

2013 Social Responsibility Report





Federated Co-operatives Limited



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Federated Co-operatives Limited (FCL), based in Saskatoon with operations in Winnipeg, Regina, Edmonton and Calgary, is the largest non-financial co-operative in Canada with 2012 sales of \$8.8 billion and approximately 3,000 employees. FCL provides wholesale, manufacturing, marketing and human resource support to 235 autonomous retail co-operatives who are also member-owners of FCL. Together, FCL and these retail co-ops form a federation called the Co-operative Retailing System (CRS).

Our unique federation, supported by a combined workforce of 23,000 individuals, provides fuel, food, home and building supplies, agricultural inputs, crop protection and animal feed products to 1.5 million members and other customers from 2,500 locations in 500 communities throughout Western Canada.

This year, FCL celebrates 85 years as a wholesaler and partner to your local co-op. Our success is rooted in our values of integrity, excellence and responsibility. We demonstrate those values by acting ethically at all times; through our focus on continuous improvement; and being accountable to our communities through our interactions with employees, members and customers, communities, and the environment that we share.

Our federation is strong thanks to the hundreds of retail co-ops throughout the Canadian West. By working together and by receiving support from co-op members and customers like you, we will ensure a healthy, sustainable future for our families, our communities and ourselves.

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Message from our CEO

Good things happen when we work together

Co-ops are built by people from the ground up; they are rooted in the communities they serve, so it is no surprise that co-ops – their members and their employees – are committed to a sustainable, socially responsible way of doing business.

One fundamental element of the co-operative business model is its commitment to return profits to co-op members; this re-investment of profits back into our communities through rewarding members is one thing that sets us apart. And because co-op members are owners, we hear from you directly about what matters. You've told us what is important: that we conduct our business responsibly, ethically and with a commitment to sustainable and healthy communities.



I am proud to introduce Federated Co-operative Limited's first Report to the Community, which outlines just some of the ways that our co-op responds to your commitment to sustainable business practices. We believe that co-ops have long striven to conduct our businesses in a responsible way that protects our members' investment, while at the same time ensuring a sustainable approach to people, the environment and our communities. This report reflects much of the work that FCL is doing, supported by the 235 retail co-operatives across Western Canada that, together with FCL, form the Co-operative Retailing System (CRS).

FCL has identified five key elements in our Social Responsibility approach:

FISCAL RESPONSIBILITY – we are committed to ensuring the fiscal health of the CRS, recognizing that we are the stewards of our members' investments in FCL and that without financial success, we simply cannot make the kinds of socially responsible investments that matter to our members and our communities. Please visit www.coopconnection.ca under the tab "About Us" to read our 2012 Annual Report and Consolidated Financial Statements.

ENVIRONMENTAL SUSTAINABILITY – we make sustainable, responsible decisions and are committed to being responsible stewards of our environment and the resources that come from it.

CO-OPERATIVE LEADERSHIP – we believe that the co-operative business model is an effective form of capital investment and economic success; we are committed to promoting a better understanding of this business model and to supporting growth and investments that create change here at home and across the world.

COMMUNITY INVESTMENT – we are committed to investing in the communities where we live, work and play. We are committed to ensuring long-term, sustainable services that employ people and support communities across the West. At the same time, our employees and members have told us that giving back in the form of charitable investments makes sense thereby supporting the health and well-being of our members and their families and communities.

EMPLOYEE ENGAGEMENT – our employees are critical to our success, and we are committed to providing opportunities to our employees that instill a sense of pride, ownership and responsibility in their co-operative.

To our members, customers, partners and employees: thank you for your support. We are open to your thoughts, ideas and feedback. If you have any questions about what FCL or members of the CRS are doing, or an idea to share, please email social responsibility@fcl.ca.

Scott Banda, CEO, FCL



We care about our communities and the environment that we share. We are committed to using our resources wisely and making responsible decisions that consider the short and long-term effects on our environment.



Glass door refrigeration cases reduce energy consumption by 80% over traditional open cases.

Refrigeration uses the majority of energy in food stores and represents the greatest opportunity for enhanced energy performance.

Incorporating energy efficiency into every project

Federated Co-operatives Limited (FCL) and its retail members have a long history of designing and operating facilities in a responsible and sustainable manner. We began tracking energy efficiency at major facilities in 1976, hired our first Energy Conservation Officer in 1979, and introduced our first Environmental Sustainability Policy in 1993.

"It is standard operating procedure to incorporate efficiency measures into every project," says Terry Nelson, FCL Retail Facilities Manager. "And we ask this question at the start: How can we develop facilities that are both economically viable and environmentally sustainable?"

Efforts to reduce energy consumption in our offices and warehouses over the past five years have

resulted in a 14 per cent reduction in electricity usage and 30 per cent reduction in natural gas consumption.

In co-op food stores, refrigeration uses the majority of energy in food stores and represents the greatest opportunity for enhanced energy performance. Installation of glass-door refrigeration cases in place of traditional, open multi-deck cases in the dairy section provides an 80 per cent reduction in energy consumption. LED lighting used in refrigeration display cases reduces energy usage by 50 per cent and generates less heat compared to conventional fluorescent lighting.



FCL has invested \$4.6 million the past five years on sustainable remediation research projects.

FCL and local Co-op representatives, university researchers, students and industry experts examine soil samples at Colonsay, SK.

Trees that are green and soil that is clean

FCL has been leading research focused on remediating contamination with little to no environmental footprint for more than 15 years.

These efforts have included the use of trees, naturally-occurring fungi and bacteria to transform gasoline and diesel into water, carbon dioxides and plant material, and we have used similar methods to transform fertilizer-based contaminants into non-toxic nitrogen gas.

It was a first for Canada when, in 1998, FCL began planting groves of willows and poplars at six former petroleum sites in Saskatchewan and Manitoba. We used a process called phytoremediation, a decontamination method that uses tree growth to remove and prevent further spread of in-ground contaminants. Results have surpassed original expectations, and testing is ongoing to verify that the remediation is complete.

"This approach allows for contaminated soil and groundwater to be safely restored without excavation of soil to another site, such as a landfill, or the generation of waste materials," said Trevor Carlson, FCL's Environmental Affairs Director.

In addition to our regular contaminated site management activities, FCL's research continued at 20 different sites across Western Canada in 2012. Three of these research projects involved collaborations with various partners, including the University of Saskatchewan, the Saskatchewan Institute of Applied Sciences and Technology (SIAST) and Yukon College. These projects have also been awarded grants from the Natural Sciences and Engineering Research Council of Canada (NSERC).

In addition, more than a dozen university students in Western Canada over the course of 15 years have earned masters and doctoral degrees working on FCL research projects.

For more information, please visit http://www.youtube.com/CoopFCL and view "We Care: Phytoremediaton".



"I believe in the environmental footprint we leave behind...Being close to our market is friendlier when you supply something from 60 kilometers away rather than 6,000 kilometers." - Dan Erlandson, Spring Creek Market Gardens

Vegetable producer Dan Erlandson and daughter Calla share a moment during the corn harvest on their farm at Outlook, SK.

Breaking new ground with local vegetable producers



FCL and co-op food stores are continuing a long-standing tradition of promoting and increasing availability of locally and responsibly sourced products.

In partnership with our wholly-owned subsidiary The Grocery People (TGP), we are breaking new ground with 16 local producers growing and marketing their fresh produce for co-op under the Home Grown Saskatchewan brand.

Shawn Hansen of Craven Riverside Garden near Craven, SK, is excited about having his cauliflower and cucumbers available at the co-op.

"FCL has done a wonderful job of reaching out to producers," says Hansen. "Getting that quick turnaround time, where it's out of our field, to the warehouse and on the retail shelf in two to three days - you can't put a value on that. It is a win-win for everyone."

Dan Erlandson of Spring Creek Market Gardens near Outlook, SK, is honoured and proud to have approximately 160,000 cobs of his sweet corn available to co-op customers.

"You may not know of an obscure place in California, but you know where Outlook is and where Dinsmore is – it is not far from home," says Erlandson.

Co-op stores in Saskatchewan are offering a selection of 15 quality vegetable products this summer and fall from the 16 producers. The intent is to involve more producers and increase product selection in coming years.

For more information, please visit http://www.youtube.com/CoopFCL and view "We Care: Grown at Home - Dan's story" and "We Care: Grown at Home - Shawn's story".

Organic products offering to meet customer demand



Available across Western Canada, our Co-op Gold Organics products are produced and processed organically and are certified organic by major third party certification bodies. Originally launched in 2012 with six products, our Co-op Gold Organic product offering has expanded to 26 products, including an assortment of household staples such as coffee, peanut butter, olive oil, chicken broth and maple syrup.

Making it easier to identify and buy local food



Spotting and buying local and regional food items has become much easier at 35 food stores. Calgary,

Central Alberta, Drumheller, Eckville, Medicine Hat, Pincher Creek and Westview Co-ops, in partnership with Edmonton-based "Localize Your Food", have launched a new program that helps customers identify products that are made, grown, or raised closer to home. The products are highlighted in-store with bright orange shelf labels.

The orange label includes a score between zero and 10, with 10 indicating the most local score. It also has a quick-response (QR) code that allows customers to find out more about the product with their smartphones.

FCL is currently working with "Localize Your Food" to expand the program in coming years.

"The co-op has always been a leader when it comes to supporting local producers. The addition of the "Localize" program will bring greater consumer awareness to the high volume of Alberta-based products on the shelves of our local co-op stores." -Chris Deering, Deerview Meats, Medicine Hat, AB

Please visit localizeyourfood.com/locations for a listing of participating producers and processors

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The process of converting plastic grocery bags and pallet wrap into compost deck material.

1 million kilograms of plastic grocery bags and pallet wrap have been converted into compost deck material since 2008.

Taking a stand on recycled plastic

They can be found in cupboards, drawers and closets across Western Canada.

Similarly, they play an important role in ensuring products are transported safely between warehouses and retail stores. And while there are many ways to reuse plastic bags and shipping wrap, FCL and the Co-operative Retailing System (CRS) are turning them into home decking material.

Since 2008, FCL warehouses have collected that unwanted plastic, shipping it to a supplier who mixes the plastic with wood chips and sawdust to create durable, low-maintenance deck materials. These products are then marketed and sold at co-op stores.

Selecting this product was a simple choice for co-op customer Jason Miller of Moosomin, SK.

"The decking material's durability, lack of maintenance and warranty were big selling features and the range of colours enabled us to find the look we envisioned," said Miller. "Then you find out what it's made of. You get some puzzled reactions when people find out that they're standing on recycled grocery bags."



While the refining capacity has more than doubled in the past 25 years, CRC's overall SO² emissions remain at half of its allowable regulated limit.

Overseeing sustainable environmental practices at the Co-op Refinery Complex in Regina, SK

Reducing the sulphur content in petroleum products

The Co-op Refinery Complex (CRC), located in Regina, SK, has a long history of managing sulphur to produce low-sulphur petroleum products.

Despite processing some of the highest sulphur-content crude oils in Canada (averaging approximately three per cent by weight in 2012), the CRC has one of the lowest sulphur dioxide (SO₂) emissions among Canadian refineries.

"Our sulphur reduction initiatives and other measures are contributing to our overall efforts at being sound stewards of the environment that we all share," says Gil Le Dressay, Vice-President, Refinery Operations.

Since first introducing sour crudes in the late 1980s, the CRC has operated well below its permitted SO₂ emission allowance. In 2008, CRC implemented a project to reduce incinerator SO₂ emissions by 25 percent.

CRC's high-efficient removal processes result in low-sulphur consumer products. CRC reports findings at 18 milligrams of sulphur-per-kilogram in its motor gasoline in 2012, far below the 30 milligram-per-kilogram federal limit. This is 93 per cent below a high of 242 milligrams-per-kilogram recorded in 2000. As well, diesel fuel produced at CRC had an average sulphur content of 5.6 milligrams per kilogram in 2012, well below the 15 milligram-per-kilogram federal limit.

CRC's high sulphur recovery rate of 99.47 per cent (2012) resulted in the production and sale of over 115,000 tonnes of sulphur for use in the manufacturing of sulphuric acid and fertilizer.

Measuring and minimizing our carbon footprint

Carbon footprints are an important measure of an organization's environmental impacts. FCL operations (including the Co-op Refinery Complex), warehouses and office buildings, feed mills, and distribution fleet have a total carbon footprint of 1.7 million tonnes of carbon dioxide equivalent (tCO2e); the Refinery makes up 89% of FCL's carbon footprint. As we continue to grow, FCL is committed to meeting the energy demands of the Co-operative Retailing System while ensuring the continuous improvement of measurement capabilities, practices and policies focused on minimizing our carbon footprint.

FCL acknowledges that growth brings many challenges to ensure operations remain sustainable. We have identified and tabulated environmental performance metrics and determined the carbon footprint for our larger office buildings, warehouses, feed mills and distribution fleet. Work to improve measurement capabilities even further will continue in future years.



We care about the things that are important to you. We are proud to be part of your community and are happy to lend a hand towards projects and partnerships that are doing good things close to home.



DRINK PINK for the month of October and we'll donate 10° from every cup to the Canadian Breast Cancer Foundation "Van Houtte is thrilled to partner with co-ops and work collaboratively to assist efforts to find a cure for breast cancer." Robb Mann, Senior Vice-President, Western Canada, Van Houtte Coffee Services

Drink Pink brews up funds for breast cancer research

Trudy Johnson is a survivor of breast cancer. She's grateful to be alive.

And she takes comfort in the support offered by FCL, retail co-ops, and Van Houtte Coffee Services in a cause that is dear to her. That's why she's proud to "Drink Pink."

"Drink Pink", a fundraising and awareness-raising campaign, includes the sale of specially designed cups from which 10 cents is donated to the Canadian Breast Cancer Foundation. A portion of the sales is added from merchandise such as travel mugs, reusable shopping bags and slippers. To top it off, FCL matches the final total dollar-for-dollar.

In 2012, FCL, retail co-ops and Van Houtte donated \$196,000 to the Canadian Breast Cancer Foundation, bringing the three-year total to over \$346,000.

Since the start of "Drink Pink", Foundation-funded researchers have made discoveries that help make breast cancer treatments more effective and less invasive.

For more information please visit http://www.youtube.com/CoopFCL and view "We Care: Trudy's story".



"Our friends from FCL have made an enormously impactful gift for children's hospitals all across Western Canada"

- Mike House, President and CEO Stollery Children's Hospital Foundation

Alberta Children Hospital Foundation parent champion Vince Fowler thanks FCL and retail co-ops for their generous donation.

Historic gift to children and families in Western Canada

Nayda, 12, of Saskatoon and Kasen, 10, of Winnipeg are full of energy, passion and drive. They also know first-hand how important a children's hospital is to those who need it. For Nayda, Kasen and thousands of other children and families across Western Canada, May 30, 2013, was a memorable day.

On that day, FCL, on behalf of the Co-operative Retailing System (CRS), announced a historic gift of \$5 million over five years to the five children's hospital foundations in Western Canada.

The gift is the largest donation we have made in our 85-year history. It is also the first time that the five children's hospital foundations have received a single donation to be shared between them.

"Like you, we care about our children, our families and our communities," FCL CEO Scott Banda said during a celebration announcing the gift that was attended by Nayda and Kasen, their parents, parents of other children, and hospital foundation representatives in Saskatoon, Winnipeg, Calgary, Edmonton and Victoria. "That is why we support the five children's hospital foundations and the work they do to provide an environment that offers compassion and support to children and their families during some of the most difficult times in their lives."

The gift to the Saskatchewan and Manitoba foundations is in addition to money already raised from Co-op Game Day approved products that are co-branded with the Saskatchewan Roughriders and Winnipeg Blue Bombers.







\$825,000



\$1,100,000



\$1,700,000

For more information, please visit http://www.youtube.com/CoopFCL and view "We Care: Donation to Children's Hospital Foundations".



"FCL and retail co-ops have recognized the importance of preparedness through their generous gift of \$1 million." - Sue Phillips, Director General, Western Canada,

FCL, retail co-ops and the Red Cross are working together to enhance response to local crises in Western Canada.

Donation boosts emergency response in Western Canada



FCL and the Co-operative Retailing System (CRS) are donating \$1,000,000 over five years to help local co-ops and

the Canadian Red Cross work together to provide effective, community-based emergency responses throughout Western Canada.

The Red Cross will receive \$100,000 per year to pre-position goods across the West in order to respond quickly to local crises. Another \$100,000 per year will be available to match local retail co-ops' emergency donations to the Red Cross.

"Preparing for disasters is vitally important for residents of Western Canada," says Sue Phillips, Director General, Western Canada, Canadian Red Cross. "FCL and retail co-ops have recognized the importance of preparedness through their generous gift of \$1 million."

In 2012, the Red Cross assisted 4,531 individuals in 359 emergency situations, ranging from floods to house fires, that occurred across Western Canada.

Supporting those in need during major floods

More than \$300,000 was donated by FCL, Calgary Co-op and its Co-op Community Foundation, members and customers, suppliers and employees in response to major flooding in June in southern Alberta.

Calgary Co-op made a \$25,000 corporate donation to the Red Cross, which was matched by FCL. While collecting public donations for the Red Cross, Calgary Co-op also provided cash and in-kind donations to sponsor meals and support organizations that assisted displaced residents.

In High River, AB., one of the hardest hit areas, FCL supplied Team Canyon Cleanup and Mission Possible with more than 1,500 rakes, shovels, brooms, squeegees and gloves, a donation worth \$28,500.

Other co-ops that contributed to flood-relief efforts included St. Paul and District Co-op, New Horizon Co-op and Rimbey Co-op.

In Saskatchewan, Borden Co-op and Hepburn Co-op donated flood-aid materials and sponsored meals for volunteers and emergency personnel working to divert floodwaters near Borden, SK.



We care about providing rewarding experiences for our employees. We encourage our teams to do their best and become their best - at work and in the community.



Employee pledges to the United Way are matched dollar for dollar by FCL.

FCL home office employees participate in Rug Slide competition in support of the United Way.

A golden moment in support of the United Way



FCL and United Food and Commercial Workers' Union 649 went for gold

in support of Saskatoon United Way in 2012.

FCL's home office and Saskatoon warehouse employees contributed over \$183,000 to the local United Way campaign. One hundred and eighty-five employees pledged \$90,500, with 32 individuals donating \$1,000 or more to the Leadership Giving Program. FCL matches dollarfor-dollar money pledged by its employees.

For its efforts, FCL was awarded the Leadership Giving Award, an award given to the organization that sees a significant increase in the number of employees contributing to the Leadership Giving Program. The number of leadership donors increased by 40 per cent, and with the organization matching employee pledges, the campaign grew by 66 per cent.

The United Way commended FCL for a successful, innovative campaign that included a series of "minute-to-win-it"-style events, a hockey shootout with the CEO playing goal and a United Way presentation to all employees.

Answering the call when disaster strikes



FCL, on behalf of the **Co-operative Retailing System** (CRS), is partnering with the Canadian Red Cross to enhance community-based

emergency responses throughout Western Canada. Employees at eight retail co-ops are being trained to answer the call for help when disaster affects their communities.

In the first year of the partnership, retail co-ops with operations in and around Brandon, Portage La Prairie, Prince Albert, Yorkton, Grand Prairie, Medicine Hat, Aldergrove and Comox are encouraging employees to become volunteer reservists with their local Red Cross. These co-ops were selected based on the Red Cross's assessment of locations with the greatest potential for disasters to occur, and where the need for additional local volunteer support is the greatest.

"Thanks to the co-ops' foresight and initiative, communities will be better prepared for disasters, and co-op employee reservists will have the ability to support Red Cross teams during local disasters," says Sue Phillips, Director General, Western Canada, Canadian Red Cross.

Employees volunteering for the reservist program are receiving training from the Red Cross. General duties include evacuee registration, clothing voucher distribution and donations management, as well as feeding and fundraising. They will be available for a period of up to two days per year, with the option for additional volunteer days if deemed necessary and agreed upon by the co-op, the employee and the Red Cross.

The plan is to continue to enroll additional retail co-ops in the future.

Partnering with Blood Services to save lives

"Partners for Life" is a nationwide program Canadian Blood Services offered by the Canadian Blood Services, and FCL

is quickly becoming one of Saskatchewan's top corporate partners.

A total of 49 employees from FCL's home office in Saskatoon have registered with the "Partners for

Life" program. These individuals donated blood 142 times last year, which works out to almost three donations by each donor.

Canadian Blood Services relies on individuals and organizations to donate blood in order to keep an adequate supply available for patients needing treatment for cancer, surgery and traumas.

FCL "Boogies" its way to wellness for charity

FCL led the pack at the 2012 Saskatoon Bridge City Boogie. The team of 238 employees, family members and friends was the largest of 150 groups entered in Saskatoon's premier walk/run community event. A total of \$126,000 was raised by all participating teams for the StarPhoenix Raisea-Reader program, the Saskatoon Crisis Nursery, the Boys and Girls Club of Saskatoon and the Saskatchewan Children's Festival.



Employee participation was high despite the heavy rain.



We care about the co-operative business model. We invest in programs, research and opportunities that educate others and future generations about what the co-operative business model can do.



FCL has invested more than \$1 million to support the development and growth of the co-operative model

Participants of the Saskatchewan Co-operative Youth Program

Promoting the co-operative model

From youth leadership camps and university campuses to provincial co-operative associations and third-world countries, we are promoting the sustainability and success of the co-operative model.

During the past year, FCL has invested more than \$1 million to support the development and growth of the co-operative model in Western Canada and around the world, including these:

- \$64,000 to co-op youth camps and provincial 4-H councils
- \$100,000 to help fund a Chair in Co-operative Enterprises at the University of Winnipeg's Faculty of Business and Economics
- \$135,000 to the University of Saskatchewan's Centre for the Study of Co-operatives

- \$160,000 to the four provincial co-operative associations in Western Canada
- Over \$300,000 to the Canadian Co-operative Association
- \$500,000 to the Co-operative Development Foundation of Canada to support emerging co-operatives in Asia, Africa and Latin America

"By encouraging the development and growth of the co-operative model, we are helping develop the leadership skills that will help individuals through life as they serve on co-operative boards, local government, health boards, school boards or other community-based organizations," says Glen Tully, President of FCL. "For us it's about building leadership capacity for our sector and making our communities stronger."

Good things are happening.

Did you know that FCL and the CRS ...

Recycled approximately 130,000 kilograms of paper at FCL Home Office in 2012, saving over 17,000 trees

> Recovered 60,000 kilograms of unwanted and obsolete agricultural pesticide products in 2012 for disposal through CleanFARMS

Sold 1.3 billion litres of ethanol-blended gasoline and 1 billion litres of biodiesel-blended diesel fuel in 2012

> Annually produces and sells approximately 119,000 tonnes of petroleum coke, which is a by-product of the refining process used to manufacture dry cells and electrodes

> > Developed air and groundwater monitoring programs to ensure responsible management of emissions and contamination

Phased out ozone-depleting refrigerants in refrigeration trucks used by the CRS

Returned over 200,000 kilograms of out of date seed and seed inoculants in 2012 to suppliers to be reconditioned into saleable product

> Increased the frequency of inspections for propane and butane pipelines that pass through Regina's pipeline corridor

Maximized the efficiency of our distribution truck fleet by running triple trailer trucks on select routes

Recycled 33,458 automotive batteries in 2012 and over 187,000 since 2006 representing about 96.5 percent of sold batteries

Donated perishable food nearing sell-by dates to local food banks, rather than disposing it in landfills. This practice occurred at all food distribution centres, with FCL's Saskatoon warehouse donating more than 250,000 kilograms to the food bank in 2012

Installed high-efficiency lighting in many FCL and CRS facilities, significantly reducing electricity usage

> Installed large-diameter fans to improve air mixing at our supply distribution centres, resulting in a 10 per cent drop in natural gas consumption at these facilities

Sold more than 1.1 million reusable shopping bags since 2007. This means 110 million plastic bags will not be needed over the next five years



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