies and petroleum products from suppliers to FCL's five distribution centres located in Saskatoon, Calgary (2), Edmonton and Winnipeg, and then on to 2,500 retail locations in more than 500 communities stretching from Vancouver Island to Western Ontario, including the Far North.

This movement is accomplished using a highway trucking fleet of 250 merchandise trailers and 220 petroleum tankers pulled by company drivers and lease operators. The merchandise fleet travelled 20 million kilometres and delivered about 600,000 tons of merchandise in 2016. The petroleum fleet travelled 57 million kilometres and delivered 3.8 billion litres of fuel in 2016.

Facilities

The Retail Facilities Team provides the CRS with real estate, planning, design, technical and construction services for new construction and renovation of food, convenience, liquor, agro, administration and home and building supplies facilities. The team's focus is to optimize the customer experience while minimizing the lifecycle costs of stores through design and energy-efficiency initiatives. In 2016, FCL developed new standard designs for food, convenience and liquor stores and were engaged in 261 active projects, of which 99 became operational during the year.

The Petroleum Facilities Team provides the CRS with planning, design and construction services for new construction and renovation of gas bars, cardlocks, car washes and bulk petroleum facilities. Other activities include manufacturing of retail fuel-delivery units and servicing of highway bulk-transport units. In 2016, FCL continued delivering reliable, low-maintenance designs, with the team engaged in 231 active projects, of which 76 became operational during the year. A total of 46 retail fuel-delivery units were also delivered in 2016.

Growth and Business Development

FCL is committed to expanding the CRS through the growth of retail co-operatives. The Growth and Business Development Team supports FCL's growth agenda by proactively identifying, valuing and executing potential opportunities, with activities focused on opportunities that are relevant to members and consumers. Over the last three years, the team has helped complete two major acquisitions, one in agriculture and one in food, and is developing a new fertilizer facility in both Manitoba and Saskatchewan. There continues to be many opportunities available in all business lines and processes are in place to complete multiple acquisitions every year.

FCL'S MERCHANDISE AND
PETROLEUM FLEETS MADE
118,000 TRIPS IN 2016.





20 MILLION KILOMETRES
TRAVELLED TO DELIVER ABOUT
600,000 TONS OF PRODUCT

3.8 BILLION LITRES OF FUEL TRANSPORTED
57 MILLION KILOMETRES BY PETROLEUM FLEET

State-of-the-art support

In July, FCL announced its continued investment in the Western Canadian economy with the construction of two new state-of-the-art, high-throughput fertilizer terminals. The terminals – located in Hanley, Sask., and Brandon, Man. – will warehouse, blend and distribute a wide range of dry fertilizer constituents and will have storage capacities of 45,000 tonnes and 27,500 tonnes respectively.

Working collaboratively with the newly formed Fertilizer Department, Operational Support established facility capacities and requirements based on CRS sales forecasts. Preliminary engineering, costing, real estate and permitting activities were completed in 2015 and culminated in the approval of the project by the FCL Board of Directors in January 2016.

To be successful, several FCL business functions are involved in the project – Health and Safety, Human Resources, Finance, Legal, Innovation, Sustainability and Government Relations – such that all stakeholders' points of view were understood and fully represented. Since breaking ground at both locations in May 2016, the Operational Support team has been actively managing construction progress with particular focus on worker safety, material and service quality, schedule and cost compliance.

When completed in the spring of 2017, these two terminals will enable FCL to provide unparalleled fertilizer-service support to retail co-operatives and will be the start of the next era in the fertilizer business for the CRS.

Report Feature

OPERATIONAL SUPPORT



19,000 EMPLOYEES
PAID THROUGH
FCL PAYROLL
SYSTEMS IN 2016

Transition in Payroll Services

The Payroll Services Team works to ensure all employees are paid accurately and on time across the CRS.

The team provides full payroll services for FCL, Interprovincial Cooperative Limited and 98 retail co-operatives. These services include processing 52 payroll runs per year, setting up new employees in the payroll systems, preparing records of employment, submitting third-party remittances and reconciling various balance-sheet codes. The team also provides system support and guidance on payroll compliance inquiries for 184 retail co-operatives that use the FCL payroll system.

Payroll Services has been involved in the technological advancements at FCL. Providing employees' earnings statements online in 2013 was the first step in transitioning payroll from legacy systems. In March 2016, FCL successfully transitioned to the new payroll, workforce and human resource management technology platform.

These new systems will not only increase automation in capturing time worked, but will also create administrative efficiencies in payroll departments. This new technology also has more robust data analysis and reporting capabilities that will provide users with comprehensive information when making business decisions.

The Payroll Services Team looks forward to supporting retails as they transition to the new system and will continue to provide high levels of payroll support to all employees across the CRS.

Report Feature
RETAIL OPERATIONS

ESTIMATED \$720 MILLION IN SALARIES FOR FCL AND 184 CO-OPERATIVES IN 2016, CONTRIBUTING TO LOCAL ECONOMIES ACROSS WESTERN CANADA

2016 Business Unit Report

Retail Operations

The Retail Operations Business Unit works directly with retail co-operatives to enhance financial results and enable them to deliver on the Co-op brand. The business unit provides marketing, merchandising, financial resources, human resources, and operational services and support to retail co-operatives from region offices in Edmonton, Calgary, Regina, Saskatoon and Winnipeg.

Retail profitability, market growth, talent development and long-term viability continue to be the key priorities of the business unit. These priorities are intended to assist retails to strive towards the vision of setting the world standard in consumer co-operative excellence.

In addition to the five region offices, the business unit is composed of the following departments: Retail Accounting, Asset Protection and Retail Information Systems. Together, more than 230 employees work collaboratively with retail co-ops to ensure that the relationship between wholesale and retail remains strong. This collaborative relationship is one of the key benefits of the Federation.

Retail profitability is the goal of all retail co-ops, and the five region teams continue to work closely with retail co-op management to control expenses and improve both sales and gross margins in an effort to ensure strong retail EBITDA numbers. By ensuring retail co-ops have strong operating results, they will benefit by being ready and able to capitalize on growth opportunities that support both customer needs and expectations of the Co-op brand.

The regions have also been active in working with retail co-op boards and general managers in the rollout of a new corporate performance management program specifically developed to support the needs of more complex and larger co-ops. As retail boards and management adopt

the new program, they are ensuring their relevance and capacity to meet the needs of current and future members.

At Home Office, the Retail Operations Business Unit works with other strategic business units to help develop new technology that will one day give retails better tools to make timely, informed business decisions. As well as providing expertise to all technology projects that will affect daily retail operations, the business unit is also working with Innovation and Finance to develop a new accounting system for the CRS. It will also work with Human Resources on a project to provide retails with a new system for payroll, human resource record keeping, learning management, time and attendance management, and predictive scheduling.

“I am most proud of how retail co-ops are adopting the new Corporate Performance Management Program for the benefit of their local co-op and ultimately co-op members.”

Gerard Muyres
Vice-President,
Retail Operations



2016 Business Unit Report

Strategy

“2016 saw the Strategy Business Unit put the final, foundational pieces in place to better enable FCL’s operations going forward. I look forward to this foundational work supporting the further development of critical strategic initiatives across a range of files in 2017 and beyond.”

Vic Huard

Executive Vice-President
Strategy

The Strategy Business Unit continued to evolve in support of retail and internal FCL clients across all functions.

FCL’s Marketing and Communications capacity grew in both reach and sophistication in 2016. An ambitious goal of doubling the year-over-year growth of the FCL and CRS digital reach was accomplished and surpassed by a wide margin. The launch of the new FCL website (www.fcl.crs), a major upgrade of the Co-op App and a continued focus on localized e-mail campaigns were new tools to tell the Co-op story and support retails in reaching their customers. This focus on telling the Co-op story was highlighted with the launch of Co-op’s most successful digital brand campaign to date – It’s a Co-op Thing – during Co-op Week in October. The campaign was designed to explain the power behind the co-operative business model and to offer compelling reasons for people to become members of their local co-op. The campaign was very well received with nearly 14,000 submissions to the It’s a Co-op Thing contest, setting a new standard for digital engagements of this type.

One of the campaign’s goals was to encourage membership in local co-operatives; this will be a focus going forward, informed by the work of the Insights and Analytics Department. Formerly known as the Research and Development Unit, the department continued to grow to meet ever-increasing demands. It doubled its number of projects for retail co-operatives, completing research for 75 retail co-operatives in 120 communities in 2016. The Let’s Talk Co-op consumer panel surveyed over 7,700 members – 95 per cent of whom are Co-op members – and continued to provide frequent and timely insights on a wide variety of subjects. Altogether, the department received 85,000 survey responses in 2016.

While the Co-op brand continues to perform well overall, research clearly indicates retail co-ops are better

understood, supported and promoted by Co-op members than by non-member consumers. This trend is not only an opportunity but also an emergent risk, and it will continue to inform Strategy’s marketing orientation – including the next steps in the development of a CRS-specific customer-relationship management capability – in the coming years.

FCL’s focus on enterprise risk management (ERM) is crucial to well-informed business planning and operations. The ERM function is supported by a number of Strategy initiatives. In a world of ever-changing and increasingly complex regulations, a dedicated compliance function is essential to managing risk. After establishing FCL’s robust privacy program in 2015, FCL’s Legal Team shifted resources to the development and implementation of an effective compliance function to ensure that FCL is aware of and managing effectively the myriad of regulatory requirements across all business lines. This work also informs the increasingly complex and critical work of FCL’s Government Relations Department, a small but highly professional team that is working on a range of critical files.

The Strategy Business Unit has developed capacity on a number of fronts, which have begun to take root and pay dividends. With this capacity in place, the business unit’s leadership will begin to shift focus and energy to co-ordinating strategy development across a range of critical issues: urban markets, sustainability and climate change, indigenous engagement and information transparency. A strategic approach to the pressures imposed by rapidly changing environmental, economic, social, demographic, technological and regulatory trends – known as the mega-trends – is essential to the continued survival and future growth of the CRS. The development of these strategies will engage the experience and commitment of people across FCL and its retail member-owners in the coming years.



\$9.8 MILLION IN CASH AND IN-KIND DONATIONS MADE TO CHARITABLE AND NON-PROFIT ORGANIZATIONS ACROSS WESTERN CANADA

Strong, sovereign and engaged communities

We believe that the ever-changing needs of rural and Indigenous communities in Western Canada can be addressed, at least in part, by innovative co-operative business solutions unique to those communities.

Co-operatives First promotes, advocates for and supports the awareness, knowledge and development of the co-operative business model. The organization will provide a critical catalyst/connector role to bring together a wide range of stakeholders to provide innovative ideas and solutions that support sustainable community and co-operative development. The project was formed based on the findings of the two-year Co-operative Innovation Project conducted by the Centre for the Study of Co-operatives at the University of Saskatchewan.

The new organization has introduced four core “products” – Inspire, Explore, Create and Thrive – to guide its work. This approach is based on the co-operative development model developed by the world-renowned, U.K.-based Plunkett Foundation. A fifth “product” - Build - is being developed in co-ordination with the Centre for the Study of Co-operatives.

FCL made a five-year, \$5 million commitment at the January announcement establishing the organization. Since then, Co-operatives First has established a Board of Directors, hired an executive director and supporting staff, and developed a visual identity, website (cooperativesfirst.com) and marketing tools. Community engagement employees have worked with nine groups at various stages of co-operative development and responded to inquiries from 10 communities and economic development groups. And the work is only just beginning.

Report Feature
STRATEGY

IT'S A
CO-OP
THING!

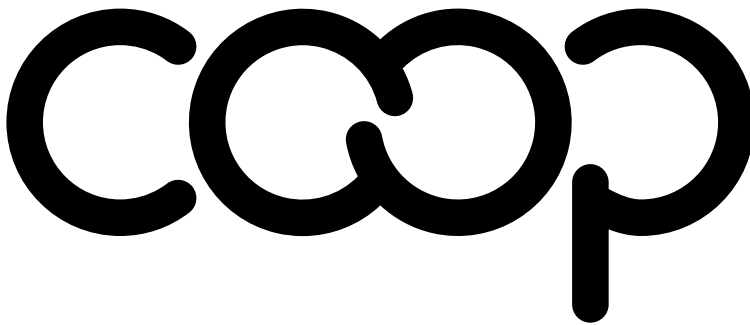
14,000 ENTRIES IN THE IT'S
A CO-OP THING CONTEST
FOR CO-OP WEEK

85,000 RESPONSES TO
SURVEYS CONDUCTED BY
INSIGHTS AND ANALYTICS



International Co-operative Alliance

Statement on the Co-operative Identity



Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Manchester, United Kingdom, September 23, 1995

Code of Ethical Standards for Co-operatives

We recognize that this consumer-owned co-operative has a responsibility to respect, to promote, and to protect the rights of consumers, and that these rights include:

The right to safety • The right to be informed • The right to choose • The right to be heard

In support of its responsibility to appreciate the rights of consumers, this co-operative shall aim to observe and apply in all of its activities, the following:

Ethical Standards

1. All claims, statements, information, advice, and proposals shall be honest and factual.
2. Sufficient disclosure of pertinent facts and information shall be made to enable others to adequately judge the offered product, service, or proposal, and its suitability for the purpose to be served.
3. Due regard shall be given to public decency and good taste.
4. Unfair exploitation in any form shall be avoided.
5. Comparison of co-operative merchandising, products, services, philosophy, principles, or practices, to those of others shall only be made honestly and fairly, and without intent to harmfully disparage.
6. The interests of the membership as a whole shall be paramount to the interests of the institution.
7. The co-operative shall aim to be equitable in the treatment of its members.
8. Knowingly advising or persuading individuals to take action that may not be in their best interests shall be avoided.

Application of the Code

Having acknowledged that the consumer has certain rights, and being resolved to conduct our activities in the interests of the consumer, we shall, at all times, when applying this code or interpreting its intent, emphasize ethical human relations and values rather than technicalities or legalisms.

Our test for compliance to this Code of Ethical Standards shall be the effect of a communication or action on the

ordinary or trusting mind. We recognize that it is not sufficient that a discerning, knowledgeable, or analytical person may derive a correct interpretation if others may be misled.

The Code of Ethical Standards is adopted by the Board of Directors as an official policy of Federated Co-operatives Limited, and is recommended for adoption by all retail co-operatives served by FCL.





**Federated
Co-operatives
Limited**

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