WE ARE   WE ARE   WE ARE
WESTERN CANADIAN A DIFFERENT KIND OF BUSINESS CO-OP
WE
COLLECTIVE, SHARED, ALL OF US.

ARE
PEOPLE FORM THE HEART OF OUR BRAND.

CO-OP
MANY DIFFERENT THINGS, BUT WITH A COMMON PURPOSE — TO GIVE BACK TO OUR COMMUNITIES.
In 2013, FCL introduced its first report to the community outlining our commitment to sustainable business practices. The 2020 FCL Annual Report combines the financial reporting of our annual report with sustainability highlights, which were previously showcased in the FCL Sustainability Report.

The move to an integrated report is indicative of the overall CRS Sustainability Strategy, which aims to embed the social, economic and environmental impacts of our business into planning and decision-making. Sustainability is about managing the impact of our operations on local communities over the long term. Acting responsibly and being accountable to our co-operative’s members is part of who we’ve always been and will help guide the resiliency and longevity of the CRS over the long term.
"WE ARE STRONG, WE ARE UNITED, WE ARE CO-OP."

— SHARON ALFORD, PRESIDENT/CHAIR OF THE BOARD
There are many words to describe this past year, but none can completely convey what we have experienced. Looking back, there was excitement and anticipation as we reported our year-end results and plans for the future. Then came disruption and uncertainty, revised plans and new opportunities. We faced significant challenges and drew on the strengths of our co-operative and our Federation to address them. From our people who demonstrate such support for one another and for our communities to our financial resources and our supply chains, together we benefitted from the strength of our co-operative model.

Although our ability to gather in person was limited for the last half of the year, prior to travel and meeting restrictions, we held our first Leaders Conference for local Co-op directors. The move from five regional fall conferences to one central conference provided the opportunity to meet, learn and discuss the governance of our co-operatives. The revised format received positive reviews and the theme we heard throughout the conference was that of commitment to the co-operative model, dedication to the Co-operative Retailing System (CRS) and the value of working together.

From a governance perspective, our focus must be on the long-term sustainability of FCL and the CRS. We continue to find ways to ensure this, whether it is in the work we do to guide the organization or how we engage FCL’s co-operative members. Delegates at the 2020 Annual Meeting in March supported amendments to FCL’s bylaws on director elections, which is a significant change for any organization. The rationale for this change — moving from 15 districts to five — was two-fold. We wanted to increase the pool of candidates eligible to run for a board position and enable delegates to participate in the election of three directors instead of one by participating in the election of a director every year. We see this increasing engagement in our democratic process, which will serve us well as our co-operative continues to evolve.

One of the most significant news stories of the year — if not the decade or even century — is the COVID-19 pandemic, which effectively shut down Canada and the world soon after our annual meeting. The leadership team at FCL was prompt to respond and provide guidance to local Co-ops. Whether it be observations while shopping, conversations with members, unique annual meetings or videos and stories on social media, Co-ops have led the way in their communities showing leadership and resiliency throughout the pandemic.

Continuing with the COVID-19 story, for our board this meant disruptions to our regular processes and the adoption of revised schedules and virtual meetings. The travel and gathering restrictions forced us to rethink how we host member meetings, which saw us adapt and host our five June District meetings online. We continue to learn from these events and work to find ways to maintain our relationships and connection to local Co-ops. While we look forward to meeting in-person, virtual meetings have now become quite routine and have shown us how much can be done remotely. Based on our experiences, there will be opportunities to continue to use remote meeting facilities.

The board commends our CEO and his team for holding true to our co-operative’s values during the Co-op Refinery Complex (CRC) labour disruption. With our full support, they exuded respect and integrity throughout an unbelievably contentious situation. They persevered, understanding their accountability to our local Co-op members and the future success of the CRS. We extend appreciation to our local Co-ops where despite pickets and impacts to fuel distribution, their support of FCL — and each other — was unwavering.

As we face changes in the co-operative landscape and challenges in unprecedented times, together we need to be vigilant and remain relevant in our communities, demonstrating the importance of the co-operative business model.

We are a different kind of business — we must embrace our co-operative identity and share our story. Working together as a federation is our strength. A strength that has allowed the CRS to prosper for decades and will guide us through the challenges we face, and opportunities we embrace, now and into the future.

We are strong, we are united, We Are Co-op.
As leaders, we’re accustomed to identifying potential challenges and developing strategies to minimize their impact. We expected to face economic headwinds entering 2020, but nothing like what we encountered.

This past year will forever be associated with the COVID-19 pandemic. We’ve needed to think differently and challenge historical norms and assumptions while ensuring we maintained uninterrupted delivery of our essential services across Western Canada. This year’s circumstances were extraordinary, requiring us to adapt and evolve, relying on one another and the unity of our Federation to manage through the disruption and uncertainty.

While the first four months of the fiscal year proceeded as expected, the pandemic’s spread and contraction of the global economy led to an overall sales decline in 2020. We saw record sales in crop supplies and propane, as well as a record year in fertilizer volume. Home and building solutions also had its second-best year, and food had a strong performance. However, none of these increases came near to covering what we lost in our energy business.

While we’ve benefitted from favourable market conditions in our energy business in recent years, achieving some of our best-ever earnings, we’ve seen the world energy market collapse and demand for fuel destroyed by the pandemic. As a result, our earnings have taken a significant hit this year and are among the lowest we’ve seen in the last 20 years. The refining industry faced significant challenges, as market conditions were tighter than expected. We expect those same conditions to continue into 2021.

This year demonstrated the need to improve the sustainability of the CRS’s largest asset, the CRC, is more critical than ever. Positioning the CRC for the future was at the heart of a seven-month labour dispute. Because we had a solid business continuity plan, a dedicated team and the unwavering support of local Co-ops, we safely and reliably ran the refinery and successfully navigated aggressive tactics meant to disrupt and impede fuel distribution across the CRS.

The result was a new seven-year collective agreement that provides stability and allows us to come together and focus on the future. It also laid the groundwork for a culture change to allow for the collaboration and innovation that will help us face future challenges such as the changing regulatory environment, low-carbon economy and declining consumer demands.

FCL is accountable to our local Co-ops and must be prudent with investments for our Federation to be successful. There are many things we can’t change in the current economic climate, but we must make the best use of resources, build efficiencies and focus on strategic priorities that have the most impact to the CRS. Where we are on our journey is moving beyond our foundational pieces — brand, people and technology — to improving our processes and how we serve local Co-ops and their individual members.

There have been many technology advancements rolled out in the past year, and more that are coming to improve the support we provide our local Co-ops. This encompasses a whole range of initiatives from the in-store devices used for day-to-day functions to data and analytics to help inform decision-making processes to digital platforms targeting consumers, such as expanding e-commerce across several Co-op Food Stores.

The Customer Experience (CX) work in three areas — local and community, loyalty and membership, and people — will help differentiate Co-op from our competitors and demonstrate how we truly are a different kind of business. This year, people rediscovered their local co-op and the value of local business increased during the pandemic, which provides us with an opportunity that we need to harness post-pandemic.

We continue to look for ways that we can support our local Co-ops. A notable achievement was the Letter of Commitment, signed by nearly all our local Co-op members, which has provided us greater certainty for building investment plans for the entire CRS.

This last year has been tough on everyone, but I’m so proud of our team members and the resiliency, creativity and care they’ve shown. We’ve seen local Co-ops continue to lead through this crisis and be there for their communities in their time of need. It’s times like this when we have shown we’re not just another business or a network of co-operative associations. We are more than that.

We have demonstrated that working together will help us succeed in the good times and the bad. The challenges we’ve faced in the past year have only fortified our commitment to co-operation and each other. We are stronger when we’re united as a Federation. Maintaining our focus on the long term ensures we’ll best serve Western Canadians for years to come. And by taking care of one another, we’ll come out of this pandemic as strong as ever because We Are Co-op.
"THE CHALLENGES WE’VE FACED IN THE PAST YEAR HAVE ONLY FORTIFIED OUR COMMITMENT TO CO-OPERATION AND EACH OTHER."

— D. SCOTT BANDA, CHIEF EXECUTIVE OFFICER
Federated Co-operatives Limited (FCL) does business differently. We were created by local Co-ops. We are owned by local Co-ops. We are fundamentally invested in the success of local Co-ops as they serve nearly two million members through retail locations in over 600 communities across Western Canada.

We exist to help the 160 independent local Co-ops in our Co-operative Retailing System (CRS) and their communities find and sustain long-term success.

FCL’s support for these local Co-ops and their communities comes in the form of:

**Strategy and Leadership** — Providing responsible, innovative leadership to support the CRS and to sustain a vibrant and unified Federation.

**Wholesaling** — Sourcing products across all lines of business that leverage the purchasing power of the CRS.

**Manufacturing** — Creating products that allow local Co-ops to participate in and benefit from the whole value chain.

**Logistics** — Managing a logistics network to ensure that products are reliably delivered to local Co-ops and their members.

**Operations** — Sharing operational best practices and standards to enhance the success of local Co-ops.

**Business Enabling Services** — Providing a range of back-office services that help local Co-ops remain competitive while providing a positive customer experience that makes a difference in their members’ lives.

**Marketing Support** — Building a brand that maintains Co-op’s relevance and increases market share for local Co-ops.

We are a co-operative to our core, supporting other co-operatives so they can serve Western Canadians.

Together, We Are Co-op.

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**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, unified 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 and 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**

Building sustainable communities together

**Values**

Integrity | Excellence | Responsibility
YEAR IN REVIEW
JANUARY 2020

- On behalf of the CRS, FCL donated $200,000 to the Canadian Red Cross in part from the sale of Co-op Give Cards.
- FCL was among the first businesses to sign the Saskatchewan Chamber of Commerce Indigenous Engagement Charter.

FEBRUARY 2020

- Saskatchewan’s first Corporate Incubation Team — which supports the development and adoption of new technologies — launched from a partnership between FCL and Co.Labs.
**MARCH 2020**

- Through the Litres for Little Ones event, the CRC helped to donate more than $74,000 to the neonatal intensive care unit at the Regina General Hospital.
- In response to the COVID-19 pandemic, all FCL team members who were able to work remotely were directed to do so on March 16.

**APRIL 2020**

- Working with the Saskatchewan Food Industry Development Centre and Black Fox Farm and Distillery, FCL was able to source locally made hand sanitizer to keep distribution centre team members safe at the outset of the pandemic.

**MAY 2020**

- Co-op launched Co-op Helps to support individuals and communities facing the pandemic. The campaign distributed $100 Co-op Gift Cards and made a $250,000 donation to food banks across Western Canada.
JUNE 2020

• The Saskatoon Distribution Centre celebrated one year without a lost-time injury.
• Unionized employees at the CRC ratified a new seven-year collective bargaining agreement on June 22.

JULY 2020

• FCL received an International Association of Business Communicators Gold Quill Award (Change Communication) for the launch of the CRS Hub, an internal website used across the system.
• Co-op Community Spaces funded 17 new projects across Western Canada.
• Imagine Canada recognized FCL as a 2020 Caring Company for community engagement and corporate giving.
• FCL won two Retail Council of Canada Grand Prix New Product Awards: Co-op Gold Cookie Cake and Co-op Gold Pure Kettle Cooked Potato Chips in Honey Dill flavour.
SEPTEMBER 2020

• Updates to Co-op.crs will make it a new destination for central marketing and brand campaigns.

OCTOBER 2020

• FCL held the grand opening of the new Co-op Fertilizer Terminal in Grassy Lake, Alta.
• Co-op’s Fuel Good Day raised $566,000, which was donated to more than 185 organizations across Western Canada.
• During Co-op Week, Co-op kicked off its new multi-year We Are Co-op campaign.
• In the second annual Square Foot for Habitat, each $1 donated by customers was tripled through matching donations from the Co-op Refinery Complex and Sherwood Co-op. Together, they raised nearly $31,000 for Habitat for Humanity Regina.
FCL MEMBERSHIP

FCL is owned by more than 160 autonomous local co-operatives across Western Canada. Together, FCL and those local co-operatives form the Co-operative Retailing System (CRS). The CRS serves our members and communities with products and services that help build, feed and fuel individuals and communities from Vancouver Island to northwestern Ontario and into the North.

FCL is a second-tier co-operative, meaning that its primary purpose is to serve other co-operatives.

FCL classifies its members into one of three categories: member retail co-operative, affiliate member and associate member. Most of our members fall within the first category and are local co-operative associations that serve the individual members of their communities by providing goods and services. An affiliate member is a co-operative that resells the goods it buys from FCL to its members but doesn’t meet all criteria of a member retail co-operative. Finally, an associate member is every other organization, co-operative or otherwise, that doesn’t meet all the requirements to be a member retail co-operative or affiliate member.

Member delegates attend FCL’s Annual Meeting with the number of delegates — between one and five — for member retail co-operatives and affiliate members determined by their annual purchase levels from FCL. Each associate member can send one delegate, regardless of purchase level.

FCL’s Board of Directors consists of 15 directors elected from five districts for three-year terms. Only delegates from member retail co-operatives are eligible for nomination to FCL’s Board of Directors. Each year, it holds one director election in each district. Following the director election and annual meeting, the board attends a reorganization meeting, at which time the Board of Directors elect a President/Chair of the Board and Vice-Chair.

Membership Changes
As of Oct. 31, 2020, FCL was made up of 167 member retail co-operatives, two affiliate members and six associate members. Four changes occurred during the year:

- Clearview Consumers Co-op Ltd. and La Cooperative de Consommation De La Broquerie Ltd amalgamated to form Clearview Consumers Co-op Ltd.
- Elm Creek Cooperative Oil and Supplies Ltd. and Marquette Consumers Cooperative Limited amalgamated to form Prairie Roots Co-op.
- Plamondon Co-op Ltd. changed their name to North Country Co-op.
### FCL Members by Classification

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
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<tbody>
<tr>
<td>Member Retail Co-operatives</td>
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<tr>
<td>Affiliate Members</td>
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<tr>
<td>Associate Members</td>
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### FCL Members by Province

<table>
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<th>Province</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
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<tr>
<td>Manitoba</td>
<td>33</td>
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<tr>
<td>Alberta</td>
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<tr>
<td>Saskatchewan</td>
<td>94</td>
</tr>
<tr>
<td>Ontario</td>
<td>1</td>
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</table>
Elected by the delegates of member co-operatives, FCL’s Board of Directors oversees the management of the business and the affairs of the co-operative in accordance with the Canada Cooperatives Act and FCL’s 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 good governance. The Board believes that operating according to these standards is critical to protecting the interests of FCL, its member-owners and its customers.

One of the Board’s core responsibilities is to set the long-term strategic direction for FCL and to provide oversight that guides FCL towards achieving its goals. The Board and Senior Leadership Team establish five-year corporate goals that are supported by annual, evolving strategic priorities. Each business unit develops its plan and budget to support these corporate priorities, with the Board then approving the overall budget for FCL. The Board receives regular progress reports on the status of the strategic projects and each business unit’s plans and uses a balanced scorecard with key performance indicators to measure corporate performance.

Governance structure changes
The key governance change recommended by the Board, and approved by the delegates at the 2020 annual meeting, was the change in the district structure. FCL moved from 15 districts with one director per district to five districts with three directors in each. This change will increase democratic participation by local Co-op boards and their delegates, who will now have a direct say in electing three Board members. Local Co-ops will participate in elections every year instead of only every three years, and interested delegates may run for office annually instead of only every three years.

As a result of the new structure of districts, a new election process was necessary to help ensure opportunities for all local Co-ops to assess properly candidates for district director. The Board, recognizing the conflict of interest inherent in their determining election processes, appointed an Election Process Steering Committee comprised of one delegate from each district.

They task[ed this Steering Committee with making recommendations regarding the Nominations Committees and the structure of campaigns. The Steering Committee made suggestions for changes, all of which the Board approved and adopted, including a revised nomination form, a new candidate application form, new rules for candidates, a process for the candidates forum at the Leaders Conference, a revised District Director Elections Procedures, Rules and Guidelines, and a recommendation for a bylaw change that will see the deadline for nominations moved to Oct. 15. The Steering Committee continued to work on revised District Nomination Committee Guidelines and other changes to the election process.

Leaders Conference and other updates
The Board successfully held the first ever Leaders Conference in November 2019, replacing the five regional fall conferences with one larger gathering. The Leaders Conference focused on local Co-op governance learning and development featuring leading speakers on governance topics while providing an opportunity for an operational update from FCL.

They made further adjustments to its schedule to better respect the time of its directors holding concurrent committee meetings were possible and eliminating its April meeting starting in 2021. They shifted the Chair of the Governance Committee to the Vice-Chair from the President/Chair.

Sharon Alford first came to the position of President/Chair in August 2019 to fill the interim vacancy. Sharon was re-elected in March 2020 and Randy Graham was re-elected as Vice-Chair.

Shortly after the 2020 annual meeting, the global pandemic caused by COVID-19 affected the Board’s ability to meet in-person and required many adaptations. The Board met nine times in 2019-2020: four in-person meetings prior to the pandemic, three remote meetings and two in-person meetings following social-distancing protocols. The annual Board Dynamics session in August was cancelled, however, the Board spent a half-day in October on board dynamics, revisiting and updating its board norms. In addition, as part of its ongoing development, the Board attended two half-day Indigenous Awareness sessions.
## COMMITTEES

**Governance Committee**
Randy Graham (Chair), Sharon Alford, Tara Burke, Judy Clavier, Robert Grimsrud

**Audit Committee**
Jocelyn VanKoughnet (Chair), Tara Burke, Don Mathies, John Rudyk

**Human Resources Committee**
Ryan Anderson (Chair), Joe Bowhay, Randy Graham, Valerie Pearson, Darlene Thorburn

**Sustainability Committee**
Russell Wolf (Chair), Judy Clavier, Robert Grimsrud, Lyle Olson, Donna Smith

**Code of Conduct and Ethics Committee**
Randy Graham (Chair), Sharon Alford, Ryan Anderson

**Credentials Committee**
Randy Graham (Chair), Joe Bowhay, John Rudyk, Darlene Thorburn

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

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<table>
<thead>
<tr>
<th>District</th>
<th>Director</th>
<th>Board Meetings</th>
<th>Additional Days</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Judy Clavier, Dawson Creek, B.C.</td>
<td>9</td>
<td>35</td>
<td>2022</td>
</tr>
<tr>
<td>1</td>
<td>Steffen Olsen, Rimbey, Alta.²</td>
<td>2.5</td>
<td>22.5</td>
<td>2020</td>
</tr>
<tr>
<td>1</td>
<td>Donna Smith, Stony Plain, Alta.³</td>
<td>6.5</td>
<td>22.5</td>
<td>2023</td>
</tr>
<tr>
<td>1</td>
<td>Tara Burke, Wainwright, Alta.</td>
<td>9</td>
<td>22.5</td>
<td>2021</td>
</tr>
<tr>
<td>2</td>
<td>Doug Potentier, Victoria, B.C.²</td>
<td>3</td>
<td>25.75</td>
<td>2020</td>
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<tr>
<td>2</td>
<td>Darlene Thorburn, Victoria, B.C.³</td>
<td>5.5</td>
<td>29</td>
<td>2023</td>
</tr>
<tr>
<td>2</td>
<td>Joe Bowhay, Didsbury, Alta.</td>
<td>8.5</td>
<td>39.5</td>
<td>2021</td>
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<tr>
<td>2</td>
<td>Russell Wolf, Red Deer County, Alta.</td>
<td>9</td>
<td>44</td>
<td>2022</td>
</tr>
<tr>
<td>3</td>
<td>Don Mathies, Herbert, Sask.</td>
<td>9</td>
<td>40</td>
<td>2022</td>
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<tr>
<td>3</td>
<td>Robert Grimsrud, Estevan, Sask.</td>
<td>9</td>
<td>32.5</td>
<td>2021</td>
</tr>
<tr>
<td>3</td>
<td>Brad Schultz, Melville, Sask.²</td>
<td>2</td>
<td>8</td>
<td>2020</td>
</tr>
<tr>
<td>3</td>
<td>Lyle Olson, Preeceville, Sask.³</td>
<td>5.5</td>
<td>23</td>
<td>2023</td>
</tr>
<tr>
<td>4</td>
<td>Valerie Pearson, Saskatoon, Sask.</td>
<td>9</td>
<td>28</td>
<td>2021</td>
</tr>
<tr>
<td>4</td>
<td>Randy Graham, Battleford, Sask.</td>
<td>9</td>
<td>31.55</td>
<td>2022</td>
</tr>
<tr>
<td>4</td>
<td>Ryan Anderson, Melfort, Sask.</td>
<td>9</td>
<td>27</td>
<td>2023</td>
</tr>
<tr>
<td>5</td>
<td>Sharon Alford, Swan River, Man.</td>
<td>9</td>
<td>252</td>
<td>2022</td>
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<tr>
<td>5</td>
<td>Jocelyn VanKoughnet, Carman, Man.</td>
<td>8.5</td>
<td>31</td>
<td>2021</td>
</tr>
<tr>
<td>5</td>
<td>John Rudyk, Fisher Branch, Man.</td>
<td>9</td>
<td>39.5</td>
<td>2023</td>
</tr>
</tbody>
</table>

¹ Includes business unit reviews, corporate planning, board development, board committees, retail and other meetings and travel.
² Term concluded in March 2020.
³ Elected in March 2020.
SHARON ALFORD  
PRESIDENT/CHAIR OF THE BOARD  

JUDY CLAVIER  
DIRECTOR  

DONNA SMITH  
DIRECTOR  

DARLENE THORBURN  
DIRECTOR  

JOE BOWHAY  
DIRECTOR  

TARA BURKE  
DIRECTOR  

RUSSELL WOLF  
DIRECTOR  

ROBERT GRIMSRUD  
DIRECTOR  

DON MATHIES  
DIRECTOR
FCL is owned by its local 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:

<table>
<thead>
<tr>
<th>Membership Returns</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop Supplies</td>
<td>4.684%</td>
<td>3.878%</td>
<td>4.125%</td>
</tr>
<tr>
<td>Food</td>
<td>4.346%</td>
<td>3.462%</td>
<td>4.259%</td>
</tr>
<tr>
<td>Home and Building Solutions</td>
<td>5.230%</td>
<td>3.410%</td>
<td>2.800%</td>
</tr>
<tr>
<td>Freight</td>
<td>15.430%</td>
<td>8.610%</td>
<td>2.326%</td>
</tr>
<tr>
<td>Energy-Fuels&lt;sup&gt;1&lt;/sup&gt;</td>
<td>12.286¢/L</td>
<td>10.340¢/L</td>
<td>0.000¢/L</td>
</tr>
<tr>
<td>Energy-Propane&lt;sup&gt;1&lt;/sup&gt;</td>
<td>7.105¢/L</td>
<td>7.130¢/L</td>
<td>8.450¢/L</td>
</tr>
<tr>
<td>Energy-Oil and Grease</td>
<td>14.975%</td>
<td>10.438%</td>
<td>6.935%</td>
</tr>
<tr>
<td>Fertilizer&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$2.140/MT</td>
<td>$2.006/MT</td>
<td>$2.008/MT</td>
</tr>
</tbody>
</table>

<sup>1</sup>Cents per litre (¢/L)  
<sup>2</sup>Dollars per metric ton ($/MT)
Over the last five years, FCL has made patronage allocations of more than $2.3 billion and share redemptions of nearly $2.1 billion in cash to its member-owners.

Every dollar of our profits stays right here to support Western Canadians and make a difference where we live and work. That’s something we can all be proud of.
FCL attracts and retains talented people who are engaged in working and succeeding as a team. We have a strong sense of pride in our values-based co-operative culture. We foster a diverse and inclusive environment where people do meaningful work and have rewarding careers. We embrace continual learning as a way to enhance our capabilities and work effectively in a dynamic environment.

A great place to work
As part of our pivot to move beyond our foundational people programs and practices, FCL introduced a new Employee Experience (EX) initiative in 2020. EX is the sum of employees’ perceptions, touchpoints and interactions in the workplace. It encapsulates everything from their co-workers and their physical environment to the systems and tools they use to the overall workplace culture.

There is a direct correlation between EX and the work we’re doing on customer experience. Both initiatives focus on enhancing touchpoints and building valuable relationships with people. To put it simply, if we want Co-op to be a great place to shop, it needs to be a great place to work — no matter if that’s at FCL or a local Co-op, in an office or at a retail location.

As part of the EX initiative, we conducted nearly 500 interviews, surveys and workshops with team members and leaders from across the CRS. Through this research, we have determined the current state of EX and identified what we want our Co-op EX to be, including practices to continue and areas for improvement. By listening to what is important to employees, we’ve also created an employee value proposition: “You’re at home here. At Co-op you’ll find success, community and purpose.” This employee value proposition will guide work across the CRS as we identify and implement programs in the future.

EX extends to the CRC, where the One Team Project aims to enhance employee engagement, improve safety performance, and support cost-related efficiencies and overall refinery reliability. The goal is to create a positive cultural change that connects our high-performing team with the diversity and purpose of the broader CRS.

Support for wellness, diversity and inclusion
In addition to the Employee Experience initiative, there is a lot of work being done to support our team members and enhance their experiences. Thrive, our holistic and integrated wellness strategy, supports our team members across four dimensions: physical, emotional, financial and social. FCL team members now can access mental health tools, activities
You’re at home here. At Co-op you’ll find success, community and purpose.

CRS Employee Value Proposition

We continued our diversity and inclusion journey throughout 2020. We’ve updated hiring practices to not only attract the best people, but also ensure candidates have a positive, welcoming and inclusive experience. To identify what local Co-ops are currently doing around diversity, inclusion and Indigenous engagement and what support they need to move forward, we conducted a survey in August that 78 local Co-ops participated in. The results indicate that most local Co-ops believe it’s valuable to build relationships with Indigenous organizations but were uncertain if they had the knowledge and tools to create an inclusive workplace for Indigenous people. FCL will focus on three main areas in the next year to support local Co-ops: a toolkit of best practices to start or accelerate their diversity and inclusion journeys; tools and processes to capture workplace demographics; and initiatives to capture and share success stories.

Leadership development

We continued our work on developing our teams through Inspire: The Co-op Leadership Experience, which provides opportunities to build leadership skills at all levels. We added workshops for the Front-Line, Mid-Level and Organizational Leadership streams, while also launching the Personal Leadership Stream with a workshop and online learning module for all team members. We also expanded learning through the introduction of a self-directed mentorship experience, where we’ve provided the tools and resources to help guide these relationships.

FCL also introduced Inspire experiences to local Co-ops with six associations participating in a pilot program. Similar to the FCL rollout, we began offering learning opportunities to team leaders in 2020 with plans to continue rollout across the CRS and expand to all team members in the coming years.

Developing leaders is only one way that we’re supporting our local Co-ops. We’ve continued the work done in recent years to review how we engage our member-owners. This led to a number of changes in 2020, including the transition of retail advisors into business relationship advisor roles in which they will focus on FCL’s relationship with local Co-ops — supporting leadership and building effective two-way relationships.
Responding to a pandemic

Addressing a major pandemic such as COVID-19 isn’t part of our regular business operations. Risk management preparation can provide support in some aspects, but much of the year required us to be flexible and quickly adapt to the ever-changing regulations, recommended protocols and overall uncertainty.

Since the pandemic took hold, our focus has been to minimize the risk to employee health, safety and well-being, support our local Co-ops and continue to serve our communities. We created a cross-functional Pandemic Team, which worked to develop processes to limit the speed and spread of the virus, continue critical business operations, motivate employees to take action and focused on achieving our business goals.

Providing essential services

FCL and local Co-ops provide essential services to Western Canadians and have continued to operate throughout the pandemic’s duration. To safely accommodate this, FCL increased cleaning at all of its facilities.

Additional precautions such as non-invasive temperature checks were introduced at distribution centres to protect our workforce. To address the shortages in hand sanitizer, FCL partnered with the Saskatchewan Food Industry Development Centre and Black Fox Farm and Distillery to begin production to accommodate our needs.

The pandemic has had a significant impact on our supply chain. Manufacturers temporarily halted production on an unprecedented number of items to focus on core products and placed allocations on high-demand products. Supply was also impacted by shipping delays, packaging shortages and labour challenges.

The increased demand from consumers meant increased workloads at the distribution centres in the early days of the pandemic. For example, on a typical Saturday, we usually ship 761,000 kilograms of product from FCL Distribution Centres. We were shipping 1.38 million kilograms by mid-March and 1.56 million kilograms by the end of March.
Team member and local Co-op support
FCL established an internal cross-functional Pandemic Team to help develop procedures to protect our team members and continue to operate safely. Efforts included transitioning office team members to remote work from home before large-scale shutdowns were announced across Western Canada, then developing a Back to Better Plan and piloting protocols for returning to office work. For employees required to continue working on-site — including at the CRC, distribution centres, logistics network and elsewhere — specific practices and measures were implemented to ensure health and safety were maintained.

FCL also worked to stay informed on the differing provincial responses to COVID-19 in order to provide relevant advice to local Co-ops in multiple areas, including human resources, marketing and communications, health and safety, and store operations. We communicated regularly about product availability, sourced alternative items, provided in-store marketing materials encouraging preventative measures and facilitated sourcing personal protective equipment and safety materials to separate customers from employees at checkouts.

Co-op’s response to the pandemic has been and will continue to be true to our fundamental principles of being co-operative and community based.
Developing our Customer Experience (CX) Program remained a top priority in 2020. Introduced last year, our aspirational North Star CX statement — Making a difference in members’ lives — is meant to inspire the work being done by every Co-op employee every day. The statement guided the progress in three priority work streams: Local and Community, Loyalty and Membership, and People.

The goal of what we’re doing in each work stream and the larger CX Program is to increase loyalty to Co-op. Gaining new members, retaining existing members and employees, strengthening our community ties and driving member activity across all business lines will increase local Co-op competitiveness, market share and profitability. We’ll continue to identify and improve pain points related to member loyalty and build on Co-op’s identity as a different — and better — kind of business.

Under the Local and Community work stream, we concluded a pilot for a centralized software solution to help collect community requests and track local donations. Not only will this reduce administrative time and costs, it will help us identify Co-op’s collective community impact and share our story at both the local level and across the CRS. We also started a centralized gift card fundraising pilot at five local Co-ops, to both drive sales and benefit community organizations.

Our farm-to-fork story is another aspect of our local and community connection. We continue to explore opportunities that highlight the full value proposition supplying farmers and ranchers with fuel, livestock feed and crop inputs, while also sourcing local products for Co-op Food Stores. We conducted research with stakeholders in 2020, with plans to leverage our farm-to-fork story.

Early in the fiscal year, we introduced the ability for local Co-ops to add an online membership form to their websites. To complement this new offering, our Loyalty and Membership work stream worked with an advisory committee of local Co-ops to develop and pilot new customizable membership materials, including a centralized welcome package designed to more quickly engage new members and encourage them to shop across Co-op’s business lines.

**Increased focus on digital platforms**

Adding the capacity to purchase a Co-op membership online is only one of the many projects enhancing the customer experience and Co-op’s presence in the digital realm. We launched Co-op.crs, an updated central website for Co-op to serve as a new destination for marketing and brand campaigns, including the We Are Co-op campaign. We also launched a new car wash app in the Winnipeg market, with plans to expand its availability in 2021.

FCL expedited the click-and-collect pilots at select Co-op Food Stores as online sales surged because of the pandemic. By year’s end, the service was available at 14 locations across Western Canada. We have ambitious plans to roll it out to many more locations and introduce further enhancements in 2021.

The rollout of a new home centre point-of-sale platform (Mi9) also provides the foundation for eCommerce in that business line. In 2021, we’ll launch a pilot for a system to show available products — whether they’re stocked in the store or need to be ordered — to Co-op customers online for the first time. This increases our competitiveness by allowing smaller home centres to expand their product selection beyond the confines of their square footage while also providing opportunities to reach consumers making decisions before they leave home.

The agriculture sector is increasingly becoming more digital as well, with farm customers using data and insights to drive decision-making processes. Through interviews and workshops with internal and external CRS stakeholders over the past year, and engaging a world-class consultant, we’ve developed a five-year Digital Ag Roadmap. For the 2021 growing season, digital ag will empower local Co-op pilot sites to proactively and collaboratively work with growers on crop planning, field scouting and crop production performance measurements. We’ll also start developing plans for ag business e-commerce and customer relationship management for implementation in later years.
Data and technology support local Co-ops

There is as much work on technology going on in the background as is customer-facing. It’s a significant part of how we serve our local Co-ops. In 2020, we began to roll out components of CRS Analytics 360, a collection of initiatives to increase business intelligence and advanced analytics capabilities. The objective of these tools is to enhance data-driven decision-making to increase our competitive positioning and enhance Co-op's profitability.

The first tool to launch as part of the program was the Co-op Analytics Dashboard, which enables local Co-ops to view and share sales insights; segment data by business line or department; run daily, weekly, monthly or yearly comparisons; and calculate average basket sizes. The dashboard was set up for seven local Co-ops in 2020 and is currently enabled for food store and convenience store sales but will incorporate home centre and agro centre data in the near term. For FCL, the CRS Analytics 360 Program developed a dashboard displaying key performance indicators for the entire business and supported procurement, merchandising, supply chain and energy activities.

Since 2019, we’ve been working to standardize infrastructure at retail locations across the CRS. This standardization forms the foundation for new capabilities directed at local Co-op team members and their customers, such as electronic shelf labelling, consumer Wi-Fi and handheld devices for store operations. These devices support ordering products from distribution centres and e-commerce functions, with further functionality to be developed in the coming years.

The result of standardizing technology will be a more secure, stable and supportable environment — which will lower technical support costs — while also delivering an improved user experience. Forty locations had implemented handheld devices and more than 80 locations had been standardized with the new network infrastructure by the end of the fiscal year, with the remainder of the CRS to be completed by the end of 2021.
CAMPAIGN EXPLORES CO-OP BRAND

Both brand and customer experience are key components for developing the commitment and affiliation to Co-op by employees, members and all customers. The Co-op brand represents who we are and what we do, while CX considers how we do it and builds upon what Co-op is known for today and into the future.

As the work being done through the CX Team has shown, people will spend more at our locations, shop more business lines and recommend us to others when they believe we’re a different kind of business. However, it’s been challenging in the past to convey to customers — and existing Co-op members — who we are. We are many different things to different people in different places.

In 2020, we introduced a new major campaign focusing on the core of our brand — to showcase how we are a different kind of business and the co-operative values that set us apart. The multi-year We Are Co-op campaign gives us the opportunity to talk about all business lines. It’s a way to talk about all products and services and talk to all members and customers — whether they live in a city or on a farm. We Are Co-op allows us to speak as the larger Co-op brand, but it can also be customized, owned and activated by our local Co-ops across Western Canada.

During Co-op Week in October, we launched the We Are Co-op anthem on television and digital channels to serve as the foundation for the campaign. Through the anthem, we share that we’re not a building — a gas bar or food store, for instance — but a group of people working together to help our neighbours and build the community.

The recurring theme will drive home that people form the heart of our brand, and that’s something we can all stand behind and be proud to be a part of.

We are local.
We are Western Canada.
We Are Co-op.
WE ARE
WE ARE
WE ARE
WE ARE
PARTNERS
BUILDING A LEGACY
CO-OP

COOP.CRS
Globally, the energy industry is seen as a key contributor to the transition to a low-carbon economy. To remain relevant to our members, it’s important for us to define our role in a low-carbon economy.

As a result, one of our top strategic priorities is the CRS Energy Roadmap. This roadmap provides a clear, integrated picture of the best path for the CRS to participate in the transition while we maintain competitiveness and maximize utilization of the CRC — our largest asset.

We completed the first phase of the roadmap in 2019. Through an industry consultant, we used modelling tools and exercises to help understand and evaluate the changing energy market and future scenarios. This work helped us to determine the path forward.

Progress on the Energy Roadmap was put on pause during the seven-month labour disruption. The new seven-year collective agreement provided the necessary foundation to enhance the sustainability and competitiveness of the CRC.

The second phase of the roadmap project began late in 2020, to develop and implement the strategies and systems that account for various factors. These factors, including long-term changes in demand and evolving regulatory compliance obligations, address the resulting opportunities and challenges in the marketplace. Through the benefit of this work, we can revisit the potential projects identified to determine their feasibility.

Through the collaboration and innovation of our teams, we’ll continue to target process improvements at the CRC and other opportunities to enable the CRS to continue serving our members well into the future.

**Investing in facilities**

In 2019, we developed a three-year plan to improve the energy efficiency of our warehouse facilities. This past year, we repaired the roof on our home and building distribution centre in Calgary and upgraded the roof and insulation at the Edmonton food distribution centre. We also began many other energy renewal projects — including air handling unit replacements, LED replacements, new building automation systems, a new heat recovery system and refrigeration control upgrades — which should be complete next spring. We’re also working to upgrade the refrigeration system at the Edmonton distribution centre using a more sustainable anhydrous ammonia plant.

After extensive planning and preparation, FCL transitioned the process to age, pick and distribute beef products to local Co-ops in October. Previously, FCL contracted a third-party to provide this service to Co-op Food Stores selling fresh beef. Providing this service internally repurposes part of the food distribution centre in Calgary and will provide significant cost savings to the CRS. Calgary Co-op’s decision to source its groceries from another supplier as of April 2020 resulted in FCL repurposing the Calgary food distribution centre, restructuring and reducing our workforce, and seeking opportunities to replace the lost sales.

We continue to expand the footprint of our propane operations in order to serve new customers across Western Canada. In 2020, we opened two new branch offices in British Columbia in Chemainus, on Vancouver Island, and Armstrong, in the B.C. Interior.
Maintaining safety on the road

FCL’s trucking fleet included 262 merchandise trailers, 194 petroleum tankers and 92 propane delivery units pulled by company drivers and lease operators. The merchandise and petroleum fleets travelled 74.6 million kilometres, delivering more than 550,000 tons of merchandise and nearly 3.6 billion litres of fuel.

In 2020, we introduced new systems into the propane fleet to support the safety of our team and communities. We added in-cab video event recorders, previously launched in other parts of our fleet, to target accident risk reduction. We also implemented a fleet tracking system, which includes an automated Lone Worker Program to monitor our fleet for incidents, especially as our team is often travelling in remote areas alone.

We launched a new project late in the fiscal year designed to migrate towards an integrated, FCL-wide fleet management program. By doing this, we’ll be able to standardize best practices, capture efficiencies and mitigate compliance and safety-related risks for our merchandise, petroleum and propane fleets.

FCL also designed and deployed upgrades to the fuel delivery system — used to pump and measure fuel to be invoiced — on local Co-ops’ bulk petroleum trucks. The main benefit is mobile connectivity as trucks will connect wirelessly to servers through a cellular modem and transfer data instantly, instead of drivers having to download and transfer data at the start and end of their day. Local Co-ops may also choose add-on services that use GPS to provide route information and truck and personal panic buttons to help keep drivers stay safe when travelling alone to remote locations.

Feed distribution changes

Along with an investment in new equipment to safely and efficiently bag feed products, we’ve introduced a new distribution model that allows us to deliver products to local Co-ops more effectively. We’ll continue distributing feed directly through Co-op Feed Plants, however local Co-ops can now order products through the home and building distribution centre in Calgary as well, which supports more efficient, predictable ordering for agro centres of all sizes.
LEANING INTO PROCUREMENT

As part of our procurement transformation strategic priority, we established a Centre-Led Procurement Team in 2020. With the intention to help our organization become more strategic, competitive and agile, this team developed and implemented enterprise-wide policy, processes, and standardized tools and templates to more fully leverage our collective buying power, resources and infrastructure.

In completing the initial phase of the transformation last year, we were already able to achieve tangible savings and value for the CRS. This included 10 to 20 per cent cost savings associated with CRS facilities and our energy business, including store fixtures and car wash chemicals, by using multi-year supply contracts and improved negotiation techniques. We also focused on our food business and achieved excellent results in areas such as snack crackers, yogurt and cheese.

We’ll aggressively extend and expand the procurement model to more areas of our food business as well as other business areas in 2021. A multi-year plan will guide our activities in areas we can have the greatest impact, ultimately providing more value to local Co-ops for the future. We’ll also continue to enhance our processes and tools into the new year.

In the next phase of this transformation, we’ll focus on leveraging our existing data and technology investments to drive new, innovative processes and strategic insights into both our procurement and supplier relationship management processes. This will enable us to increase our efficiency to maximize the impact on profitability while requiring minimal investment in additional resources. To accomplish this, we’ll partner with stakeholders and use existing resources to deliver the required results that will keep both FCL and local Co-ops competitive for years to come.
We have been on a risk-management journey, considering how we mitigate risk as well as reimagining our approach to risk structuring and funding. As part of this journey, FCL began to implement a strategy using a captive insurance company we established to provide insurance to the CRS when it’s beneficial to do so.

In 2020, Red Shield Insurance — FCL’s wholly owned insurance company — received its license to begin providing insurance products. Overall, we’ll be able to provide insurance that is more economical than typical commercial insurers and meets the unique needs of the CRS.

We used Red Shield Insurance to underwrite FCL’s fleet for 2021, as commercial insurance markets didn’t recognize our risk management improvements. We also joined Oil Insurance Limited to avoid increased premiums — up to 30 per cent — if all insurance needs for the CRC were purchased in commercial markets. Not only are we saving on insurance premiums, we also retain any profits on expensive insurance coverage. Using Red Shield Insurance also drives competition, allowing us to save on insurance renewals.

In addition to offering insurance products, FCL has been evolving to offer other financial products and services to local Co-ops. In 2020, we began to offer an operating line of credit to meet the short-term borrowing needs of local Co-ops. The line of credit is flexible, offered at a competitive interest rate and doesn’t have any extra fees. By offering this product, we’re increasing savings across the CRS.

The impact to sales
Gasoline and diesel sales to local Co-ops and commercial customers totalled nearly 5.7 billion litres, a decrease of eight per cent from the previous year. The decrease can largely be attributed to the impact of COVID-19. Aside from lower sales volumes, the Energy and CRC Teams managed to maintain the reliability of our distribution networks through the usual seasonal spike in volumes in the spring and fall,
Total storage capacity of three Co-op Fertilizer Terminals in metric tonnes

106,900

which was enhanced by lower prices and good harvest conditions, respectively, while also navigating adverse conditions posed by the CRC labour dispute.

One highlight in the energy sector was the continued increase in propane sales, which rose 10 per cent over last year — a new record for the fourth straight year. While grain drying accounted for a significant amount of this, sales in home heating and commercial markets continue to climb.

While the pandemic has reduced gasoline and diesel sales, it has increased sales in our food and home and building solutions business areas. While food sales are up across the country, our sales have outpaced the market average and we’ve gained market share in regions excluding Calgary. After a slow start to the year, we experienced unprecedented results in the home and building solutions area in the latter part of the year as people reinvested in their homes.

Ag developments support growth

With support from local Co-ops and continued investment to expand their presence in the ag sector, we saw new records in sales of crop supplies and fertilizer volume. Good growing conditions on the Prairies last year, along with a rebound in fungicide usage, helped drive performance.

FCL opened its third regional fertilizer terminal in Grassy Lake, Alta., to deliver crop-nutrition products to Alberta farmers. A $42.8-million investment, the terminal has a storage capacity of 34,500 metric tonnes and features a loop track to accommodate up to 110 rail cars, which is essential to receive product from domestic and international suppliers.

We’ve also bolstered agricultural sales by offering exclusive products, such as NuSeed canola, and a growing selection of store-brand products. In partnership with Interprovincial Cooperatives Ltd. (IPCO), we’ve rebranded these products while also launching Octagon, a new herbicide.

We continue to see growth and adoption for products exclusive to the CRS across all our business areas for purposes of market differentiation and margin protection.

Pilot-project potential

In 2020, we launched a pilot focused on improving the logistics of serving Co-op Convenience Stores. Through the pilot, we engaged a third-party partner specializing in warehousing and distributing products to convenience stores. Instead of using our merchandise fleet — which is better equipped to make larger deliveries to food stores — we anticipate this partner will provide more economical service and more frequent deliveries to local Co-ops.

Another pilot project in development, to be introduced in 2021, involves analysing business analytics to inform the scheduling of team members at Co-op Food Stores. The pilot will help ensure we have the right staffing complement to meet customer demands, providing support to local Co-ops in managing their labour costs.
The CRS continues to operate in very competitive markets with local Co-ops facing larger and more aggressive competitors. As a result, FCL developed plans to redistribute some more of its earnings to local Co-ops in an expedited and predictable fashion.

The result was FCL and local Co-ops dedicating themselves to the Federation through a Letter of Commitment in November 2019. This Letter of Commitment formalized what local Co-ops had already been doing. Through the Letter of Commitment, local Co-ops committed to purchasing at least 90 per cent of their total purchases of goods for resale from FCL, applicable only to goods FCL supplies. The program provides a quarterly payment to local Co-ops based on litres of fuel supplied by FCL. As a result, FCL made payments worth $185 million to local Co-ops throughout the fiscal year.

Again, this program is designed to assist local Co-ops with their profitability and competitiveness, supporting their long-term success. In turn, the commitment by local Co-ops displays confidence in the Federation and confidence in FCL, which allows us to make investments for the CRS.

With the Letter of Commitment in place, FCL will continue to work on strategic initiatives such as standardizing technologies, improving customer experience, transitioning to a low-carbon economy and strengthening our logistics and transportation networks.
Increase in propane sales in the last four years: 50.1%
SUSTAINABILITY

Environmental, social and fiscal considerations are embedded in planning and decision-making processes to enhance the resilience of the CRS.

The CRS Sustainability Strategy sets out objectives to establish Co-op as the sustainable choice by embedding sustainability across the business. Following the release of the strategy in 2019, we’ve continued to engage all business units as well as local Co-ops to determine how they can best leverage this strategy. The intent is for Co-op to be recognized as a leader in sustainability initiatives. We’re working on ways to tell our collective story as well as tracking and reporting meaningful measures.

We continue to measure our impact on our communities and seek input from our stakeholders. We’re working on an updated materiality assessment, which gathers feedback from Co-op customers, team members, business partners, suppliers, Indigenous partners and other community stakeholders. Expected to be finalized in 2021, this assessment identifies and prioritizes sustainability issues of importance to stakeholders that we’ll compare against our current strategy to ensure alignment.

We continue our work on various initiatives such as those dedicated to energy efficiency, waste management and reduction of plastic waste. FCL also collaborated with local Co-ops to design and develop the processes, systems and hardware for the Co-op Connect network of fast-charging stations for electric vehicles. The first charging stations were installed in 2020 and will be operational in 2021.

Safe, sustainable refinery operations

In recent years, we’ve focused on reducing the impact of sulphur — both in the refining process and in the gasoline and diesel fuels we produce. As part of this, we’ve continued to implement plans to reduce hydrogen sulphide (H2S) emissions.
Since implementing the Liquid Sulphur Degasification Project in October 2019, we’ve reduced H2S emissions at the CRC by about 75 per cent. Our work to install two new liquid sulphur tanks, which provide more storage and have a gas-recovery system, will increase reductions to 99 per cent with H2S concentrations in liquid sulphur dropping from 250 parts per million to less than 10. By lowering H2S levels, we’re creating a safer work environment on site and for our end users.

We’re also building on our mandate to conduct business in an environmentally responsible way at the CRC by implementing a Leak Detection and Report (LDAR) Program. The program enhances safety and reliability by maintaining an inventory of equipment components, detecting small leaks using special monitoring equipment, identifying the cause of the leak and quickly repairing the equipment component.

Through the LDAR Program, we’ll reduce fugitive emissions — unintentional releases that cannot otherwise be captured — such as volatile organic compounds to reduce produce losses, increase worker safety and meet federal regulations coming into effect in 2022. In 2020, we completed an equipment inventory, fully tested more than 100,000 accessible components and modified our fence-line monitoring program.

Innovative research and soil studies

Co-op has been a leader investing in the management of contaminated petroleum sites across Western Canada. In 2020, we contributed to renewing the Natural Sciences and Engineering Research Council of Canada (NSERC) Industrial Research Chair at the University of Saskatchewan for another five years. NSERC and FCL will each provide $1.25 million, with in-kind contributions worth another $1.9 million from FCL and $1 million from the university.

Over the past five years, our innovative collaboration has helped study and develop safer, cheaper and more sustainable methods for cleaning up contaminated sites. The collaboration has led to eco-friendly techniques that can reduce hydrocarbons in the soil by more than 90 per cent. Because of this success, FCL has already applied the findings outside the initial research locations.

This second term will build on the research, further optimizing soil remediation approaches, and support the education of 50 undergraduate and graduate students.

Ongoing reviews of plastic packaging

We’re continuing our efforts to reduce and divert waste, including plastic waste, in our operations. Through a cross-functional team, we’re assessing our Co-op brand product packaging and working with our partners to increase recycled content, enhance packaging recyclability and increase compostable packaging.

FCL represents the CRS in regular discussions with provincial and federal governments, tracking legislation and regulation changes when they occur. With the announcement of a proposed federal ban on six single-use plastic items, we’re reviewing the impact on the CRS and taking steps to source alternative solutions.

We also participate in industry groups, such as the Canadian Produce Marketing Association, Retail Council of Canada and Cleanfarms, to address the broader issue of plastic waste. FCL is part of the steering committee leading a new Cleanfarms pilot project to recycle seed bags in Alberta, Manitoba and Saskatchewan in 2021.
Community commitments stay strong

In addition to the work being done through local and sustainability work stream of Customer Experience, FCL contributed more than $8.1 million to local charity and non-profit organizations, including nearly $3.5 million of in-kind donations to food banks.

To support individuals and communities as they face the challenges of the COVID-19 pandemic, we made a $250,000 donation to food banks in Western Canada. We also launched our Co-op Helps initiative to help share inspiring stories of individuals going above and beyond to help one another. This provided a platform for local Co-ops to reach out to their community to celebrate heroic efforts. As a result, we ended up distributing $125,000 in gift cards to 1,250 randomly selected individuals, from 4,500 nominations submitted in May, with gift cards provided to the nominators as well. A video promoting the campaign received nearly 1.8 million views over two weeks on a variety of digital channels.

For the second year, the Co-op Give Card Campaign helped raise awareness and funds for the Canadian Red Cross. We donated $1 for every limited-edition gift card sold at participating Co-op locations during the holiday season. On behalf of the CRS, we made a $200,000 donation to the Canadian Red Cross. Co-op Community Spaces also donated $1 million to 17 projects in 2020.

Carbon footprint

Reported emissions are calculated using industry best practices and the globally accepted Greenhouse Gas Protocol. The Co-op Refinery Complex (CRC) and Terra Grain Fuels are regulated facilities that report annually to Environment and Climate Change Canada (ECCC).

Reported data is based on the calendar year, which is consistent with industry standards. Data for the current year was not yet available prior to publication.

<table>
<thead>
<tr>
<th>Absolute Emissions (tCO2e)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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<td>CRC</td>
<td>2,129,022c</td>
<td>2,002,942</td>
<td>2,030,810</td>
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<tr>
<td>Crude Oil</td>
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<td>53,608</td>
<td>67,927</td>
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<td>FCL</td>
<td>165,971</td>
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<td>166,747</td>
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<tr>
<td>Terra Grain Fuels</td>
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<td>107,997</td>
<td>107,285</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,434,882</strong></td>
<td><strong>2,332,399</strong></td>
<td><strong>2,372,769</strong></td>
</tr>
</tbody>
</table>

1 Tonnes of carbon dioxide equivalent
2 This represents preliminary data. Final emissions were not finalized at time of printing.
3 Reported data changed in 2019 to include fuel oil consumed at crude oil sites. Data from 2017 and 2018 have been adjusted retroactively. Crude oil assets acquired in late 2019 are not reflected in data and will be incorporated in 2020 results.
4 Reported data reflects FCL fleet and facilities. As of 2019, FCL fleet emissions include fuel consumed by lease operators. Data from 2017 and 2018 have been adjusted retroactively. Facilities data includes consumed electricity, with the Alberta electricity grid emission factor adjusted to the most recent National Inventory Report.
5 Terra Grain Fuels was acquired in 2019. Retroactive results from 2017 and 2018 have been previously reported to the Saskatchewan Ministry of Environment and are shown only for comparison purposes.

Waste Diversion

FCL is reducing the waste going to landfills as the result of its operations through a variety of initiatives, including composting organics and recycling plastics and cardboard.

<table>
<thead>
<tr>
<th>Waste Diversion</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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<tr>
<td></td>
<td>65%</td>
<td>65%</td>
<td>52%</td>
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*Excludes the Co-op Refinery Complex and one-time events (e.g. diverting waste from construction projects)
Indigenous people make up a significant part of the Western Canadian population, representing the youngest and fastest growing demographic. What this means is Indigenous people play an important role in the future of our economy — from employees to customers to business partners.

FCL launched its Indigenous Engagement Strategy in 2020 with the goal of meaningful engagement with Indigenous communities through mutually beneficial relationships. Components of the strategy include training and awareness, employment and talent management, relationship building and business-to-business opportunities.

In 2020, we completed foundational work collecting baseline data and identifying current partnerships with Indigenous communities and organizations. We made progress in the development of an Indigenous Gas Bar and Convenience Store Program and the new Western Nations brand, which is to be launched in the next fiscal year.

Through that program, Indigenous communities will own and control a growing network of gas bar locations, while FCL and local Co-ops will supply fuel along with a range of products and services to support their success. Not only will this strengthen relationships and provide mutual opportunities for growth, it will help support Indigenous communities through its Community Building Assistance Program. Based on fuel sales, the program provides funding for locally selected infrastructure, programming or events.

FCL continues to work with both internal and external stakeholders to build awareness and partnerships around Indigenous engagement. We have successful partnerships to build upon, such as the success in propane, where we currently provide services to 28 First Nations and partner with Kitsaki Management to refurbish tanks. We were among the first businesses to sign the Saskatchewan Chamber of Commerce Indigenous Engagement Charter, which supports the work and Calls to Action put forth by the Truth and Reconciliation Commission in 2015. FCL also participates on the Saskatoon Reconciliation Committee and Prairie Rivers Reconciliation Committee.

Indigenous engagement is a commitment to reconciliation and will contribute to the work FCL is doing towards its vision — Building sustainable communities together. There is significant alignment in values between Indigenous communities and co-operatives, which will support business opportunities and mutual growth in the future.
INTERNATIONAL CO-OP ALLIANCE

Statement on the Co-operative Identity

Co-operatives
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
Sept. 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.