



RETROSPECTIVE

2017 Annual Report

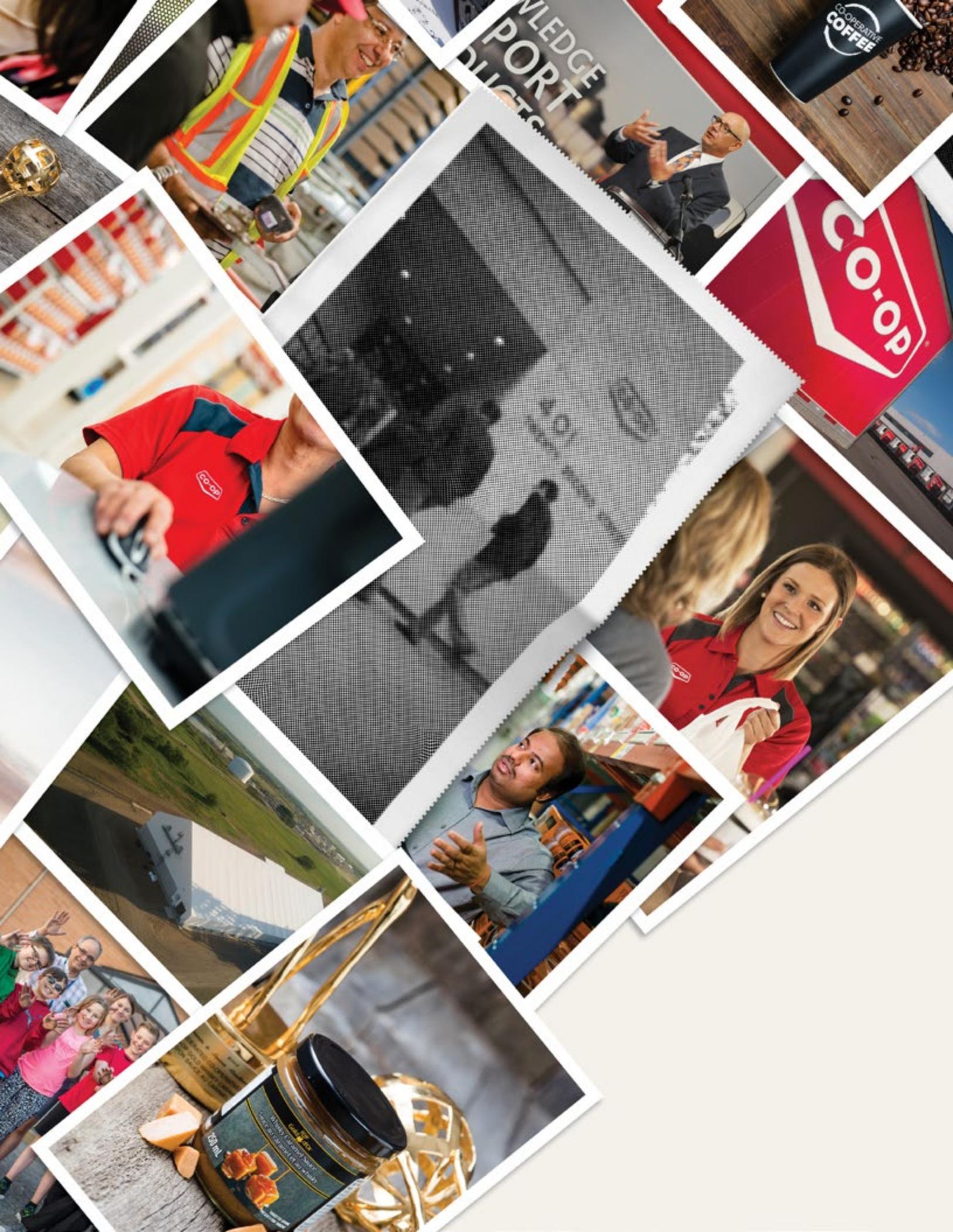


FEDERATED
CO-OPERATIVES
LIMITED

Retrospective is about looking back on the journey that led us to this point as we look toward what is to come.





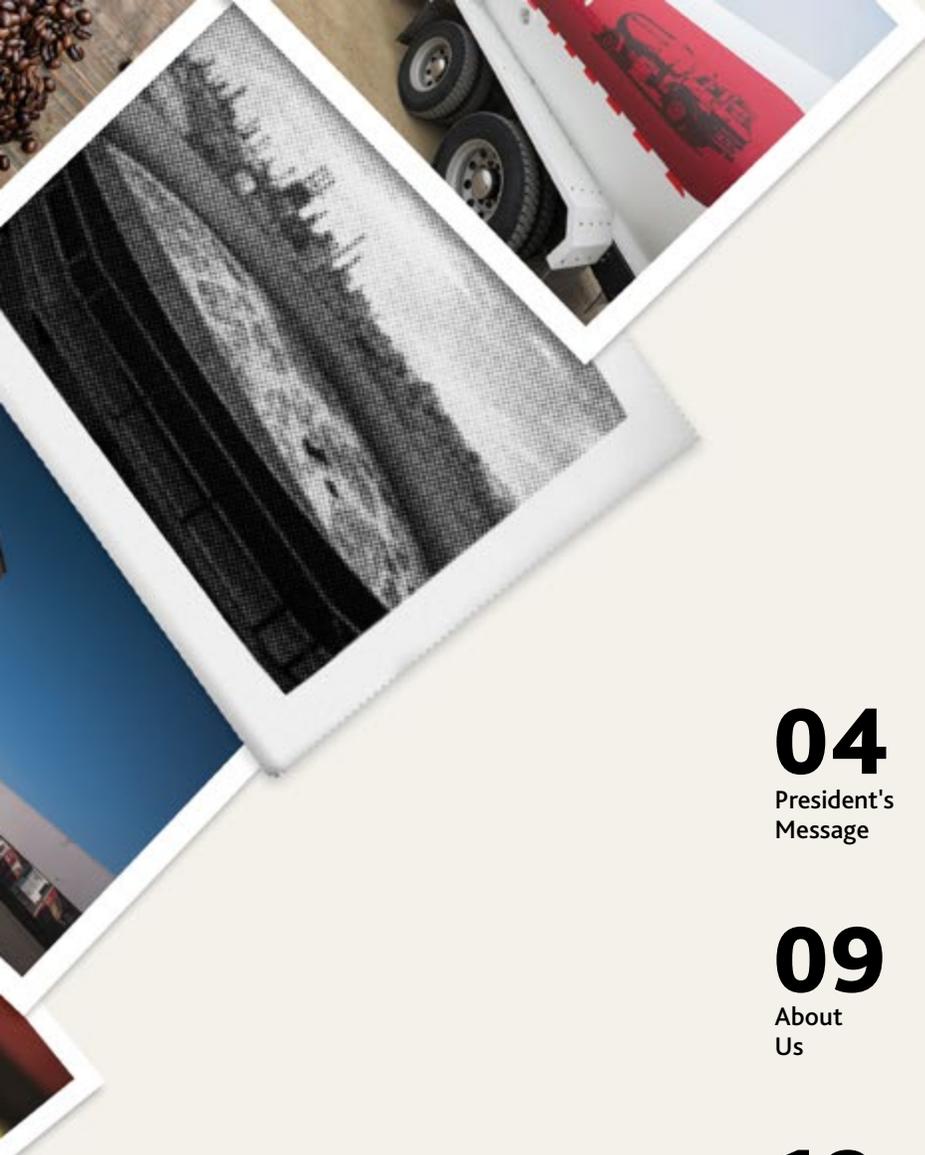


CO-OP COOPERATIVE COFFEE

KNLEDGE
PORT
DICTS

CO-OP

Gold
100% Natural Jam
100g
100g

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President's Message

In today's economy, competition remains a challenge to our business at FCL and the business at retail co-operatives. In 2017, we saw some major businesses across Canada and around the world fail, while others have entered the market in business areas and locations where Co-op operates. This isn't a new phenomenon. As the economy recovers and technology changes behaviour, we must think about how the Co-operative Retailing System (CRS) conducts its business and reaches both its members as well as non-member customers.

We have two distinct advantages over our competition. The first is the co-operative business model, which balances economic and social interests. Investing in our local communities and meeting the needs of our members is essential to who we are as a business. The second is that we work together as the CRS, a Federation united in co-operation.

I am proud of what we have accomplished together leading up to the celebration of FCL's 90th anniversary in 2018. From buying clubs and retails working together to form provincial wholesale societies – the precursor to FCL – to the 'one-system' concept of the CRS with the culmination of provincial wholesale amalgamations in 1970, we have been successful in fostering our collective growth. However, longevity is not an indicator of success and not something we can take for granted. We must remain relevant, competitive and flexible to meet the changing needs of our members.

In order to accomplish this, we are helping local retails take a more strategic approach to co-operative governance. This approach is made more important due to the increasing size of retails and the increasing pace of change – requiring boards to look five or 10 years into the future to ensure they are meeting the needs of their members and communities.

The Director Development Program has made a significant impact by providing elected officials with training for their role within their co-operative. The program was developed to promote leading practices in co-operative board governance, support boards to be strategic and provide tools to help directors fulfill their duties and become better, more effective boards. After five years, we rolled out the final module of the certificate program at the 2017 fall conferences to positive feedback.

A second group of retails was introduced to corporate performance management throughout the past year. This is a process to provide insight into business decisions, alignment of resources and accountability. This model, centrally developed by FCL with input from retail members, provides a framework for retail co-operatives to tailor their business planning and position themselves for the future.

We always need to take time to honour excellence among retails. The CRS Awards introduced at last year's annual meeting highlight retail co-operatives' efforts in corporate performance management, brand development, co-operation and sustainability. These awards allow us to celebrate our diversity and share innovative and creative approaches that are transferable to other retails.

Our responsibility to the future means we continue to work towards improving the sustainability of our business. Sustainability for Co-op means minimizing environmental impacts, investing in local communities and operating in a financially responsible manner to ensure that the CRS sets the world standard in consumer co-operative excellence. We are accomplishing this by seeking solutions that promote efficiency, innovation and collaboration. The Wastewater Improvement Project at the Co-op Refinery Complex (CRC) received national and international awards in the past year for cleaning and recycling wastewater for the purpose of steam production. Sustainability also includes the safety of our employees and our communities, which remains a top priority for FCL and the CRS.

It is important that we remain focused on our members and communities and leverage our co-operative advantage. The Board works with FCL's Senior Leadership Team, assessing potential challenges and developing the strategic direction to lead the organization through the ever-changing business landscape. I am confident that through the collective efforts of the CRS and the unity of our Federation we will build upon our success and continue to serve our members for generations to come.

Dusty MacDonald, President/Chair of the Board

CEO's Message

With our co-operative firmly focused on the future, we enter our 90th year as a co-operative in 2018. However, it's worth taking a moment to look at the last year's journey in building our future.

In 2017, we experienced a challenging economy in Western Canada with many changes, but there were signs of improvement.

The energy sector's health always impacts our organization, and 2017 was no different. Many weather and political events beyond our control affected the energy market. Even with that volatility, petroleum sales by volume were up at retails.

As the largest asset in our energy business, the CRC is critical to our success. The team in Regina built its first business continuity plan to ensure operations could continue in the face of various contingencies. The entire CRC team remained focused on vital work to improve efficiency and reliability.

Looking at the full portfolio of Co-op businesses, we see that hard work across the CRS has resulted in increased sales, earnings and overall patronage back to FCL's retail co-operative member-owners. We can attribute these results to the diversity of our Federation; through sustainable and balanced growth, we're able to invest back into our communities.

The evolution of our growth strategy and continued investment in the agriculture sector across the CRS were important features of 2017. Opening two new fertilizer terminals on time and on budget was a major milestone for our organization.

Most importantly, we saw our retail co-operative member-owners continue to invest in their communities and in all business lines. The retail investment and retail lending programs are supporting the diversification of local co-operative associations and increasing Co-op's presence across Western Canada, ensuring the CRS is well-positioned to be successful for the long term.

To support this growth, we continue to build upon our three foundational areas – brand, technology and talent management.

Our brand presence is growing thanks to efforts of our member-owners at the local levels. In a major campaign, we featured local products "Made by Us," reinforcing Co-op as a proud and trusted brand.

FCL continued to invest in technology using a robust project management process to identify priority areas and establish the sequence for implementation. At the end of the day, we're confident that we're building the right processes and infrastructure to stay competitive over the long term.

In the area of talent management, our focus is on our most important asset—our people. We saw this focus in different areas. One was the start of our diversity and inclusion journey. By bringing together an array of people, backgrounds and perspectives, we are better able to serve the needs of our member-owners and reflect the communities where we operate. Meanwhile, our increased focus on safety has led to increased awareness across the CRS. I am proud that FCL's safety record continues to trend in a positive direction. We can say, with sincerity, that we're doing our best to ensure that Co-op employees are safe.

These were all positive signs of how we're adapting to stay relevant and competitive in Western Canada. That said, we can't stop looking ahead at the business challenges that we need to meet. There is no question that climate change and the resultant policy and regulatory responses to it will have a major impact on our business. And in the area of demographics, the makeup of our communities is also changing, with increasing urbanization and increasing Indigenous and new Canadian populations. We are aware of these trends and are working hard to plan our responses to them, both for today and for the long term.

In closing, while the growth across the CRS is reassuring, it's not something we can take for granted. Consolidation across industries has meant fewer competitors, and those that remain are larger and increasingly sophisticated.

In the face of these trends and challenges, I can say with confidence that united as a Federation under the Co-op brand we will continually come together and find ways to develop our business and face competition. FCL's milestone 90th anniversary in 2018 recognizes the success of our journey together and the commitment of the Federation. We plan on being here well into the future, working with and meeting the needs of our retail co-operative members to serve people across Western Canada.

D. Scott Banda, Chief Executive Officer



A Scott Bala

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. 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 CRC in Regina, 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 CENTSIBLES®, 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.



Senior Leadership

ABOUT US

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.

VISION

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



Heather Ryan
Vice-President
Human Resources

Scott Banda
Chief Executive Officer

Tony Van Burgsteden
Vice-President
Finance

Gil Le Dressay
Vice-President
Refinery Operations

Faramarz Farahani
Executive Vice-President
Innovation

A Year in Review



December

FCL signs a three-year strategic partnership agreement with **Safe Saskatchewan**.



January

FCL becomes an **Imagine Canada Caring Company**. Imagine Canada recognizes business that commit to donating a minimum of one per cent of pre-tax profit to community organizations.



February

Wanuskewin Heritage Park is a national historic site near Saskatoon that brings people together by sharing an epic story of Western Canada's Indigenous people's relationship with the land. FCL on behalf of the CRS announces a **\$1 million commitment** to the bold renewal of the park through its Thundering Ahead Capital Campaign.

March



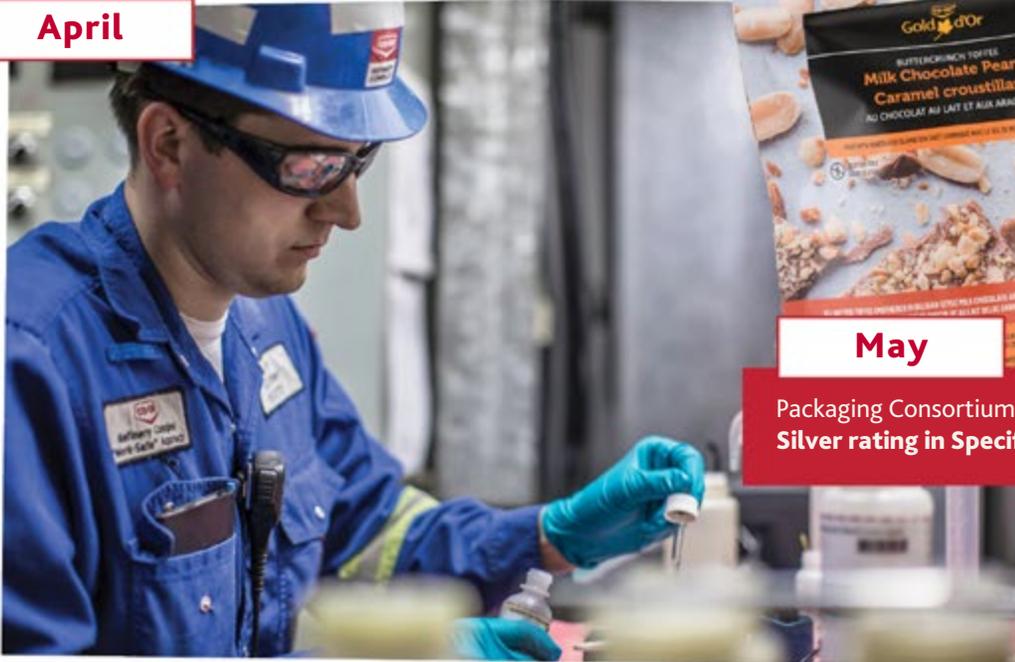
Canadian Fairtrade Awards: **Retailer of the Year and Merchandising Event of the Year**



March

FCL becomes one of the first anchor tenants of SaskTel's new **Tier III Data Centre**, the first of its kind in Saskatchewan.

April



May

Packaging Consortium Canadian Leadership Awards: **Silver rating in Specific Package Flexible category**



The Wastewater Improvement Project at the CRC is named **Industrial Project of the Year** at the annual Global Water Awards. The CRC also received the **National Water Wise Award** from the Canadian Institute of Plumbing and Heating in October.



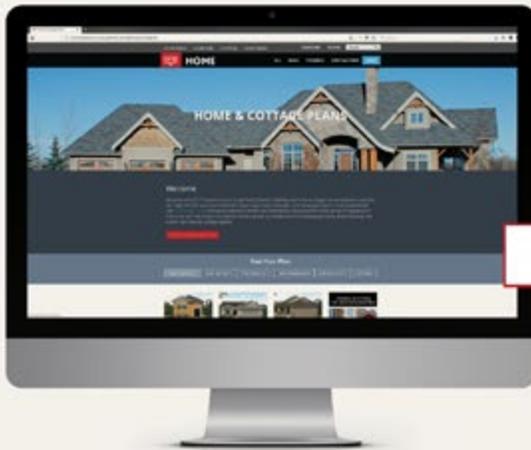
June

Retail Council of Canada Grand Prix New Product Awards: **Private-label confectionary and shelf stable desserts, private-label desserts: fresh, refrigerated or frozen**

Financial Post's **500 largest companies in Canada** (FCL #56) and *Corporate Knights'* **Best 50 Corporate Citizens in Canada** (FCL #50)



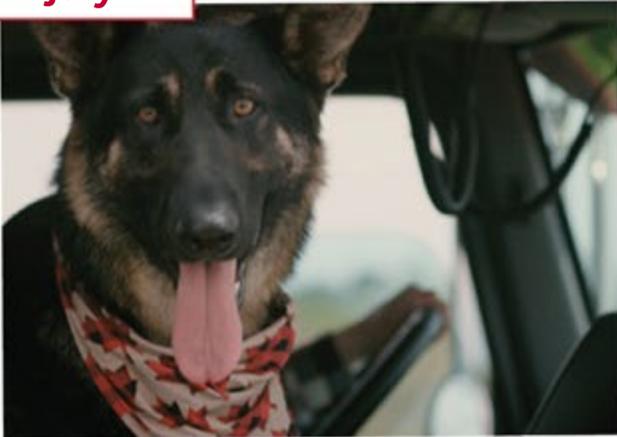
June



June

First online **Co-op Home and Cottage Plans Collection** launches.

July



Co-op celebrates **Canada's 150th birthday** with the familiar theme song of ***The Littlest Hobo***. This is the first time the theme song has been aired in a Canadian commercial.



August

FCL holds the official grand opening for the first of its **new fertilizer terminals** in Brandon, Man., on Aug. 30. The Hanley, Sask., terminal officially opens the following week (see page 26 for more information).



September

The new "Made by Us" marketing campaign focuses on the people and places behind Co-op's innovative products (see page 40 for more information).



September

Golden Bean Roasters
 Competition: **Bronze medal** in Franchise/Chain Espresso category (Reserve Ethiopia blend)



September

SaskBusiness Magazine's **Top 100** (FCL #1)



September

Fuel Good Day raises \$570,000 for local registered charities and non-profits across Western Canada on Sept. 19. More than **380 Co-op Gas Bars** participated in the event with a minimum of five cents from every litre of fuel sold being donated.

Celebrating 90 Years

FCL's progression from its early beginnings to where it is 90 years later has not been a straight line. However, the principles on which it was founded remain the same.

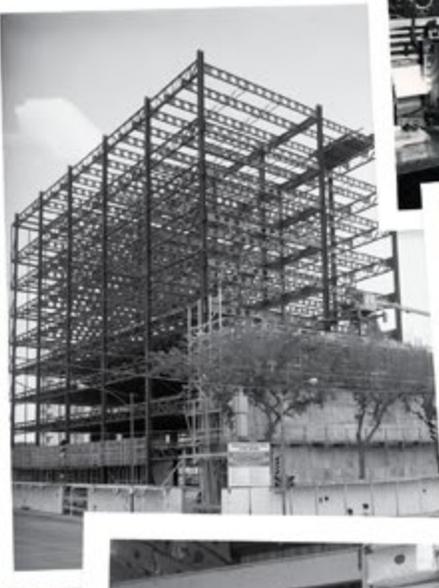
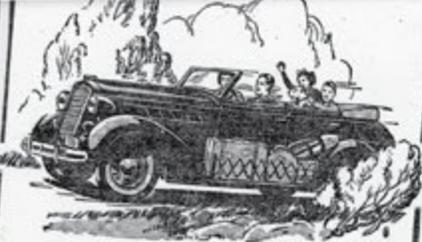
Like many co-operatives, FCL started with a need. In the first quarter of the 20th century, co-operatives began to form in communities across Western Canada. After many early starts, retail co-operatives closed and growth reversed until they began to improve consumer knowledge of the co-operative model and work together, forming provincial wholesale societies.

FCL was created and grew over time as the four Western Canadian provincial wholesale societies amalgamated. The wholesales initially acted as buying agents on behalf of their member co-operatives, but would eventually build warehouses for inventory. The amalgamation with the Consumers Co-operative Refinery Limited (a co-operative

formed by eight enterprising farmers who believed they could produce and distribute their own gas) further strengthened FCL.

Assets would be acquired and divested to suit the changing needs of what would become the Co-operative Retailing System. Today, FCL's business is centred primarily on four areas: agriculture, energy, food and home and building supplies. Advancements in technology, innovation and practice have changed the way FCL does business; however, FCL remains focused on co-operative values and being relevant for its member-owner retail co-operatives and consumers for years to come.



Make Your First Stop
Your CO-OP
 FOR
CO-OP GAS and OIL

Have your local Co-operative check your tires, tubes, battery and spark plugs. Make sure of a pleasant trip by replacing with CO-OP accessories, then stop only at the sign of the CO-OP.





EST.
1928

90 YEARS

FEDERATED CO-OPERATIVES LIMITED

CO-OP[®]



Directors

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 the applicable legislation and the 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 is committed to FCL's values: Integrity, Excellence and Responsibility. This means adhering to the highest standards of ethics, honesty and governance. The Board believes that operating according to these standards is critical to protect the interests of FCL, its member-owners and its customers.

The Board also recognizes its responsibility to promote good conduct and ethical behaviour. During the year, the Board reviewed the Code of Ethical Standards for Co-operatives Policy. This policy, first adopted as an FCL policy in 1965, remains relevant and aligns with the FCL's new Compliance and Ethics Program and Code of Conduct that apply to all employees, contractors and Board members. Annually, the Board is provided with a report that provides the status of regulatory compliance reporting and outlines compliance initiatives.

This past year, the Board revised its individual and board competencies and concluded its two-year review of FCL's bylaws. Six special resolutions to amend FCL's bylaws were approved by the Board and will go to the 2018 Annual Meeting for consideration by the delegates.

One of the Board's core responsibilities is to set the long-term corporate direction for FCL and to provide oversight that guides FCL toward achieving its goals. The Board and Senior Leadership Team work together to establish FCL's guiding statements. They set five-year evolving corporate goals, which are 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 receives progress reports on the strategic priorities and the business unit plans and uses a balanced corporate scorecard with key performance indicators to measure corporate performance.

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

Board Development

Given FCL's complexity, including its size, scope and scale of operations, many diverse business lines and the large geographical area in which it operates, it is important to inform 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 nine 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 data analytics that was also attended by most Board members. In August, the Board met in Calgary where it held a facilitated session on board culture and toured the Home and Building Solutions (HABS) Distribution Centre and the feed plant. The Board also held its annual development day in October, which included a number of presentations on a range of topics concerning operations. Board members also attended June district meetings, region fall conferences and meetings of co-operatives within their district, as well as meetings with other co-operatives and co-operative organizations across Canada.

In addition, individual directors completed Director Development Program courses, and many attended outside development opportunities that directly enhance their abilities as board members.

Director Development Program (DDP)

After five years of review, research, interviews and development, the certificate Director Development Program is complete. The DDP represents a leading governance training program designed for the CRS's specific leadership and governance challenges. It consists of two series of eight online modules and four in-person seminars that include subjects such as foundations of co-operative governance, boards and sustainability, strategic planning, and financial literacy. Directors will receive certificates for completing the Foundations of Co-operative Governance series and the Building Strategic Leadership series.

All four of the DDP's in-person seminars were made available before and after each of the region fall conferences. The attendance at all seminars totalled 450 participants.

Board Chair Training

In 2017, FCL developed a training course for retail board chairs. The Building Board Chair Effectiveness course will bring together board chairs from across the CRS to learn leading practices for a high-functioning board. This course will also provide an opportunity for chairs to come together to share knowledge and ideas with each other. The course will be offered in 2018.

DISTRICT	DIRECTOR	BOARD MEETINGS ¹	TERM EXPIRES
1	Judy Clavier , Dawson Creek, B.C.	18	2019
2	Steffen Olsen , Rimbey, Alta.	18	2020
3	Tara Burke , Wainwright, Alta.	18	2018
4	Doug Potentier , Victoria, B.C.	18	2020
5	Joe Bowhay , Didsbury, Alta. ²	14	2018
6	Russell Wolf , Red Deer County, Alta.	16	2019
7	Marc Topola , Assiniboia, Sask.	18	2019
8	Dusty MacDonald , Saskatoon, Sask.	18	2018
9	Brad Schultz , Melville, Sask.	18	2020
10	Valerie Pearson , Saskatoon, Sask.	18	2018
11	Randy Graham , Battleford, Sask.	18	2019
12	Ryan Anderson , Melfort, Sask.	18	2020
13	Sharon Alford , Swan River, Man.	18	2019
14	Jocelyn VanKoughnet , Carman, Man.	16	2018
15	John Rudyk , Fisher Branch, Man.	18	2020

¹ Includes business unit reviews, training and planning meetings.

² Elected at the annual meeting in February 2017.

Committees

Governance Committee

D. MacDonald (Chair), D. Potentier, S. Olsen, R. Wolf, 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, J. Bowhay, 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, B. Schultz, R. Anderson

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

FCL Membership Changes

At Oct. 31, 2017, FCL was made up of 195 member retail co-operatives, two affiliate members and seven associate members. Eight changes occurred during the year:

- Wilcox Co-op and Avonlea Co-op amalgamated to form Genesis Co-op.
- Alameda Co-op and Southern Plains Co-op at Estevan amalgamated to form Southern Plains Co-op.
- Lafleche Co-op and Southland Co-op at Assiniboia amalgamated to form Southland Co-op.
- Milestone Co-op and Prairie Sky Co-op at Weyburn amalgamated to form Prairie Sky Co-op.
- St. Paul Co-op and Eastalta Co-op at Vermilion amalgamated to form Cornerstone Co-op.
- Eckville Co-op and Central Alberta Co-op at Red Deer amalgamated to form Central Alberta Co-op.
- Weekes Co-op was removed from membership because of dissolution.
- Consumers' Employees Co-op withdrew its membership.



Financial Highlights

Membership Returns

FCL is owned by its retail co-operative members. A significant portion of FCL's earnings are returned to its member-owners in the form of patronage allocations based on their purchases throughout the year. The Board has approved the following patronage allocation rates:

	2015	2016	2017
Crop Supplies	5.531%	4.626%	4.508%
Feed	2.356%	1.149%	0.964%
Food	4.345%	4.316%	4.185%
Home and Building Solutions	5.925%	5.770%	5.072%
Freight	n/a	28.396%	20.443%
Energy-Fuels (¢/L) ¹	4.671¢/L	4.666¢/L	5.193¢/L
Energy-Propane (¢/L) ¹	11.751¢/L	6.243¢/L	5.536¢/L
Energy-Oil and Grease	21.319%	20.938%	17.236%
Fertilizer (\$/MT) ²	n/a	3.377 \$/MT	1.958 \$/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 nearly \$4.5 billion and share redemptions of over \$3.7 billion in cash.

\$9.8B

Sales

\$575M

Net Income

\$410M

Patronage Allocation

\$377M

Share Redemption





Business Unit Reports



72,500 metric tonnes
in storage capacity for the
two new fertilizer terminals



206,000 hours of construction
time for the two fertilizer terminals

THE NEXT ERA IN FERTILIZER

REPORT FEATURE ~ AG & CONSUMER BUSINESS

Although the groundwork was laid throughout 2015 and 2016, this year officially marked FCL's coming of age in the fertilizer industry. Two state-of-the-art fertilizer terminals were completed on schedule, with no safety incidents, and began receiving and shipping product in April.

Centrally located in Brandon, Man., and Hanley, Sask., the high-throughput terminals offer a combined storage capacity of 72,500 metric tonnes. Their advanced design allows each terminal to ship out 400 metric tonnes of straight fertilizer per hour. As a result of their high-speed blending capabilities, each terminal can ship out 250 metric tonnes of blended product—such as fertilizer mixed with micronutrients—per hour. FCL can send truckloads of blended fertilizer directly to farm customers so retail co-operatives do not have to blend the product themselves.

Rail access to both facilities assures FCL access to competitive global pricing, while the terminals' high storage capacity creates the opportunity to buy in large quantities—two factors that lead to savings passed on to the CRS.

The 78 Co-op Agro Centres across Western Canada currently offering fertilizer now require less storage capacity because inventory can be replenished quickly from one of the terminals. Such assurance of supply allows retails to meet the needs of their farm customers confidently and consistently.

"We are very excited by the advances we've made in digital marketing. The *Made By Us* campaign, *Co-op Home and Cottage Plans Collection* and award-winning *Agro Advisor* newsletter are great examples of digital content driving online interactions with Co-op consumers."

Brad Bauml
Executive Vice-President
Ag and Consumer Business



Business Unit Report

Ag and Consumer Business

While crop results varied across Western Canada, it was a very productive year for FCL and a relatively positive year overall for agriculture in Western Canada.

FCL's sales of crop supplies grew significantly in 2017, driven by growth at existing retails as well as retails' expansions through acquisitions of independent dealers. In 2017, a new system-wide integrated agriculture point-of-sale platform – Tronia – was introduced to the CRS. By the end of 2017, 80 of 130 retail locations had installed the new platform, with remaining rollouts to be completed in 2018. This new system will significantly improve the CRS's ability to manage inventory and serve farm customers. The Crop Supplies Department also introduced the Innovation Field Trial Xtreme to showcase new technologies and innovations that help research responsible and sustainable solutions for growers.

The Fertilizer Department also experienced significant growth, with sales far exceeding both 2016 results and 2017 expectations. This was the first full year that FCL provided centralized procurement for the complete fertilizer portfolio. Two high-throughput terminals began operation in the spring of 2017 and have proven to be a significant distribution asset for the department in meeting the needs of retail co-ops. The Fertilizer Department also provided significant training and support to retails in the areas of safe product handling and regulatory compliance, which retail co-ops received very well.

The feed industry continued to be very competitive and challenging with significant industry consolidation. Overall production at the six FCL feed plants in 2017 was very similar to 2016 levels. The Feed Department made progress in driving continual process improvement through standardizing operations and procedures at the plants.

The Home and Building Solutions Department continued to battle the headwinds of a struggling economy on the Prairies, which has led to a slowdown in the construction industry over the past few years. Sales in the latter part of fiscal 2017 began to rebound, and the department ended the year overall in line with sales from 2016. Lumber experienced significant price increases throughout 2017, and this has driven most retails to decrease inventories during this turbulent time. The launch of the first online *Co-op Home and Cottage Plans Collection* has been an exciting milestone and has generated strong interest from both retails and consumers.

In 2017, the Western Canadian food market experienced virtually no growth for the first time in many years. Additional challenges in 2017 included price deflation throughout much of the year and competitors adding significant square footage. In spite of all of this, retail co-op food sales have kept pace with the overall marketplace, and the CRS has maintained overall market share. Focus continues on developing, promoting and enhancing the overall customer experience to increase brand loyalty. The Food Department introduced Co-operative Coffee to both food stores and convenience stores last year, with significant improvements in product quality at reduced costs. Over 85 retails completed the conversion to Co-operative Coffee in their convenience stores, and another 75 are scheduled for rollout in 2018. In addition, both our Pharmacy and Liquor Teams have been successful in assisting a number of retails to add these lines to their offerings last year.





Business Unit Report

Co-op Refinery Complex

"In 2017, we continued to improve the safety and reliability of the CRC, while focusing on creating value and improving our competitive position within the refining industry."

Gil Le Dressay
Vice-President
Refinery Operations

Refinery operations

In 2017, the Co-op Refinery Complex (CRC) continued to enhance reliability. The CRC's equipment was available to operate more than 99 per cent of the time outside of turnaround – the annual planned maintenance outage. While the mechanical availability of the CRC was up, refinery utilization was down because of weaker demand and challenging market conditions that persisted throughout the first three quarters. In 2017, the CRC processed approximately 39.2 million barrels of crude, down from a record 40.4 million barrels the previous year. This was largely because of a decrease in the market for synthetic crude at a time when CRC had capacity to produce it. Overall, gasoline production decreased from 19.7 million barrels in 2016 to 19.2 million barrels in 2017. Diesel production increased from 17.2 million barrels in 2016 to 18.6 million barrels in 2017.

Markets

Refinery asset utilization was down because of difficult market conditions throughout the first three quarters of 2017. An oversupplied market for various refined products reduced overall refinery production and resulted in tight margins for much of the year.

Utilization was down in part because of tightening differentials (the difference between synthetic and heavy crude), lower product demand and high availability of less expensive crudes in the market. Lower offshore heavy crude production helped drive stronger demand and pricing for Western Canadian heavy crude. Production issues and turnaround delays in Fort McMurray in the second quarter reduced the available supply in Western Canada. As a result, differentials were \$2 to \$3 US per barrel lower than 2016, reducing margins on heavy oil processing.

Competitor refinery maintenance outages, pipeline reliability issues and a solid harvest season in Western Canada created stronger market conditions for the CRC in the final quarter of the year. Margins on gasoline and diesel improved, as did overall demand for product, allowing the CRC to increase production above original forecasts. Most importantly, the CRC was well positioned to capture the potential in the market because of its strong reliability performance in the quarter.

Competitiveness and sustainability

The refining industry is still facing many external challenges. New pipeline announcements combined with the approval of Keystone XL pipeline in the United States will put pressure on heavy crude pricing and the CRC's refining margins in the future. In addition, the North West Redwater Sturgeon Refinery will put 40,000 barrels per day of low-sulphur diesel into the market in 2018.

With the refining industry remaining susceptible to uncertain market conditions, global competition and an evolving regulatory framework, the CRC will continue to improve internal processes to remain competitive. In 2017, the CRC experienced success in controlling costs and creating value for the CRS. The CRC could respond to market opportunities through increased reliability, energy efficiency and marked improvements in maintenance, capital, contractor and personnel spending. It will continue to look for ways to increase competitiveness and create value for the CRS in 2018 and beyond.



39.2 million barrels of crude
oil processed in 2017

SAFE AND SUSTAINABLE PERFORMANCE

REPORT FEATURE ~ CO-OP REFINERY COMPLEX

The CRC has been on a mission to improve the safety and reliability of the Refinery and implemented Project Revitalize in 2014 to improve performance. The focus of that project and the subsequent reliability programs it produced has allowed the CRC to become a more reliable refinery, achieving industry-leading results in preventing Tier 1 and 2 process safety events.

Process safety events include the unplanned or uncontrolled release of any material from refining processes. These events are of higher consequence and pose a greater risk to people and to refinery reliability and operations.

The CRC has reduced Tier 1 and 2 process safety events by 90 per cent over the past three years and is consistently seeing industry-leading results as it works toward the ultimate goal of zero. The net result of better performance in process safety is a safer, more reliable and more sustainable refinery complex.



90% reduction in Tier 1 and 2 process safety events since 2014

99% reliability of the CRC outside of turnaround





"I am pleased that the strategic growth initiatives that have been undertaken over the last couple of years have been paying off. Despite uncertain times in the energy sector, we have realized significant sales increases in all of our petroleum, propane, lubricants and crude oil business lines. The outlook for the foreseeable future is just as positive."

Cal Fichter
Vice-President
Energy

Business Unit Report

Energy

FCL's Energy Business Unit includes the supply, distribution, marketing and other supporting services for all energy products to the CRS and other customers, as well as the production of crude oil for consumption by the CRC and other refiners.

Sales of gasoline and diesel to the CRS and other commercial accounts grew to a record 6.3 billion litres in 2017. This was led by strong growth of 5.8 per cent in the retail sector. Marketing initiatives were very successful, including the popular Fuel Up To Win promotion and the new Fuel Good Day campaign, through which FCL and retail co-operatives donated over \$570,000 to local charities and community groups.

FCL recognizes there will be a long-term shift in transportation fuels towards lower carbon alternatives. A thorough assessment of all of the significant emerging technologies and market trends was completed and FCL is evaluating opportunities for the CRS to enter these new markets.

FCL's Propane Department celebrated 50 years of service in Western Canada in 2017, growing from a single office in Swift Current, Sask., to a network of branch offices covering the four western provinces and northwestern Ontario. A new distribution facility was opened in Dryden, Ont., in 2017, expanding FCL's reach into that province and contributing to record sales of 138 million litres. The focus on strategic growth continues, and FCL expects to open its first branch office in British Columbia in 2018.

A renewed focus on the lubricant business resulted in year-over-year growth of 7.4 per cent. The strategic growth strategy included rebranding some of the most popular products, the introduction of new products in the transmission hydraulic fluid (T-HF) and grease lines, and new marketing materials. Lubricant employees were added in FCL's region offices to work with retails to enhance service to bulk customers.

There was significant progress in 2017 on the business unit's multi-year initiative to consolidate and optimize the bulk distribution network. FCL opened eight new bulk plants, increasing its field inventory capacity and enhancing operational efficiency. Work is under way on four more bulk plants, which are expected to open in 2018. Shipments of product by rail from the CRC expanded farther west with the addition of 50 rail cars to the leased fleet and access to a new distribution hub in Ashcroft, B.C. This opens new market opportunities and reduces distribution costs.

Crude oil production averaged 4,662 barrels per day in 2017, an increase of 8.5 per cent from the previous year. Most of the growth has been in southeast Saskatchewan and includes a new gas conservation system in FCL's Glen Ewen facilities. This system reduces flaring of gas and associated greenhouse gas emissions and recovers additional gas and liquids for sale.



5.8% increase
in retail petroleum
sales in 2017

HALF A CENTURY OF HOME HEATING

REPORT FEATURE ~ ENERGY

In 1967, FCL opened its first propane branch in Swift Current, Sask. Fast forward half a century, and today the organization operates 17 locations throughout Western Canada, with further expansion on the horizon. Facilities and equipment have evolved from modest to leading-edge, and FCL is proud to have advanced its safety culture.

As a bulk propane supplier to customers of retail co-operatives, FCL has widened its focus over the last 50 years to provide professional expertise on the installation and delivery of propane and related equipment. While FCL continues to be innovative and increase efficiencies, this focus on service remains unchanged.

In this spirit FCL reached out to home and cottage owners at Last Mountain Lake in Saskatchewan last summer. Because of shifting soil conditions, SaskEnergy was forced to discontinue natural gas service in the area, and residents had until September to find an alternative energy source for heating and cooking. The Propane Department quickly organized information sessions for residents and helped about 150 homeowners transition to propane within a few short months. The effort to provide this service, particularly as winter weather approached, reinforced the Co-op brand – and the feedback from residents has been nothing but positive.



\$570,000 donated by the CRS to local communities from Fuel Good Day



15,400 railcar shipments of product from the CRC in 2017



40%+ management positions
filled using internal candidates in 2017



TRANSFORMING WORK CULTURE

REPORT FEATURE ~ HUMAN RESOURCES

FCL embarked on a diversity and inclusion journey last year to align further its brand, culture, people and practices. This journey directly supports the achievement of a number of FCL's corporate goals. Organizations with a diverse employee base and an inclusive work environment experience a positive impact on return on equity, innovation and employee engagement.

For FCL, diversity is the range of human qualities and characteristics every individual possesses, such as life experiences, education, sexual orientation and gender. Meanwhile, inclusion encompasses the Co-op brand – You're at Home Here – feeling welcomed, respected, valued and sought after for unique outlooks and contributions.

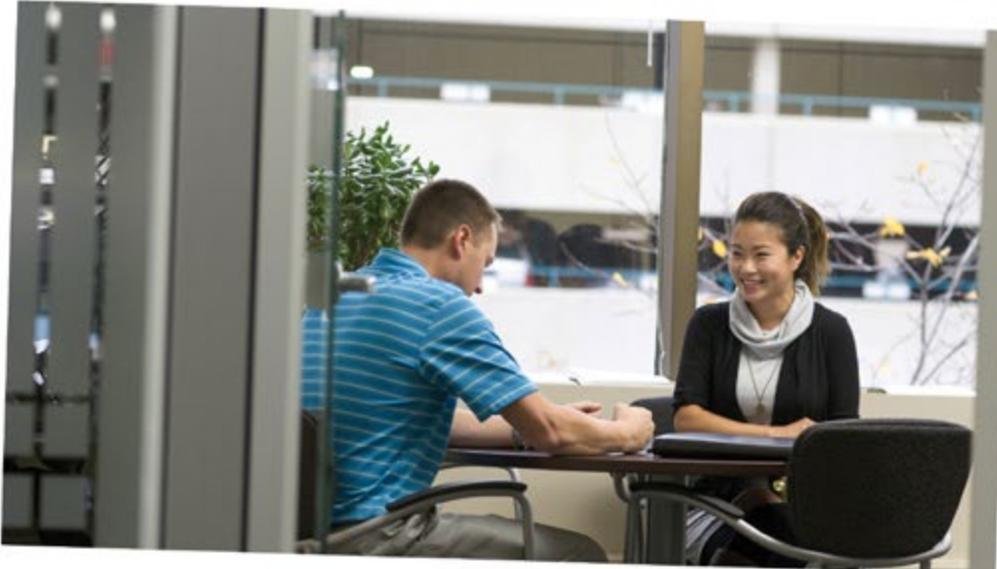
The launch focused on building awareness about the meaning of diversity and inclusion at FCL and engaging in meaningful dialogue with the organization about related matters. This was achieved through information sessions, Let's Talk About It sessions and everyday conversations.

Social and organizational changes continue to challenge FCL to think differently about what it must do to be successful long into the future. As FCL strives to reflect the communities it serves, a diverse and inclusive workforce will enhance thinking and help generate innovative and creative ideas and ways to solve problems together in support of the CRS.



2,000+ team members at FCL participated in "Diversity and Inclusion in FCL: A Focused Journey" information sessions.

Elephants were selected as the theme for the launch to help make sensitive issues more approachable with something that is safe and familiar.



"I genuinely believe that people want to live their values and have a positive impact. There is no better place than the CRS to do just that!"

Heather Ryan

Vice-President
Human Resources

Business Unit Report

Human Resources

When the foundation of a structure is solid, it can support many additional levels. Throughout 2017, the Human Resources (HR) Business Unit continued to fortify the talent management foundation with people processes and practices designed to motivate, engage and empower FCL's greatest asset – our people.

With a deliberate focus on common sense over common practice, HR reviewed and updated programs to ensure the practical application was relevant and purposeful. Processes need to be transparent and understood to be effective. Areas such as total rewards and performance management can appear daunting and complex but are foundational to a committed and determined workforce. Ensuring the applicability and usability of such programs is paramount. To measure performance, expectations need to be both set and understood. To achieve results, FCL needs people. To hold those people accountable, FCL needs to set expectations. What appears so clear in theory can easily be overlooked in the zeal to "get it done." This key piece is a necessity for the talent management puzzle to form a complete picture.

With solid foundational HR practices, FCL can continue to build and evolve. The business unit initiated the early stages of the career framework project in 2017, involving the reintroduction of the competency model, job families and talent development. Career development is a known engagement driver, so building the interlocking pieces of the career framework puzzle will help drive the engagement of the FCL team.

Also, our diversity and inclusion journey began, establishing definitions for what diversity and inclusion mean at FCL. Information sessions took place across the organization, and the powerful and open conversations that have taken place so far are a testament to the importance and value of diversity and inclusion. It does matter, and people want to talk about it!

The vision of the business unit is to be a trusted and credible partner delivering leading talent solutions to the CRS. To do this, HR is ensuring the talent management foundation is solid and people practices keep FCL well positioned for the future.



22 surveys completed for benchmarking and salary planning to gather market data for compensation analytics.





67,000 kg of electronics
recycled across the CRS

LEGACY TERMINALS CHECKED OUT

REPORT FEATURE ~ INNOVATION

FCL procures and supports point-of-sale equipment for retail co-operatives across Western Canada. While equipment has previously been sourced as needed, the Innovation Business Unit co-ordinated a project to refresh over 1,800 legacy point-of-sale terminals with the latest hardware in Co-op Food Stores and Convenience Stores/Gas Bars.

Standardizing hardware provides value through reduced operational and maintenance costs for retail co-operatives. The centrally managed rollout advances technology across the CRS and positions it to be ready for future system enhancements and marketing initiatives.

As part of this initiative, the CRS recycled the legacy devices, diverting over 67,000 kilograms of electronics from local landfills. The devices were shredded and separated into base materials and recycled for use in other products.

As part of a multi-phase initiative, FCL and retail co-operatives will replace additional legacy devices throughout 2018.



3.6 million page views
of coopconnection.ca in 2017



"It is extremely rewarding to know that, as part of the system-wide standardization of our point-of-sale hardware and our commitment to protecting the environment, we have diverted over 67,000 kilograms of electronic waste from landfills."

Faramarz Farahani
Executive Vice-President
Innovation

Business Unit Report

Innovation

CRC Turnaround Contractor Portal

Efficient contractor communication practices greatly reduce the number of potential risks associated with schedule, quality, and health and safety. In 2017, the CRC IT Department developed and piloted the Turnaround Contractor Portal to electronically deliver Field Installation Work Packages – which outlines work to be completed – in advance of contractors arriving onsite. In doing so, contractors can accurately plan for resources and identify potential issues that may affect scope and timelines. The portal can also be used to communicate related information, such as progress, organization and safety. An estimated 1,200 packages will be posted on the portal for the 2018 turnaround. Electronically delivering these packages means reducing the paper needed to print packages, which average 12 pages each.

Identity and access management enhancement

In 2015, FCL deployed an identity and access management (IAM) system to provide appropriate access to technology resources. The system was expanded last year to provide a seamless, single sign-on experience for internal employee, retail and director websites. IAM provides assurance that FCL has the foundation to meet future compliance requirements, serving as the backbone of access management to support new applications, such as a new home centre point-of-sale system in 2018.

Transportation Management System

The Transportation Management System (TMS) will improve how FCL plans and evaluates the measurement of products from distribution centres to retail store locations, providing opportunities to select optimal routes and carriers. The implementation of the TMS consists of two phases:

- an inbound system to manage purchase orders, scheduling, rates and carrier selection, whether it's FCL's fleet or a third-party
- an outbound system to support the analysis and planning of retail shipments

In 2017, the inbound system was successfully implemented at all distribution centres – both food and home and building solutions – in Calgary, Edmonton, Saskatoon and Winnipeg. The outbound system is scheduled to be completed in 2018.

Data centre agreement

FCL became one of the first anchor tenants of SaskTel's new Tier III Data Centre, the first of its kind in Saskatchewan. The state-of-the-art facility in Saskatoon will help host and maintain critical data and systems in a secure and reliable location near FCL's Home Office.

The business unit completed Phase 1 in 2017, which focused on preparing IT infrastructure for the migration of applications and services. In 2018, FCL will migrate applications and services to the data centre as part of Phase 2.

FCL's partnership with SaskTel reflects Co-op brand values, including a strong commitment to invest locally.



11.7 million views of the Co-op CRS mobile app in 2017.



58 projects approved
under the retail investment program in 2017

Business Unit Report

Operational Support

"In 2017, we continued to deliver improvements in logistics service levels at lower costs."

Tom Kishchuk
Vice-President
Operational Support

The Operational Support Business Unit is made up of four functional areas: Health and Safety, Logistics, Facilities Design and Development, and Growth and Business Development.

Health and Safety

Ensuring the health and safety of employees is our first priority and is a measurement of FCL's success. Operational Support made significant progress on the implementation of an integrated health and safety program framework throughout the CRS. With direction and support from the Health and Safety Department, fully functional health and safety programs are in operation at retail co-operatives entailing 76 per cent of the CRS workforce. Advanced health and safety initiatives in 2017 include enterprise-wide health and safety communication, contractor pre-qualification and management standards, safety leadership, standardized incident investigation methods and an enterprise incident management system.

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, Edmonton and Winnipeg, and then on to 2,800 retail locations in more than 580 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 213 petroleum tankers pulled by company drivers and lease operators. The merchandise fleet travelled 20.5 million kilometres and delivered over 580,000 tons of merchandise in 2017. The petroleum fleet travelled 55.6 million kilometres and delivered 3.8 billion litres of fuel in 2017.

Facilities Design and Development

The Facilities Design and Development (FDD) Department provides the CRS with real estate, design, planning, procurement, technical and construction services for new construction and renovation of food, convenience, liquor, agro, home and building supplies, administration, gas bar, cardlock, bulk petroleum and car wash facilities. Other activities include manufacturing of retail fuel-delivery units and servicing of highway bulk-transport units. The department's focus is to optimize the customer experience while minimizing the lifecycle costs of stores through design and energy efficiency initiatives. In 2017, FDD was engaged in 436 active projects, of which 260 became operational during the year. A total of 24 retail fuel-delivery units was also delivered in 2017.

Growth and Business Development

FCL is committed to growing the CRS through the growth of retail co-operatives. The Growth and Business Development Team supports the organization's growth agenda through acquisitions by proactively identifying, valuing and executing potential opportunities, and leading innovation efforts with a focus on long-term member benefits. In 2017, the team assisted the CRS in the acquisition of four additional agriculture sites and reviewed numerous opportunities in all other business lines. The Commercialization Fund was also developed to support innovation, through which six projects were evaluated. There continue to be many opportunities available in all business lines and processes are in place to complete multiple acquisitions every year should suitable opportunities arise.

PUTTING A DENT IN CLAIMS AND DAMAGES

REPORT FEATURE ~ OPERATIONAL SUPPORT

Through a substantial collaborative effort, including improved organizational systems and specialized training, the Home and Building Solutions Distribution Centre in Calgary has reduced claims and damages by \$2.2 million (76 per cent) over the past two years. Claims and damages include retailers receiving product in unsaleable condition, a short order or the wrong product.

Warehouse initiatives include an increased focus on quality by implementing an audit program on orders and truckloads, forming a claims committee to brainstorm solutions and hone in on areas requiring improvement, and aisle assignments to encourage accountability in the organization and warehouse cleanliness.

The initiatives also extend along the supply chain to retail, keeping customer service at the forefront and encouraging an open dialogue with retail co-operatives. Employees visit retail locations to meet the delivery trucks as they arrive—inspecting the load for shifting or visible damage.

As FCL's only home and building solutions distribution centre, the facility serves more than 190 retail co-operatives across Western Canada. Open communication across the board has been key in continually decreasing claims and damages, which keeps costs low for FCL's retail co-operative member-owners.



76.1 million km travelled to deliver over 580,000 tons of product and 3.8 billion litres of fuel



"Retail co-ops dedicated to delivering on the Co-op brand promise continue to impress me by their rate of growth and local success."

Gerard Muyres
Vice-President
Retail Operations



Business Unit Report

Retail Operations

The mission of the Retail Operations Business Unit is to provide leadership to retail co-operatives and help them strengthen their economic performance through sustainable growth and efficient operations.

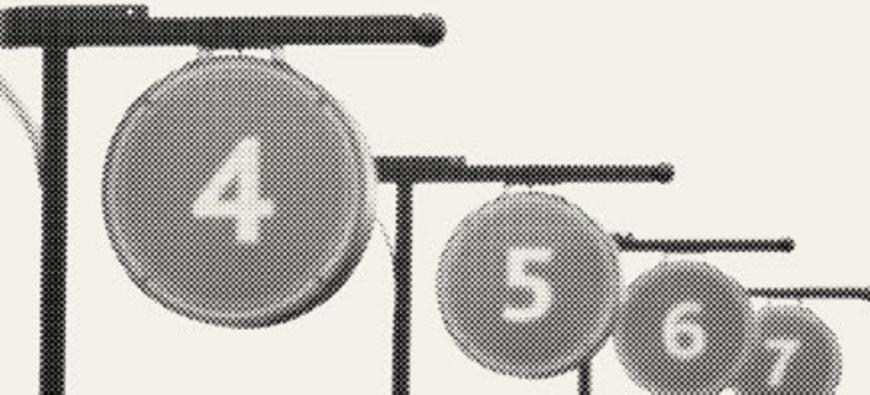
The business unit works directly with retail co-operatives to enhance financial results and enable them to deliver on the Co-op brand promise by providing marketing, merchandising, financial resources, human resources and operational services and support to retail co-operatives from offices in Edmonton, 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 comprised 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.

In 2017, continual enhancement and rollout of the new corporate performance model tailored to retail co-ops remained a focus. The business unit also supported the development and implementation of a new talent management process specifically designed for retails. As these two new strategic processes are fully implemented into retail co-op culture, the CRS will be well positioned to continue with its growth plans and deliver on the Co-op brand promise to consumers. Consumer appetite to receive additional services from retail co-operatives is evolving. The Retail Operations Business Unit continues to work closely with retail co-ops as they build or acquire new greenfield locations, drive brownfield growth by adding additional services to existing sites and achieve same-store sales growth.

Retail co-ops understand the need to remain relevant by amalgamating with neighbouring retails to reduce risk, diversify and provide additional services to an increasingly mobile consumer. During the fiscal year, 12 co-op associations made the strategic decision to amalgamate and form six new co-ops. The Retail Operations Business Unit played an active role to ensure minimal disruption was encountered by boards of directors, employees and, most importantly, Co-op members. These new co-ops cover a larger geographical area and ensure the CRS is well positioned to remain relevant as the marketplace continues to evolve. Retail Operations will continue to play a key role in assisting retail co-ops to evolve and remain aligned in a co-operative model, ensuring the CRS continues to deliver on its brand promise.



OUTSTANDING SERVICE

REPORT FEATURE ~ RETAIL OPERATIONS

The Business Systems Centre of Excellence was established to promote employee collaboration and the use of best support practices in supporting users across the CRS. The team currently supports the workforce management application and assists retailers in troubleshooting financial system problems related to reports, accounting, invoicing and other retail administration issues.

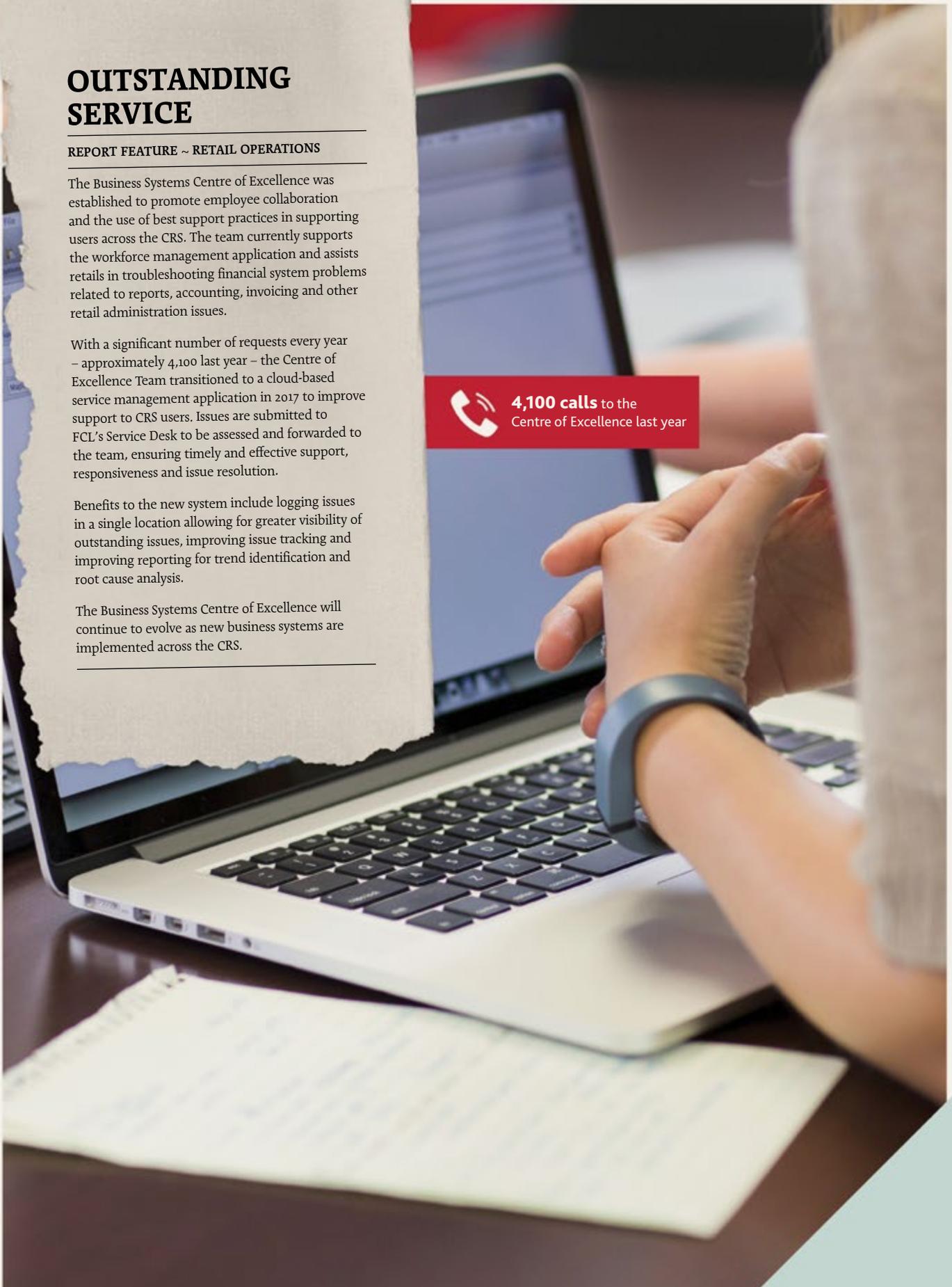
With a significant number of requests every year – approximately 4,100 last year – the Centre of Excellence Team transitioned to a cloud-based service management application in 2017 to improve support to CRS users. Issues are submitted to FCL's Service Desk to be assessed and forwarded to the team, ensuring timely and effective support, responsiveness and issue resolution.

Benefits to the new system include logging issues in a single location allowing for greater visibility of outstanding issues, improving issue tracking and improving reporting for trend identification and root cause analysis.

The Business Systems Centre of Excellence will continue to evolve as new business systems are implemented across the CRS.



4,100 calls to the Centre of Excellence last year





47.6 million reach of centralized Co-op digital assets including websites, digital flyers, direct emails, social media and mobile app



made by us.

MADE TOGETHER. MADE BY US.

REPORT FEATURE ~ STRATEGY

In 2017, FCL created a new campaign focusing on Co-op-brand products for the first time in recent history. Using the theme Made by Us, the Marketing and Communications Department's objective was to emphasize the philosophy behind store brands and the Co-op difference. The theme is also applicable to the CRS, with local co-ops made by their members – who are owners.

Store brands distinguish Co-op from its competitors in every business area. FCL is developing high-quality products that are in demand by Co-op customers. Made by Us featured the partnerships and stories behind some of these products.

The campaign included three food products – Co-op Gold Gelato and Sorbetto, Co-op Gold Pure Cold-Pressed Juice and Co-op Gold Pure Kettle-Cooked Potato Chips – and Co-op Fuels. The three food products were selected because of the compelling nature of their stories: everyday people, some from families who have been in the business for generations, developing exceptional, locally made products. The fourth feature on Co-op Fuels highlighted the work being done at the CRC in Regina.

The advertisements aired on television and online and appeared on billboards in the fall of 2017. However, Made by Us will be a multi-year campaign that will continue into 2018 and beyond.





**\$9.8 million
donated**
to charitable
and non-profit
organizations across
Western Canada

Business Unit Report **Strategy**

Last year, the Strategy Business Unit continued to evolve its emphasis on aligning with overall FCL and CRS strategic priorities. The business unit began and completed a number of key initiatives, while also making substantial progress towards building the frameworks for several long-term strategic projects.

The challenges facing the CRS as a result of climate change regulations from the federal and provincial governments were the focus of considerable efforts during this past year. The Government Relations Team, working in concert with strategic business units and third-party partners such as the Canadian Fuels Association, focused on developing FCL's responses to regulations in the areas of clean fuels standards and the federal government's carbon-pricing regime. These regulatory regimes will affect the CRS for decades to come, which is why the team developed four major submissions to the Government of Canada and engaged more than 70 provincial and federal government officials over the course of the year.

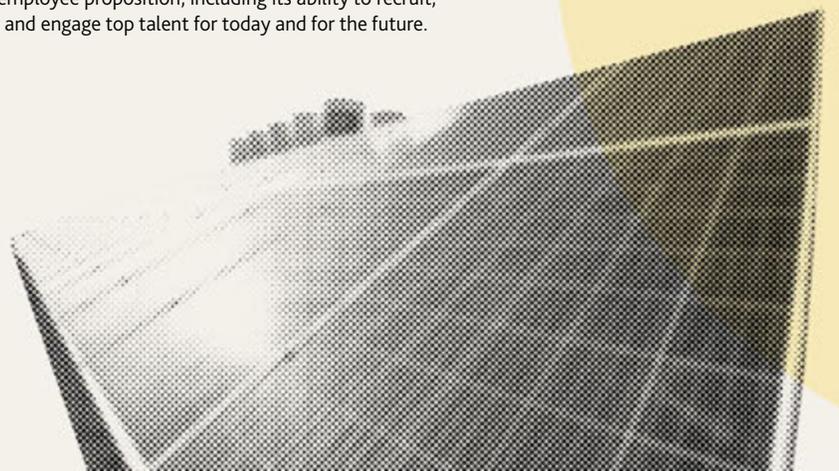
The Sustainability Department, Government Relations Team and the Insights and Analytics Department also worked closely with a range of business units to explore options for FCL's approach to renewable energy, including conducting business case studies in the area of renewable power (e.g.: wind and solar), carbon offset regimes and alternative transportation fuels. FCL continues to monitor these evolving issues closely, with a particular emphasis on engaging governments at all levels in an attempt to gain clarity on regulations and business opportunities over the long term.

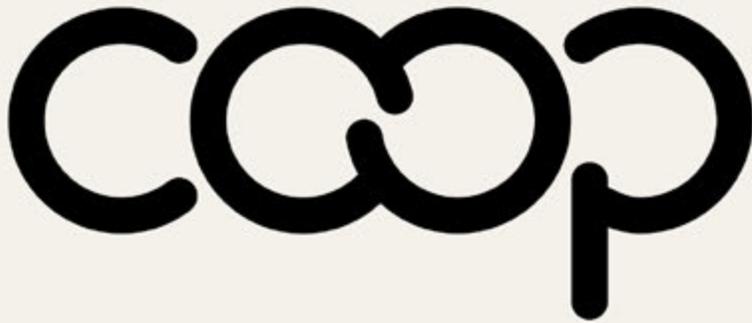
The Insights and Analytics Department developed enhanced membership intelligence reports to support the CRS's growth strategy. One of the most important enhancements for retail growth plans included metrics for new member attraction, retention, conversion and loyalty across business lines, as well as attrition metrics. These enhanced analytics capabilities enabled further integration of data-driven insights to inform new store designs, marketing and merchandising decisions, and customer engagement strategies at the local level.

Data-driven insights also continued to shape FCL's Social Responsibility programs, which help to differentiate Co-op as an authentic, knowledgeable and trusted local business with deep roots in Western Canada. The Co-op Community Spaces Program continues to be very well received, with 27 new projects funded in communities across the CRS in 2017. The Social Responsibility Team also worked closely with 14 retail co-ops to co-ordinate support of the Canadian Red Cross's disaster-relief response for British Columbia wildfires, resulting in over \$107,000 being raised by local co-operatives, their members and customers. FCL also achieved a long-sought after milestone last year, being recognized as an Imagine Canada Caring Company. This recognition enhances FCL's employee proposition, including its ability to recruit, retain and engage top talent for today and for the future.

"In a constantly changing and highly competitive business environment, we are better positioned than ever to support data-driven program development and delivery focused on members and customers across all CRS lines of business."

Vic Huard
Executive Vice-President
Strategy





Statement on the Co-operative Identity

International Co-op Alliance

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.



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