



Federated
Co-operatives
Limited

WE ARE CONNECTED

2021 ANNUAL REPORT

FCL SOURCES ITS CO-OP GOLD PURE® FISH FILLETS FROM THE ÎLE-À-LA-CROSSE FISH COMPANY
AND LOCAL FISHERS IN NORTHERN MANITOBA AND SASKATCHEWAN.



.....

WE ARE WESTERN CANADIAN. CONNECTED. CO-OP.

.....

Throughout the pandemic we've been here for our members, committed to providing the support and essential services they need to serve their local communities.

**We are connected – to our members, to our communities
– *because we are a different kind of business.***



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20-21 SUSTAINABILITY HIGHLIGHTS



Diverted over **70%** of waste from the landfill



Composted **32,000+ KG** of organics from our distribution centres



Sourced **17.1+ MILLION KG** of fresh fruits and vegetables from Western Canadian farmers



Reduced emissions of all FCL fleet and facilities by **10%**



Donated over **550,000 KG** in products valued at \$3.5 million to food banks in Edmonton, Saskatoon and Winnipeg



Rescued and repurposed **2.2 MILLION KG** of food waste from 59 participating locations to local farms in 2021



Procured more than **97%** of fish and seafood from sustainable sources, including fresh, frozen and private-label products



Achieved an impressive **100%** automotive battery recycle return rate across the Co-operative Retailing System



Recycled **390,552 KG** of plastic wrap and film from our local Co-ops and distribution centres, which were baled and sold to be processed into composite decking



Contributed over **\$1.7 MILLION** in support of 21 research projects focused on responsible environmental management of contaminated sites in 2021



Reported **ZERO** tier 1 and 2 process safety incidents at the Co-op Refinery Complex (CRC)



Raised over **\$595,000** for 195 registered charities and non-profits on Fuel Good Day in 2021



Reduced fuel consumption in litres per 100 km of merchandise fleet by **OVER 10%**, from 42.5 in 2019 to 37.9 in 2020

FCL'S COMMITMENT TO REDUCING GREENHOUSE GAS EMISSIONS:
40 PER CENT REDUCTION BY 2030
ASPIRING TO BE NET NEUTRAL BY 2050

FCL AT A GLANCE

Federated Co-operatives Limited's (FCL) business is largely business-to-business, focused on serving our local Co-op member-owners. Working together, FCL and the more than 160 independent local co-operative associations form the Co-operative Retailing System (CRS) to help fuel, feed, grow and build Western Canada. To learn more about FCL, refer to the About Us and FCL Membership sections of this report.

WE OPERATE 40+ FACILITIES IN 5 PROVINCES:



3,300+ FCL EMPLOYEES



\$9.1 BILLION IN SALES



DELIVERING SERVICE TO 620+ COMMUNITIES

PRESIDENT'S MESSAGE

It can be easy to think that everything came to a halt in the last year. It can also be easy to feel like we've missed out on two years – by the time this message is published – of our lives. However, time didn't stop, and we have completed as much work as we ever have – if not more – as we tried to navigate the unknown.

No one can deny the challenges from the COVID-19 pandemic are unlike anything we've had to face in recent memory. However big the challenge though, there have been reasons to be optimistic. For example, we found new ways to work and new ways to connect we never thought possible only a few years ago. More importantly, though, it has reinforced the need to focus on our strengths and work collaboratively as a Federation.

Both the Leaders Conference and our Annual Meeting were held virtually for the first time. Engaging our members, which are represented by delegates at meetings, is a significant part of our co-operative governance. This was the first year that all districts held elections and every delegate was eligible to run and participate, underscoring the importance of the changes we made to the Board's district structure and election process. We want to encourage a diverse and representative group of candidates with an array of skills and knowledge to guide FCL. To that end, I'm proud to share our board is as close to gender parity as we've ever seen, with seven of the 15 director positions filled by women in 2021.

Board composition was one area the Canadian Centre for the Study of Co-operatives studied in a governance report we commissioned. Open to the CRS, 47 local Co-ops participated in a survey that also reviewed board practices, director compensation, election processes and terms, and board evaluations. The report demonstrates some similarities and some variances in Co-op boards. Local boards must be autonomous, independent and accountable to their members, however there are opportunities for us to improve board governance, particularly if we work together to tackle common challenges.

Our Board also continued efforts to improve governance processes. Scheduling virtual committee meetings in advance of board meetings helps us use time more efficiently, reducing time away from home and the overall time commitment to be a director. Limitations on in-person meetings continue to challenge us as we look to connect with one another, transfer knowledge and experience to new directors and, ultimately, engage local Co-ops. We've identified the need to find ways to build and enhance these relationships, supporting the unity of the Federation. As part of this, we're reviewing how we communicate with our members.

One significant highlight in 2021 was the release of Series 3 of the Director Development Program after a successful pilot the previous year. This certification creates a formal approach and consistency to co-operative board governance that hasn't existed in Canada before. With more than 1,000 directors across the CRS, we celebrate the certification and encourage all directors to attain the new Co-opD.D designation.

It's important to acknowledge and celebrate our efforts and our accomplishments, particularly when the pandemic has been a prolonged struggle. Thank you to FCL's Pandemic Team for guiding our response to ensure the safety of our team members and customers. Thank you to all board members, organizational leaders and team members at FCL and across the CRS for your resolve and showing up day after day.


Your efforts matter and reinforce our commitments to each other and our communities. Despite the challenges we face, we're here working together – in person or virtually – for the benefit of our members and communities now and in the future. Our Board remains focused on the role FCL has and value we provide in supporting the needs of our members and the larger CRS. The pandemic won't break the connections we've made over generations, it only strengthens them because We Are Co-op.





“THE PANDEMIC WON’T BREAK THE CONNECTIONS WE’VE MADE OVER GENERATIONS, IT ONLY STRENGTHENS THEM BECAUSE WE ARE CO-OP.”

— SHARON ALFORD, PRESIDENT/CHAIR OF THE BOARD



.....

“TOGETHER, WE CAN TAKE ON ALL CHALLENGES, ULTIMATELY MAKING A DIFFERENCE IN MEMBERS’ LIVES TODAY AND INTO THE FUTURE.”

.....

— D. SCOTT BANDA, CHIEF EXECUTIVE OFFICER

CEO'S MESSAGE

Once again, the COVID-19 pandemic dominated narratives in 2021 – not only for FCL and the CRS here in Western Canada, but also for businesses and individuals around the world. The pandemic has impacted nearly every aspect of our lives, from our health and wellness to supply chains and consumer behaviours, and it has illuminated just how connected we are.

The challenges we have faced together have reinforced our spirit and resilience. We have effectively navigated the evolving environment and focused on opportunities. We've had to adapt and innovate, finding new tools and new ways to get things done. We've met these challenges and risen above them because We Are Co-op. The strength of the CRS is in our commitment to the co-operative model and each other, positioning Co-op for the long-term benefit of our communities.

FCL's financial results were strong and a remarkable improvement over the previous year. We saw a record year for sales in fertilizer, crop supplies and home and building solutions, along with strong earnings in our food and energy businesses. The refining industry and energy markets were tough throughout the first half of the year, with market conditions improving in the second half of the fiscal year. However, drought conditions had a negative impact on harvest fuel demand as well as our overall agriculture sector. Once again, the value of having a diverse portfolio of business lines was apparent in 2021.

We are working to strengthen our sustainability and competitiveness by developing an engaged workforce and an inclusive culture at FCL. Our strategy aims to build connections, to ensure our team members feel they belong, feel valued and feel able to bring their whole selves to work. Being a diverse and inclusive organization will help us prepare for future uncertainty by being innovative and agile.

Recognizing that we need diversity in perspectives and backgrounds to help drive our business forward, we continued to focus efforts on diversity and inclusion. We took steps forward on our journey of truth and reconciliation by advancing our understanding and awareness, relationship building and business development. We provided resources for awareness training in a variety of formats and FCL recognized the National Day for Truth and Reconciliation on Sept. 30 to provide team members with the opportunity to honour residential school survivors and engage in acts of reconciliation. The new Western Nations brand was launched as a partnership that

involves FCL and local Co-ops supporting a growing network of independent, locally owned Indigenous gas bars fuelled by Co-op.

Co-op is planning for a future in energy – which is the largest part of our business and our profitability. We have spent considerable effort building the Co-op Energy Roadmap, which considers projected demand for our liquid fuels and identifies the investments we need to make to position our energy business for decades to come. We continue to work to understand future regulations and investment opportunities to prosper in the transition to a low-carbon economy. To do our part in supporting the transition, we have committed to reducing our greenhouse gas emissions by 40 per cent below 2015 levels by 2030 and aspire to achieve net-zero emissions by 2050.

We're also continuing our work to focus on our members and customers as we position Co-op as a different kind of business. We continue to advance projects that will collectively create one view of the customer. This work includes e-commerce, digital agriculture, customer relationship management and the extensive efforts behind customer experience, including the new Member Plus Rewards Program. A robust, all-encompassing view of interactions across channels and business areas will provide the data to inform decisions to support local Co-ops and better serve our Co-op customers and communities.

Ensuring we have the strategic tools in place to empower and enhance our foundational pieces – brand, people and technology – will also help us achieve success. We continue to build the systems and tools to execute the strategies of the future. This means investments to enhance supply chain transformation, people management, resource optimization and financial systems across the CRS.

It's remarkable what we've been able to accomplish in the last year. The pandemic has presented challenges, but we've relied upon our relationships with each other and being united as a Federation. We will come out of this unique period in our history stronger and more resilient than ever. Together, we can adapt, innovate and flex, finding solutions to any problem that arises. This is why I'm optimistic about our future. I'm confident in our ability to rely on our values and bring life to our vision – Building sustainable communities together. Together, we can take on all challenges, ultimately making a difference in members' lives today and in the future.





D. SCOTT BANDA
CHIEF EXECUTIVE OFFICER



ROMAN COBA
VICE-PRESIDENT, TECHNOLOGY



RON HEALEY
VICE-PRESIDENT, AG AND CONSUMER BUSINESS

SENIOR LEADERSHIP



BRIAN HUMPHREYS
VICE-PRESIDENT, ENERGY



GIL LE DRESSAY
VICE-PRESIDENT, REFINERY OPERATIONS



HEATHER RYAN
VICE-PRESIDENT, SUPPLY CHAIN



PAM SKOTNITSKY
VICE-PRESIDENT, STRATEGY



PATRICK SMITH
VICE-PRESIDENT, RETAIL OPERATIONS



TONY VAN BURGSTEDEN
VICE-PRESIDENT, FINANCE



SHAUNA WILKINSON
VICE-PRESIDENT, PEOPLE AND CULTURE

ABOUT US

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 620 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 our co-operative member-owners so they can serve Western Canadians.

.....
**TOGETHER,
WE ARE CO-OP.**
.....

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





NOVEMBER 2020

- Co-op invested \$5 million to expand the Brandon fertilizer terminal, increasing storage capacity by more than 30 per cent to a total of 36,500 metric tonnes.
- FCL won three awards from the Canadian Agri-Marketing Association for its marketing on helping local producers grow their businesses and feed their families.





JANUARY 2021

- Co-op partnered with Indigenous communities to develop the new and exclusive WESTERN NATIONS gas bar brand, supplying and supporting independent, locally owned Indigenous gas bars across Western Canada.
- On behalf of the CRS, FCL donated \$200,000 to the Canadian Red Cross for emergency support in Western Canada and to help with COVID-19 relief efforts.



FEBRUARY 2021

- FCL and Blair's Family of Companies proudly announced their agreement to enter into a joint venture, providing FCL with an opportunity to expand our presence in central and southeastern Saskatchewan.
- Online shopping at Build.crs was piloted at four Co-op Home Stores, enhancing the customer experience and improving Co-op's competitive position in the market.

WE FUEL WESTERN CANADA



ETHANOL
COMPLEX



MARCH 2021

- Because of the COVID-19 pandemic, FCL hosted its 92nd Annual Meeting virtually for the first time in history.
- *SaskBusiness Magazine* recognized 25 local Co-ops and FCL in the list of the Top 100 companies in Saskatchewan by revenue, with FCL maintaining second position.
- FCL rebranded its ethanol-production facility in Belle Plaine, Sask., as the Co-op Ethanol Complex (CEC) to align it with the Co-op brand.
- The first locations for Co-op Connect – a network of fast-charging stations for electric vehicles – launched in Saskatchewan in Whitewood, Regina, Moose Jaw, Swift Current and Maple Creek.

APRIL 2021

- The purchase of the assets of True North Renewable Fuels supplemented the work FCL had already completed. The acquisition represented another important step toward improving the environmental impact of the transportation fuels we produce.
- FCL supported local Co-ops by developing a new centralized membership welcome package service, which was offered to all local Co-ops following a successful pilot phase.





JUNE 2021

- Co-op Community Spaces funded 15 new projects across Western Canada to help rebuild community connections.
- FCL won four Retail Council of Canada Grand Prix New Product Awards for Co-op Gold Croissant Loaf, Co-op Gold Pure Cheese, Co-op Gold Pure Pasta and Co-op Gold Pure Concentrated Cleaning Pods.

AUGUST 2021

- The first Western Nations-branded gas bar opened Aug. 23 as a result of a partnership between Lake Country Co-op and Sturgeon Lake Developments Ltd.
- As part of its Turnaround Recycling Campaign, the CRC donated to the Regina and District Food Bank, providing 33,000 meals to those in need.





SEPTEMBER 2021

- The Retail Council of Canada selected Co-op's GROWN WITH PURPOSE® Program as the winner in the Environmental Leadership category, which recognizes retailers for their sustainable initiatives.
- FCL employees took time to reflect and engage in acts of reconciliation on the first National Day for Truth and Reconciliation on Sept. 30.
- Co-op's FUEL GOOD DAY® raised more than \$595,000, which was donated to 195 local charities and non-profit organizations across Western Canada.

OCTOBER 2021

- As part of Co-op Week, FCL announced its commitment to reduce greenhouse gas emissions by 40 per cent below 2015 levels by 2030 and net zero emissions by 2050. To help achieve these targets, FCL is exploring carbon capture with Whitecap Resources.
- TGP Wholesale Market in Edmonton relocated and expanded services to customers and commercial clients, including a new culinary centre.



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 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 or 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. One director is elected in each district each year. Following the director election at the annual meeting, the board elects a President/Chair of the Board and Vice-Chair to one-year terms.

Membership Changes

At Oct. 31, 2021, FCL was made up of 165 member retail co-operatives, two affiliate members and six associate members. Two changes occurred during the year:

- The Moose Jaw Co-operative Association Limited and Genesis Co-operative Association Limited amalgamated to form The Moose Jaw Co-operative Association Limited.
- Borderland Co-operative Limited and Hometown Co-operative Limited amalgamated to form Borderland Co-operative Limited.

FCL MEMBERS BY CLASSIFICATION

165

MEMBER RETAIL CO-OPERATIVES

2

AFFILIATE MEMBERS

6

ASSOCIATE MEMBERS

FCL MEMBERS BY PROVINCE

19

BRITISH COLUMBIA

28

ALBERTA

92

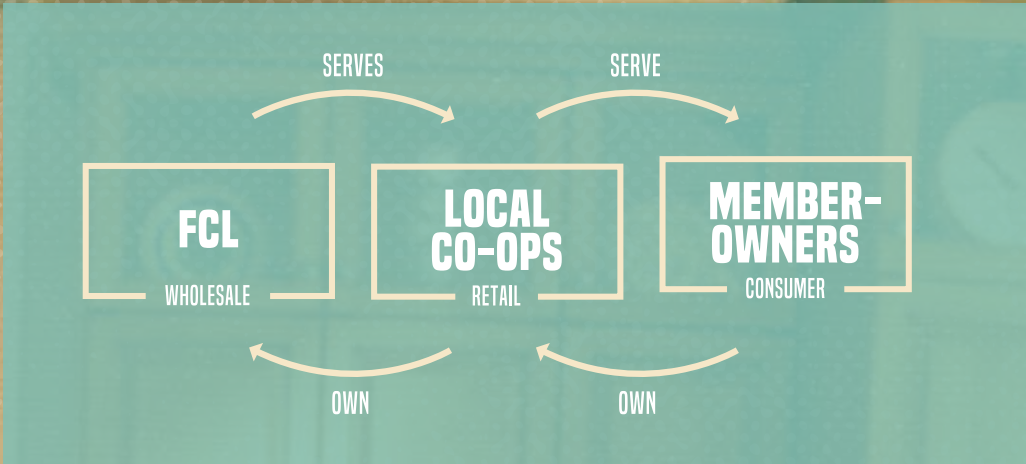
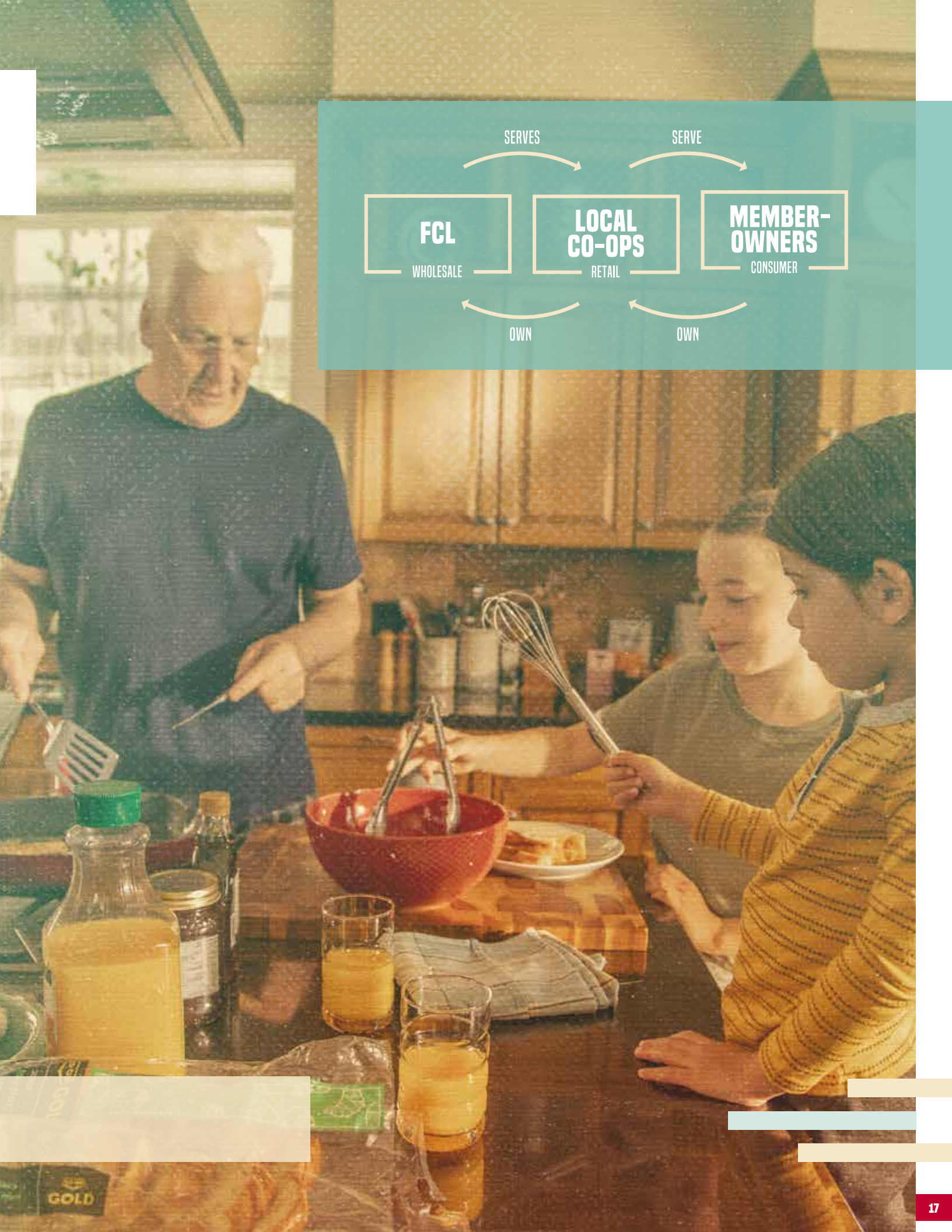
SASKATCHEWAN

33

MANITOBA

1

ONTARIO



DIRECTORS

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.

After revising its schedule, the Board met eight times in 2020-2021 with remote meetings held for most of the year. The Board's annual development day was held in October in person at Wanuskewin Heritage Park, near Saskatoon, Sask. During the year, the Board also reviewed how it participates in other co-operative organizations, ensuring FCL and the CRS continue to be represented while managing availability of FCL directors.

Virtually engaging members

The second-annual Leaders Conference in November 2020 was attended virtually for the first time by delegates. At the conference, board nominees were able to introduce themselves and address delegates during a candidates' forum as part of new election protocols recommended by the Election Process Steering Committee and approved by the Board.

Nearly 300 delegates representing FCL's membership attended the FCL Annual Meeting, including caucus meetings where they conducted the election of district director elects, in March 2021. This was the first time in 92 years the annual meeting was hosted online,

instead of having an in-person event. Following the annual meeting, Sharon Alford was elected President/Chair for a second term, with Randy Graham also being re-elected as Vice-Chair.

Elections during the annual meeting were the first to be held under the new process and in the new Districts. The Election Process Steering Committee reviewed the outcomes of the new procedures. While everything was deemed to have gone well and as expected, the committee recommended a number of additional adjustments that the Board approved. The new Nomination Committee structure and Terms of Reference were established, at which point the steering committee was disbanded.

The June District Meetings that followed provided one of the first opportunities for the new districts to come together, as discussions were limited the previous year in the transition online in the early days of the pandemic. The Board determined there was a need to revamp these meetings, and in 2021, we held a virtual meeting with an opening plenary session focused on governance, followed by five district meetings. The new approach resulted in meaningful discussions on board recruitment and evaluations, among other topics, and the opportunity to share local Co-op updates.

Director Development Program

The Director Development Program is available to board directors across the CRS. It has three objectives: promote leading practices in co-operative board governance, support boards in being strategic in their guidance of their co-operative and provide tools supporting the roles and responsibilities of a director.

With its launch in 2015, the program has achieved a new milestone with the release of Series 3 – Advanced Co-operative Governance – in 2021. The course was developed in collaboration with the Canadian Centre for the Study of Co-operatives at the University of Saskatchewan, with the CRS contributing extensively as subject matter experts to the program's development. This course ultimately led to the development of the first co-operative director designation (Co-opD.D) in Canada, which identifies the skills and competencies needed to be an effective director at a co-operative.

COMMITTEES

Governance Committee

Randy Graham (Chair), Sharon Alford,
Tara Burke, Valerie Pearson, Donna Smith

Audit Committee

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

Human Resources Committee

Ryan Anderson (Chair), Randy Graham,
Paul Hames, Valerie Pearson, Darlene Thorburn

Sustainability Committee

Robert Grimsrud (Chair), Graham Anderson,
Judy Clavier, Lyle Olson, Donna Smith

Code of Conduct and Ethics Committee

Randy Graham (Chair), Sharon Alford,
Ryan Anderson

Credentials Committee

Randy Graham (Chair), Paul Hames,
Darlene Thorburn, Jocelyn VanKoughnet

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

District	Director	Board Meetings	Additional Per Diems ¹	Term Expires
1	Judy Clavier , Dawson Creek, B.C.	8	20.75	2022
1	Donna Smith , Stony Plain, Alta.	8	25.5	2023
1	Tara Burke , Wainwright, Alta.	8	20.25	2024
2	Darlene Thorburn , Victoria, B.C.	8	25	2023
2	Joe Bowhay , Didsbury, Alta. ²	3.5	6.5	2021
2	Russell Wolf , Red Deer County, Alta. ²	3.5	9	2022
2	Paul Hames , Brentwood Bay, B.C. ³	4.5	16.5	2024
2	Graham Anderson , Powell River, B.C. ³	4.5	14	2022
3	Don Mathies , Herbert, Sask.	8	21	2022
3	Robert Grimsrud , Estevan, Sask.	8	19.5	2024
3	Lyle Olson , Preeceville, Sask. ⁴	7	21	2023
4	Valerie Pearson , Saskatoon, Sask.	8	21	2024
4	Randy Graham , Battleford, Sask.	8	30.83	2022
4	Ryan Anderson , Melfort, Sask.	8	17	2023
5	Sharon Alford , Swan River, Man. ⁵	8	—	2022
5	Jocelyn VanKoughnet , Carman, Man.	8	18.5	2024
5	John Rudyk , Fisher Branch, Man.	8	20	2023

¹ Includes business unit reviews, corporate planning, board development, board committees, retail and other meetings and travel

² Term ended or resigned March 1, 2021

³ Elected March 1, 2021

⁴ Resigned Oct. 25, 2021

⁵ President/Chair of the Board does not receive per diems



SHARON ALFORD
PRESIDENT/CHAIR OF THE BOARD



GRAHAM ANDERSON
DIRECTOR



RYAN ANDERSON
DIRECTOR



TARA BURKE
DIRECTOR



JUDY CLAVIER
DIRECTOR



RANDY GRAHAM
VICE-CHAIR OF THE BOARD



ROBERT GRIMSRUD
DIRECTOR



PAUL HAMES
DIRECTOR



DON MATHIES
DIRECTOR



LYLE OLSON
DIRECTOR



VALERIE PEARSON
DIRECTOR



DONNA SMITH
DIRECTOR



JOHN RUDYK
DIRECTOR



DARLENE THORBURN
DIRECTOR



JOCelyn VANKOUGHNET
DIRECTOR

FINANCIAL HIGHLIGHTS

MEMBERSHIP RETURNS

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:

	2019	2020	2021
Crop Supplies	3.878%	4.125%	3.877%
Food	3.462%	4.259%	5.243%
Home and Building Solutions	3.410%	2.800%	3.815%
Freight	8.610%	2.326%	3.705%
Energy-Fuels¹	10.340¢/L	0.000¢/L	4.464¢/L
Energy-Propane¹	7.130¢/L	8.450¢/L	8.393¢/L
Energy-Oil and Grease	10.438%	6.935%	17.759%
Fertilizer²	\$2.006/MT	\$2.008/MT	\$5.838/MT
¹ Cents per litre (¢/L) ² 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 \$2.0 billion in cash to its member-owners.

\$9.1B

SALES

\$495M

NET INCOME

\$353M

**PATRONAGE
ALLOCATION**

\$290M

SHARE REDEMPTION

Every dollar of our profits stays right here in Western Canada to support Western Canadians and make a difference where we live and work. That's something we can all be proud of.



PEOPLE

WE ARE A HIGH-PERFORMING TEAM THAT LIVES OUR VALUES AND BRAND.

First introduced in 2020, the Employee Experience (EX) considers people, tools, systems and processes, physical environments and culture. The EX initiative is all about enhancing team members' perceptions of and touchpoints with their workplace. Simply put, if we want Co-op to be a great place to shop, it needs to be a great place to work.

As part of the EX initiative, FCL has done a lot of work to support our team members and enhance their experiences, including providing tools, activities and resources to support employee wellness. We continued the rollout of the Canadian Mental Health Association's Not Myself Today modules, which include learning the basics of mental health and mental illness, working with emotions, and addressing stress. FCL's Employee and Family Assistance Program provider reintroduced the services available to team members and FCL's fitness partner hosted wellness webinars on functional fitness, sitting disease and the power of sleep.

Our two inclusion networks—the Women's Inclusion Network and Intercultural Inclusion Network—provided self-directed online learning opportunities, a book study group and a speaker series on topics such as allyship and Black, Indigenous, and People(s) of Colour (BIPOC) perspectives attended by more than 400 FCL team members. In addition, FCL's Diversity and Inclusion Team held a kick-off meeting with local Co-ops to introduce a module-based approach to help local Co-ops start or evolve their diversity and inclusion journey. The official launch is planned for February 2022. Over 500 FCL and local Co-op team members attended webinars led by Indigenous Elders and Knowledge Keepers on truth and reconciliation, as well as intergenerational trauma and healing. FCL also recognized the National Day for Truth and Reconciliation on Sept. 30 as a day to reflect and learn about Canada's history with Indigenous Peoples.

The Environmental Sustainability Team also supported learning opportunities through online webinars, videos, activities and blog posts on topics including donating items in a sustainable way and reducing food waste for employees across the CRS to engage in.

As we continue to focus on the employee experience, it's important we ask employees for feedback. In March, FCL conducted an employee engagement survey in which 79 per cent of team members participated. The top five dimensions—safety, diversity and inclusion, work tasks, team leader and brand—remained consistent from the 2019 survey.

The rollout of Inspire—The Co-op Leadership Experience—to local Co-ops continued in 2021. Inspire provides a foundation of what it means to be a leader in the CRS and supports team members' development. Inspire was introduced as a pilot program to six local Co-ops in 2020. As a result of the positive feedback we received, the rollout was accelerated and led to the introduction of the Inspire Conference series offered in the fall of 2021. The two Inspire Conferences attracted 341 team leaders from local Co-ops across the system and introduced them to the foundational concepts of Inspire. Overall, the program has been well received, with further conferences planned in 2022.

Safety at the forefront

Safety will always be an important part of who we are and how we choose to do business. Our Co-op Refinery Complex (CRC) teams have implemented continuous improvement over the past few years, bringing a new standard of safety excellence to its day-to-day operations. In August, we marked one year without a tier 1 or tier 2 process safety incident and went on to complete the fiscal year with zero incidents. This is an elite result and places the CRC among the top performers in the refining industry, which speaks to the unwavering commitment to the health and safety of our people and processes.

ZERO

NUMBER OF TIER 1 AND 2
PROCESS SAFETY INCIDENTS
REPORTED AT THE CO-OP
REFINERY COMPLEX IN 2021



500+

FCL AND LOCAL CO-OP TEAM
MEMBERS ATTENDED WEBINARS
ON TRUTH AND RECONCILIATION
AND INTERGENERATIONAL TRAUMA
AND HEALING IN 2021.



47 LOCAL CO-OPS

WERE REPRESENTED DURING
THE SEPTEMBER AND OCTOBER
INSPIRE CONFERENCES IN 2021

Navigating the pandemic and striving for better

Throughout the pandemic, we've prioritized the health and safety of all team members. We have committed to doing our part to reduce COVID-19 impacts in our organization and our communities by providing research, guidance and support for health and safety protocols. We've taken many opportunities to learn from our experiences over the past 20 months and make some tangible, positive changes to how we work. From introducing new technologies to providing flex work options and hybrid working spaces, the pandemic provided an opportunity to advance our culture, shift how we work and think differently about how we connect with people.

As we've navigated the pandemic, we developed recommendations on what systems, resources and processes are needed to support team members as we transition forward beyond the pandemic. Our Back to Better Plan ensures we'll do what's best for our organization and team members, be open to different ways of working and put the employee experience at the forefront of our decisions. We'll continue to adapt and transition back to the office at our own pace and do what works for our team members, ensuring that we stay true to the EX value proposition:

You're at home here. At Co-op you'll find success, community and purpose.

FCL team members are key to our business, and we continue to work to create an environment where all team members can bring their whole selves to work and thrive. We believe that flexible work contributes to that goal by promoting a healthy work and home life. Earlier this year, we asked team members to submit their flexible work agreements. This information will help guide our decisions as we continue to build on our definition of what better means to us in the coming months.

Growing the FCL family

FCL rebranded its ethanol-production facility in Belle Plaine, Sask., last year. The facility was renamed the Co-op Ethanol Complex (CEC), formerly known as Terra Grain Fuels, to align its identity with the Co-op brand. Co-op is a brand that is recognized and trusted, and with that brand comes standards and expectations on how we conduct our business and service our customers. The transition to the Co-op culture and way of doing business is well underway. We're proud to have welcomed the 47 full-time employees to the Co-op family. Integration into talent management practices, pension and benefits will occur in early 2022.





PEOPLE FORWARD

EMPOWERING THROUGH INNOVATION

TRANSFORMATION INFORMED BY EVERYONE

The Co-operative Retailing System (CRS) is a complex network, and maintaining consistent HR data and practices as well as reliable HR data across the system can be a huge endeavour.

People Forward is a transformative and collaborative multi-year program for the CRS that aims to improve the hire-to-retain employee experience with easy-to-use HR technology, consistent HR practices and reliable HR data to create a standard foundation across the organization.

Currently, our tools, data access and administration are manual and will benefit from improved processes and technology to be implemented through the People Forward Program.

By introducing simple, accessible, self-service tools and processes, reliable data and a clear and consistent approach, the CRS will be better equipped to support team members, enhance their employee experience, keep up with growing business demands, and stay competitive to attract new team members.

In 2021, a notable project milestone was when the People Forward Team held sessions with local Co-ops and FCL team members to learn how we can operate differently. These sessions produced more than 150 standardized process maps, including recruiting and hiring processes for new employees.

The People Forward Program is using a unique approach to implement the change across the CRS by introducing three People Forward Advisory Networks: the local Co-op HR Change Squad (HR team members at local Co-ops), the FCL HR Change Squad (HR team members at FCL), and the Change Champion Network (more than 200 team leaders and team members from FCL and local Co-ops who will be dedicated to representing impacted FCL business units and local Co-ops through the change).

The advisory networks will ensure that all voices are heard across the entire CRS to make People Forward a successful transformation and program.

MARKET

WE CLEARLY UNDERSTAND, RELATE TO AND FOCUS ON LOCAL CO-OP AND CONSUMER NEEDS TO DRIVE TARGETED GROWTH AND PERFORMANCE.

Customer Experience (CX) is an ongoing strategic effort to put our members at the centre of everything we do and enhance Co-op's competitiveness in Western Canada. Every place that Co-op interacts with customers must reinforce our CX purpose—making a difference in members' lives—and deliver consistent experiences to strengthen and elevate our brand. Since CX's launch in 2019, five work streams have been activated—Local and Community, People, Membership, Loyalty and Front-Line Customer Service.

This year, the Local and Community work stream developed the Community Fundamentals Program, which provides local Co-ops with access to a community investment platform to track their sponsorship and donation requests. We also worked with local Co-ops to enhance the Proudly Western Canadian Program that helps consumers better identify food products made in their community, province or within Western Canada.

CX's new membership improvements, available at participating local Co-ops, allow customers to purchase a Co-op membership online more easily and helps local Co-ops engage new members with a centralized welcome package, which is received within six days of signing up. The Front-Line Service work stream began work to define how Co-op customer service is different from our competitors, which will guide the implementation of a standard set of customer service principles and practices throughout the CRS and across our digital channels.

While all CX work streams are designed to improve affinity for our brand, our Loyalty work stream is focused on designing a consumer rewards program that allows Co-op members to be rewarded for shopping at any local Co-op in Western Canada. We're excited about the opportunities this program promises as we continue to work to strengthen Co-op's relationship with member-owners across the West.

Improving online experiences

More local Co-ops provided online grocery shopping with a total of 46 locations now offering the service to their members and customers through Shop.crs. In connection with our Proudly Western Canadian Program, we enhanced the website last year to allow customers to more easily find and purchase Western Canadian products that are available at their local Co-op. Since the service launched in 2020, we've processed 106,000 orders and achieved \$15.8 million in sales.

We also launched a new online catalogue of products at participating Co-op Home Centres at Build.crs. This website provides a convenient experience where customers can view products and inventory, submit orders, and pick up and pay in stores. While not yet fully transactional, the current offering provides visibility of a home centre's available inventory. Build.crs was rolled out to 13 locations with many more soon to come.

Co-op AgZone is a new digital platform that will grow to offer advanced solutions to help Co-op Grow Team members and their customers improve farm operations and maximize yields. The first tool, Co-op AgZone Field, was rolled out to the CRS last year following a pilot with select local Co-ops. As a best-in-class digital agronomy tool, it reduces time spent on manual data collection and analysis, captures historical trends and helps agronomists make informed, real-time decisions with their grower customers.

FCL also continued to roll out the Co-op Car Wash App, adding nine local Co-ops and more than 28,000 new customers to the service last year.

To become more relevant in our increasingly digital marketplace, FCL added a new feature to Co-op.crs that provides a centralized account login for customers to manage their personal information and email preferences. This is a foundational step towards creating a consistent customer login and account experience across all Co-op digital touchpoints. There are many other digital touchpoints that will incorporate the account in the coming year.



AgZONE





40,000+

ELECTRONIC SHELF LABELS WERE
DEPLOYED AT TWO LOCAL CO-OPS
AS PART OF A PILOT PROJECT

Transforming the retail shopping experience

The Retail Network Standardization Project neared completion last year, which provides foundational infrastructure needed to deploy future in-store technology solutions seamlessly across the CRS.

FCL worked with two local Co-ops on an electronic shelf label pilot project. Electronic shelf labels display the product's latest price information in real time, reduce the need for a disposable label at each product location and can be used across the entire store in all departments. The pilot stores have experienced increased efficiencies, pricing accuracy and reduction in labour costs. We plan to roll out the devices to the next 15 locations in 2022.

We also started working on Emerald, a standard point-of-sale system that will modernize and streamline store operations in Co-op Food Stores, Gas Bars/Convenience Stores and Liquor Stores across the CRS. With a consistent point-of-sale system, local Co-ops will benefit from substantial cost savings, efficiencies and ease of training, allowing employees to quickly transition between different locations without needing to be trained on another system. We plan to begin testing the system in select liquor stores in early 2022 and gas bars in the spring of 2022, with a broader CRS rollout expected in 2023.

As part of our efforts working with local Co-ops to standardize technology, we continued efforts to migrate all existing handheld applications—used as part of in-store operations for multiple purposes including reviewing inventory and ordering products—that currently sit on several different legacy devices to one standard device. New solutions are being built for the device that will create significant store efficiencies and consistency across local Co-ops. To date, we've rolled out over 750 new devices to local Co-ops.

9 LOCAL CO-OPS

PARTICIPATED IN A PILOT OF THE
AGZONE FIELD TOOL IN 2021

New store format

Intended to broaden and diversify Co-op's customer base, FCL has been busy planning and developing a new food store format. Co-op Essentials will provide a differentiated customer shopping experience that focuses on lower everyday pricing and a targeted product assortment tailored to the local market.

The new format will be introduced in select areas in the future, with Otter Co-op planning to start construction of the first pilot store in 2022 and to open in 2023.

Using data to inform decisions

The CRS Analytics 360 Program is a journey to turn data into a competitive advantage. We continued the rollout of the CRS Analytics 360 Program to improve business intelligence and advanced analytics capabilities within the CRS. This included the release of new analytic capabilities in the home and building solutions (HABS) and energy businesses as well as continued improvements to food, procurement and membership analytics. More releases are planned for 2022 in other business areas, including for supply chain, ag solutions and the CRC. All these capabilities will continue to be improved and extended for the CRS to ensure that we are driving the value of data to make better decisions for local Co-ops.

We Are Co-op

In the period around Co-op Week, we aired the We Are Co-op Anthem commercial across Western Canada once again. However, we built upon Anthem with a new commercial that we refer to as Emerging. Anthem was inspirational and shared the importance of what Co-op is—a different kind of business. Emerging highlights the hope, optimism and determination of the CRS and our communities. It showcased how Co-op delivered vital products and services throughout the pandemic and will be an essential part of our community, providing solutions for generations to come.

24 LOCAL CO-OPS

PILOTED AND SUCCESSFULLY
ONBOARDED TO THE COMMUNITY
INVESTMENT SOFTWARE,
SUPPORTING OVER 577
NON-PROFIT AND CHARITABLE
ORGANIZATIONS IN 2021





SHARED VALUES, SHARED SUCCESS

Indigenous communities across Western Canada are young, growing and well-positioned for success.

Western Nations, fuelled by Co-op, supports strong, vibrant communities through mutually beneficial relationships built on shared values. Together with Indigenous leaders and communities across Western Canada, FCL developed the exclusive Western Nations gas bar brand to create opportunities for mutual growth and development, strengthen existing relationships and build new ones.

FCL aims to grow a network of independent, locally owned Indigenous gas bars using the modern Western Nations brand. FCL consulted Indigenous groups for over a year to develop a brand that's relevant to all customers and respectful of Indigenous culture.

Co-op will supply independent gas bars in Indigenous communities across the West and manage the Western Nations brand. Communities will maintain ownership of their locations and make their own decisions. However, FCL and local Co-ops serve as partners, providing local business advice, industry experience and programs that will help build their businesses.

One of the program's most unique benefits is the Community Building Assistance Program. Through this feature, we'll provide funding for participating communities to reinvest. They will direct where funding is needed as long as it falls under three categories: community infrastructure, programming or events.

Community support and development is a value we share with Indigenous communities. This funding program will be available to communities participating in the Western Nations program as well as other fuel resellers participating in the overall Indigenous Gas Bar Program.

Two First Nations — Sturgeon Lake in Saskatchewan and Gambler in Manitoba — were the first communities to partner with their local Co-ops on developing Western Nations Gas Bars. In August, Sturgeon Lake Developments Ltd. opened Tipi Fuel and Convenience Store in Prince Albert, Sask., in partnership with Lake Country Co-op.

Co-op values the relationships we have with our Indigenous communities and is looking to expand these partnerships through the new Indigenous gas bar program. We know the energy sector is changing in Western Canada. With that, we see an opportunity to build a brand with Indigenous partners for the collective benefit of our people and communities.

OPERATIONS

THROUGH SAFE, SUSTAINABLE AND EFFICIENT OPERATIONS, WE LEAD BUSINESS INNOVATIONS IN SHARED SYSTEMS, PROCESSES AND SERVICES TO CREATE VALUE FOR THE CRS.

FCL is committed to transitioning to a low-carbon economy. This year, we made announcements about capturing carbon dioxide at the CRC in Regina, Sask., and the CEC near Belle Plaine, Sask. In addition to these major commitments, there are other initiatives underway to support this transition.

A new Co-op Fuel Terminal in Ashcroft, B.C., to be completed in early 2022 will help improve reliability and security of fuel supplies across the B.C. Interior and Lower Mainland, enhancing FCL's distribution network. The facility will also provide new renewable fuel-blending infrastructure, blending gasoline with up to 85 per cent ethanol content and diesel with up to 20 per cent biodiesel content or up to 100 per cent renewable diesel content.

The Ashcroft fuel terminal will supply Co-op Flex E-85 Gasoline to local Co-op Gas Bars in Nanaimo and Aldergrove — it's currently transported by truck from another terminal near Calgary — and Co-op High-Cetane Renewable (HCR) Diesel to Co-op Gas Bars and Cardlock locations in Vanderhoof and Quesnel.

Our efforts support our commitment to reducing greenhouse gas emissions by 40 per cent below 2015 levels by 2030. We're also aspiring to achieve net-zero emissions by 2050.

Strengthening procurement practices

As part of our procurement transformation strategic priority, the centre-led Procurement Department continued to establish itself as a critical operational function at FCL and across the CRS. In addition to continuing to support and deliver value across many food and facility categories, including store signage, lighting and checkouts, procurement extended support to categories specific to the home and building solutions and ag solutions businesses. This included ensuring a diligent and strategic evaluation and selection process was executed for supplier partners of FCL's priority programs, such as digital ag, food e-commerce and the consumer rewards program.

Procurement also implemented an e-sourcing system making procurement governance, policy, and sourcing processes digitally

accessible to several FCL teams, including those in Logistics, Facility Design and Development, Food, HABS and IT. The e-sourcing system enables business users to conduct best-in-class procurement, improves efficiency and ensures quality decision-making by utilizing templates and approvals. Configuration and extension of the digital tool to additional teams will continue throughout the coming year.

Improving online systems and processes

We started the rollout of a new transportation management system, which is an integral part of the supply chain transformation strategic priority. The new software replaces the legacy systems responsible for outbound distribution of food and hardware products from FCL to local Co-ops. In June, the Winnipeg Distribution Centre was the first of five locations to use the new software with the remaining distribution centres to convert in the first half of 2022.

Work on a new order management system (OMS) to replace the legacy mainframe system is another important project within the supply chain transformation priority that progressed this year. A cross-functional team worked to design and build a software platform that will allow FCL to process and fulfill local Co-op orders. Targeted to rollout in 2022, the new OMS will standardize and streamline the processing of these orders in multiple business areas. Changes and benefits will include a self-service website, enhanced customer service tools, and improved insight into orders within the CRS supply chain.

A thorough review of our freight cost and recovery model was completed by a cross-functional team last year. The Logistics Department led the review with a stakeholder team from across FCL and feedback from a select group of local Co-ops. The new model that will be rolled out in 2022 will increase transparency in how we determine the cost of shipping products and how we allocate or charge local Co-ops for that cost. The model is designed to ensure accountability

for maintaining an appropriate balance between efficiencies of product delivery and customer experience.

To ensure the ongoing protection of data, FCL updated and implemented several cybersecurity controls across the CRS. This included installing a new antivirus application, as well as enterprise-wide cybersecurity monitoring and vulnerability platforms to help prevent but also detect computer security threats. In addition, employee training was enhanced to further help with the identity and prevention of phishing and other cybersecurity attacks.

1.1M
TOTAL AMOUNT OF PRODUCTS
IN TONS PROCESSED BY FIVE
DISTRIBUTION CENTRES IN 2021



Optimizing fleet services and safety

The centrally managed Fleet Services Department was established within the Supply Chain Business Unit for the purpose of making the merchandise, petroleum and propane fleets as effective as possible. We have made significant progress to integrate these previously separate fleets into one centrally managed fleet program.

As part of this optimization, work has focused on minimizing fleet-related risk in the areas of safety and compliance, maximizing the

cost effectiveness of fleet assets and leading the continual improvement of fleet systems and processes. We made some immediate changes, such as increasing service capacity at the fleet maintenance shop in Regina, as they took on a significant portion of the regulatory inspection and preventive maintenance work for the Saskatoon merchandise trailer fleet.

In supporting both fleet safety and fleet system improvement, FCL began updating the fleet in-cab camera system that will help reduce fleet-related incidents on the road while also providing enhanced fleet management capabilities. And lastly, we

developed a high-level organizational design to support the centrally managed fleet program. Positions will be filled through 2022 as we transition to a centrally managed structure.

FCL's trucking fleet included 255 merchandise trailers, 478 petroleum tankers and 90 propane delivery units pulled by company drivers and lease operators. The merchandise, petroleum and propane fleets travelled 80.3 million kilometres, delivering more than 631,000 tons of merchandise and more than 3.8 billion litres of fuel.



284,000 MT
OF GRAIN PURCHASED AND 117.5
MILLION LITRES OF ETHANOL
PRODUCED IN 2021

Strengthening the Co-op brand

The Facilities Design and Development Department advanced their customized approach for design and project management activities with the intent of integrating local market preferences and insights with core branding, customer experience and operational requirements in store designs. The department also continued to monitor and test technology that improves operational efficiencies and energy use.

In addition to store design, our private-label products are another way to extend the Co-op brand to consumers. Even with the supply-chain challenges brought on by the pandemic, FCL continued to run a robust private-label program. In terms of our farm-to-fork strategy, most of the year was dedicated to working on sourcing and developing products from Western Canada. In addition to food products, private-label products are available across Co-op locations and business areas. Co-op

branded galvanized bins were introduced to five local Co-ops as a pilot program. These high-quality bins are value priced and help round out local Co-ops' product offerings to farm customers.

Strong relationships and connections to our local Co-ops and the communities they serve is what Co-op is known for; it's the foundation of our brand. Every day, FCL works in partnership with local Co-ops to secure collectively the long-term success of Co-op and communities. This is why FCL is committed to building trust and enhancing our relationships with local Co-ops, which ultimately results in improved engagement and communications. For this reason, FCL invited local Co-ops to participate in the 2021 relationship survey focused on key metrics—trust, transparency, accountability, collaboration and communications—to help us assess areas of strength and specific areas that need to be addressed. We appreciate the honest feedback received, which is critical to the CRS becoming stronger together.

Safety is paramount

The CRC completed another successful turnaround project over the course of 59 maintenance days thanks to thorough planning and a solid execution. Driven by teamwork and a commitment to safety, quality and efficiency, workers, support staff and contractors came together to help the CRC meet timelines and achieve strong results as compared to industry.

As always, the success of the project is attributed to safety performance. Executing turnaround during the pandemic introduced new challenges for those involved and required an even greater emphasis on keeping our people safe. As a team, the 2,500 people taking part adapted and became even stronger in the face of adversity. This is a testament to everyone who worked together to keep the site, the community and the province safe.



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129

LOCAL CO-OP AUDITS COMPLETED
REMOTELY IN 2021

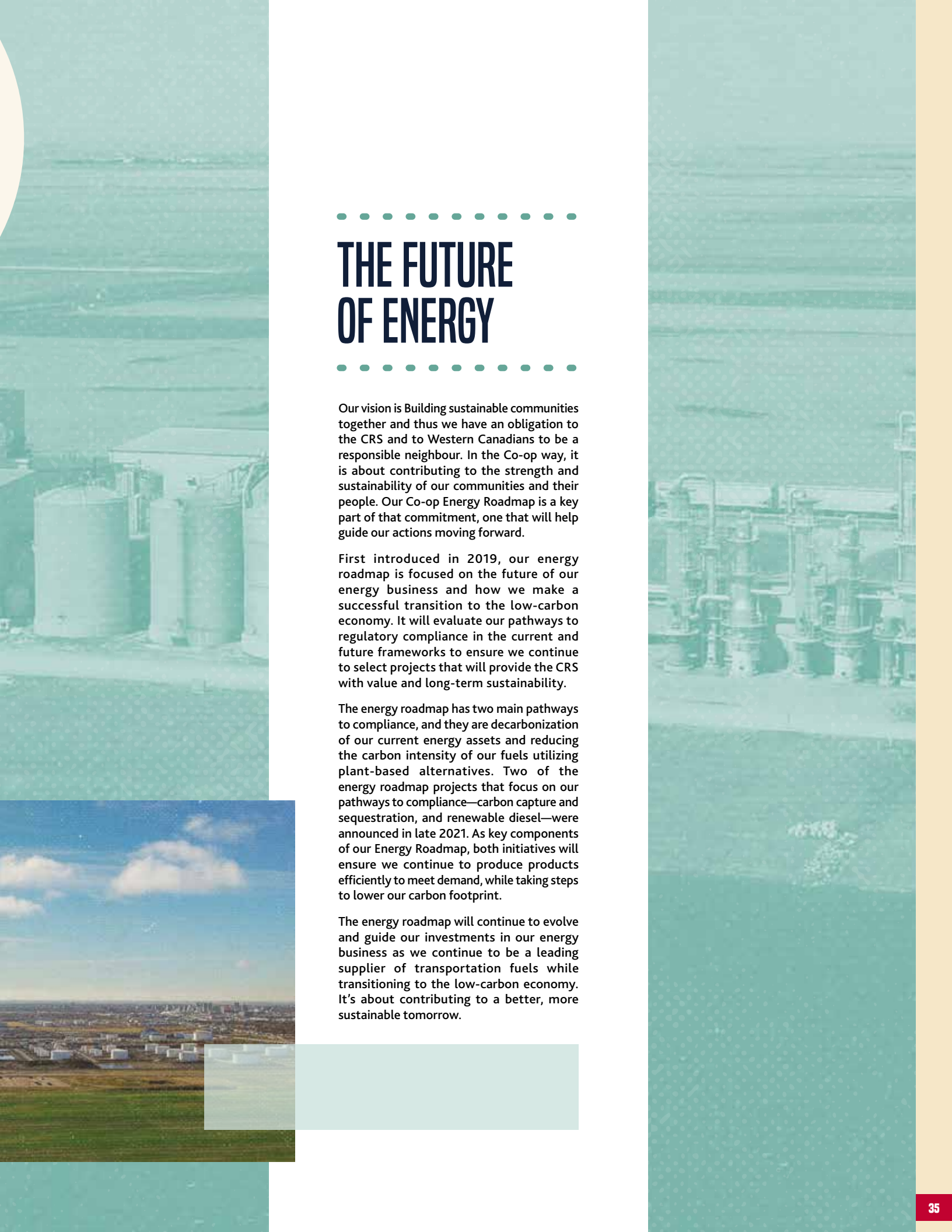
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**136 CAPITAL
PROJECTS**

CONSTRUCTED, ACQUIRED, EXPANDED
OR RENOVATED TO IMPROVE SERVICE
OFFERINGS IN 2021

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THE FUTURE OF ENERGY

Our vision is Building sustainable communities together and thus we have an obligation to the CRS and to Western Canadians to be a responsible neighbour. In the Co-op way, it is about contributing to the strength and sustainability of our communities and their people. Our Co-op Energy Roadmap is a key part of that commitment, one that will help guide our actions moving forward.

First introduced in 2019, our energy roadmap is focused on the future of our energy business and how we make a successful transition to the low-carbon economy. It will evaluate our pathways to regulatory compliance in the current and future frameworks to ensure we continue to select projects that will provide the CRS with value and long-term sustainability.

The energy roadmap has two main pathways to compliance, and they are decarbonization of our current energy assets and reducing the carbon intensity of our fuels utilizing plant-based alternatives. Two of the energy roadmap projects that focus on our pathways to compliance—carbon capture and sequestration, and renewable diesel—were announced in late 2021. As key components of our Energy Roadmap, both initiatives will ensure we continue to produce products efficiently to meet demand, while taking steps to lower our carbon footprint.

The energy roadmap will continue to evolve and guide our investments in our energy business as we continue to be a leading supplier of transportation fuels while transitioning to the low-carbon economy. It's about contributing to a better, more sustainable tomorrow.



FINANCIAL

WE GENERATE SUSTAINABLE VALUE, MARKET RETURNS AND LONG-TERM PROFITABILITY FOR THE CRS.

To continue to meet the growing crop-nutrition needs of local Co-ops and their customers, FCL invested \$5 million in 2021 to expand the Co-op Fertilizer Terminal in Brandon, Man. The expansion included three new storage bays and increased terminal storage capacity by 9,000 metric tonnes, more than 30 per cent, for a total of 36,500 metric tonnes.

The Brandon location warehouses, blends and distributes a complete suite of crop-nutrition products for Co-op locations and agricultural producers in Manitoba and eastern Saskatchewan. The terminal also offers warehouse storage for liquid micronutrients and nitrogen stabilizers, ensuring farmers have access to the latest in fertilizer technology.

The Brandon facility and two other terminals in Grassy Lake, Alta., and Hanley, Sask., have a combined storage capacity of 115,900 metric tonnes, which allowed product to be available when needed the most even as other significant bottlenecks in the supply chain first appeared last spring. These facilities have helped FCL readily source product from global destinations, such as the United States, Mexico, Morocco and Russia.

Five additional local Co-ops signed on to exclusively buy all their fertilizer through FCL. More than 96 per cent of local Co-ops with agriculture offerings are now participating in the centralized fertilizer procurement program. The pooling of our resources provides consistency in product and more purchasing power across the CRS.

FCL was also excited to create a jointly held company with Blair's Family of Companies, providing crop input and animal-nutrition products, as well as agronomic services, to farm customers at six Saskatchewan ag retail locations. This is an opportunity to increase the competitiveness of the CRS in an increasingly consolidated ag sector.

The CRS will benefit in that FCL will procure and supply fertilizer, crop-protection and seed products for the Blair's locations. This will increase the use of the Co-op Fertilizer

Terminal in Hanley, Sask., and allow for increased sales of our private-label branded products manufactured at Interprovincial Cooperatives (IPCO) Ltd.

The impact to sales

Gasoline and diesel sales to local Co-ops and commercial customers totalled 5.8 billion litres, a one per cent increase from last year. While COVID-19 and drought conditions continued to impact consumer and farm-fuel consumption, some markets, including commercial industries, saw a slight rebound from the pandemic with restrictions lifting and the economy re-opening. Lubricant sales recovered at a pace slightly faster than initially forecasted despite our production facility having to navigate unprecedented raw material supply challenges.

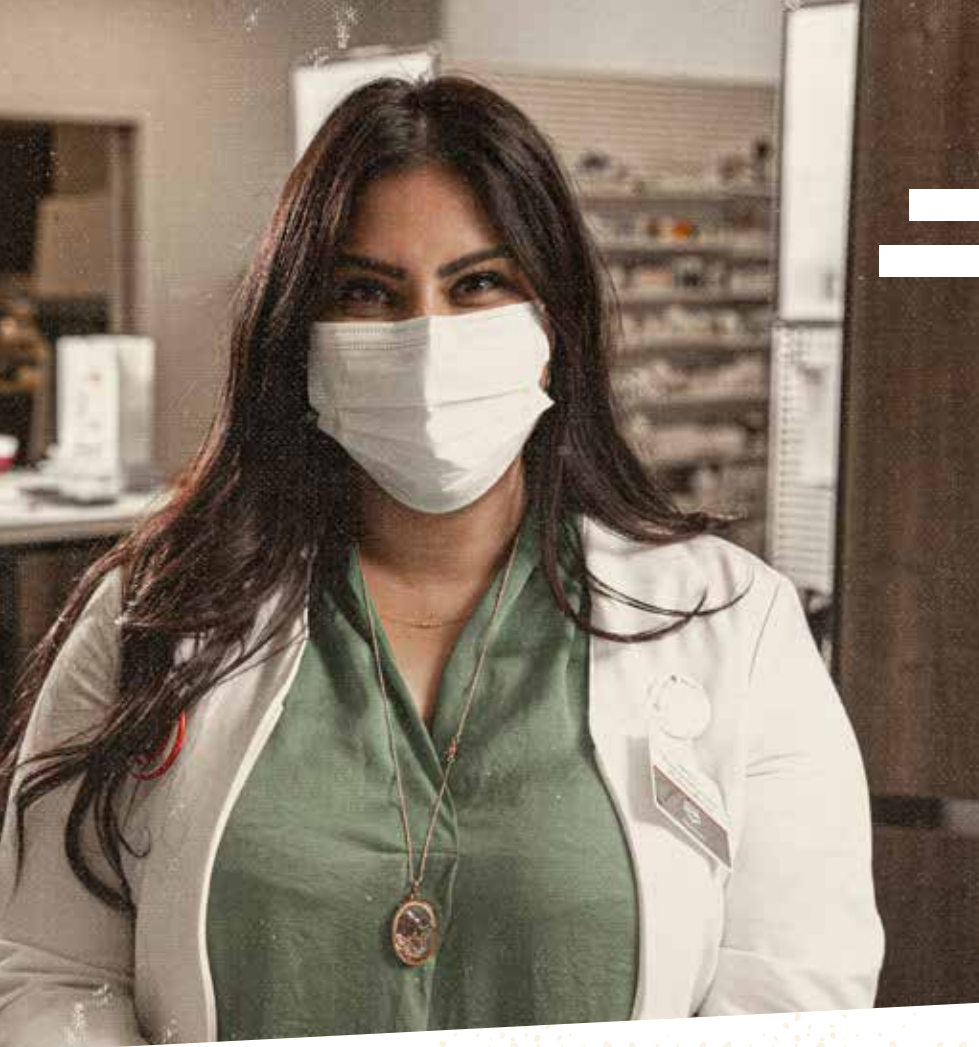
Propane volume was 150 million litres in 2021, a 19.4 per cent decrease from 2020. The decrease is due to the drought across the Prairie provinces and the warmer than normal winter in Western Canada, both of which had a significant negative impact on the demand for propane.

While gasoline, diesel and propane sales were down from last year, we experienced a record year in fertilizer earnings and sales. Fertilizer price appreciation, effective utilization of the fertilizer terminals and the efforts of local Co-ops all contributed to these results. The crop protection and seed divisions also had a record year in sales.

Because of the pandemic, consumers continued to spend a larger proportion of their discretionary income on home renovations, contributing to a record-setting sales year in home and building solutions. Food sales also exceeded budget as local Co-ops had strong consumer traffic and maintained the market share gains obtained in the previous year.

96%+

PERCENTAGE OF LOCAL CO-OPS EXCLUSIVELY SOURCING THEIR FERTILIZER THROUGH FCL



Successful strides in pharmacy

Throughout 2021, Co-op Pharmacies captured sales that outpaced the broader market.

With the support of the Procurement Department, FCL leveraged the buying power of the CRS to successfully negotiate a new and improved pharmaceutical wholesale and distribution agreement with our new partner, Kohl and Frisch. This program has streamlined administration for local Co-ops, provided new funds for marketing, centralized billing, improved reporting, increased retail monthly cash flow, and formalized service level commitments for our distribution partner.

FCL adopted an ambitious centre-led negotiation strategy to seek improvements in the CRS Generic Drug Formulary Program. The process delivered improved rebates for local Co-op Pharmacies and secured strong long-term partnerships with several key generic drug manufacturers. The ongoing monitoring of this program has strengthened the drug supply chain for local Co-ops throughout the pandemic and into the future.

Expanding propane locations

Co-op added new propane distribution centres in Fort St. John, B.C., and Medicine Hat, Alta. These new start-up operating centres are minimalist and flexible in design to allow for expansion as demand grows in the area. These centres offer many benefits to FCL and the CRS, including quicker access to new greenfield markets, improved delivery-unit efficiency over a large geographic area, and improved service levels to local Co-ops and their members.



5.8B

GASOLINE AND DIESEL SALES IN LITRES TO LOCAL CO-OPS AND COMMERCIAL CUSTOMERS



BUILDING A HUB FOR THE FUTURE



After the strongest sales year in the Home and Building Solutions Department's history, the team is gearing up to build on that success.

Developing the lumber and building material (LBM) business in the CRS is a top priority, and to support this effort, FCL has started work on an LBM distribution hub on a 6.68-acre site outside of Regina, Sask.

The \$7.5-million investment will allow us to procure and distribute lumber, drywall, decking material and much more from a centralized facility to local Co-op Home Centres in Manitoba and most of Saskatchewan.

Currently, LBM products are shipped directly to the store from the manufacturer or other distributors, sometimes at a premium price for a less than full truckload. By investing in distribution, FCL is able to improve our purchasing and our vendor relationships and take inventory positions, which ultimately will help drive sales for the CRS.

Leveraging centralized procurement and investing in distribution are a shift that will allow the CRS to pool our volume to buy more effectively and expand our vendor base and relationships with producers. The model shifts time-consuming procurement tasks, such as obtaining quotes from multiple vendors, centrally so that local Co-ops have more time to focus on what matters most: serving their customers and increasing revenues. It will also ensure that local Co-ops have the product they need when they need it and enable the CRS to better align and market products.

The hub began receiving product and building inventory in late 2021 and is expected to be fully operational with four full-time team members in their new warehouse and office space by spring 2022. A second facility in Alberta is planned to be operational in 2023 and will serve local Co-ops in FCL's West Zone.



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\$7.5M

INVESTMENT IN A CENTRALIZED
LUMBER AND BUILDING MATERIAL
DISTRIBUTION HUB

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SUSTAINABILITY

ENVIRONMENTAL, SOCIAL AND FISCAL CONSIDERATIONS ARE EMBEDDED IN PLANNING AND DECISION-MAKING PROCESSES TO ENHANCE THE RESILIENCE OF THE CRS.

We're committed to reducing our environmental footprint, with the CRS Sustainability Strategy outlining our intentions to decrease emissions, limit water use, and reduce and divert waste, including food and plastic waste, among other objectives.

FCL's Sustainability Department has been working with a third-party, called Loop Resource, to develop a Food Waste Diversion Program that is made available to local Co-ops. Loop Resource connects food stores to farmers. What started as a pilot in 2019, has now expanded across the CRS resulting in significant growth in 2021 as more local Co-ops joined the program, as well as most of our distribution centres. Through the program, trimmings and products no longer suitable for human consumption are diverted to nearby farms to be used as animal feed. Feeding animals is just another way to divert waste with more value than composting and sending it to the landfill.

We're also continuing our efforts to reduce and divert plastic waste in our operations. FCL has an internal working group that focuses on plastic and packaging regulations and works with our partners to reduce excessive packaging, increase recycled content, enhance packaging recyclability, and review the use of alternative packaging materials. One example is our Co-op Gold Pure Concentrated Cleaning Pods—a Retail Council of Canada Grand Prix New Product Award winner—which are packaged using 100 per cent recyclable content and the pouches are manufactured using an industry-leading film which can be recycled where facilities exist.

Investing in alternative power

Our energy business is evolving strategically within the context of, and our commitment to, our future low-carbon economy. Investing in electric-vehicle (EV) charging infrastructure to serve our members is one aspect of this evolution.

In 2021, we launched the Co-op Connect Electric-Vehicle Charger Program at 10 Co-op locations in Saskatchewan, Manitoba and

Alberta. These sites were part of the first phase of our EV charging network that will ultimately be comprised of 29 chargers in 12 towns and cities on the Prairies along the Trans-Canada Highway, from Winnipeg to Olds, Alta.

We're committed to monitoring and responding to the needs of the market and our members as this rapidly changing industry continues to evolve. As part of our commitment, we are proceeding with the development of EV services at select locations in the British Columbia market in 2022. These chargers will be located at existing Co-op locations, including food stores and gas bars.

In addition to EV charging stations, FCL installed a solar-panel canopy constructed of 48 photovoltaic panels at a Co-op Cardlock location in Regina in August. As part of a one-year pilot, the panels will be feeding into the electrical grid to offset power costs for FCL's building next door.

The photovoltaic panels are estimated to produce up to 20 megawatt hours of electricity—enough to power two homes—by collecting the sun's rays on both sides, collecting reflections off the concrete beneath the canopy. If the pilot project proves to be successful, it will be rolled out to local Co-ops and become a standard in the future.

Recognized for our sustainable initiatives

FCL's Grown with Purpose Program provides a comprehensive suite of best management practices that assists farmers in crop planning and management. Co-op Grow Team members build custom strategies for growers to improve fertilizer efficiency and other on-farm performance metrics. This year, the program reaped national recognition at the Retail Council of Canada's Excellence in Retailing Awards as the winner in the Environmental Leadership category, which recognizes retailers for their sustainable initiatives, beating out well-known national competitors.





\$7.9M

VALUE OF CASH AND
IN-KIND DONATIONS ACROSS
WESTERN CANADA

Supporting co-op governance research

FCL, on behalf of the CRS, renewed its commitment of \$300,000 over five years to the Co-operative Retailing System (CRS) Chair in Co-operative Governance at the University of Saskatchewan. The CRS Chair—based in the Canadian Centre for the Study of Co-operatives at the Johnson Shoyama Graduate School of Public Policy—supports ambitious research and educational programming aimed at creating new ways of thinking about the unique governance model shared by co-operatives.

The research completed in the first term was valuable in that it created an innovative framework to support improving co-operative governance. It analyzed three basic governance issues that all co-operatives and credit unions must continually address—ensuring interconnected parts of the organization work well together, working to get a better view of the future, and creating and maintaining legitimacy.

This work is crucial not only for the CRS, but for all co-operatives in Canada and around the world, as modern pressures on the co-operative sector underscore the continued need to be accountable to members and maintain our relevance for future generations.

Community connections stay strong

We're proud to be recognized as a national leader in community engagement and corporate giving with a 2021 Caring Company designation. This recognition is awarded to companies that donate an annual minimum of one per cent of their pre-tax profit to non-profit and charitable organizations. In 2021, FCL contributed more than \$7.9 million to local charity and non-profit organizations. This included the \$1 million donated through Co-op Community Spaces to 15 projects in 2021 that helped rebuild community connections.

FCL, on behalf of the CRS, has been a long-time partner of the Canadian Red Cross because of their commitment to support Western Canadian communities in times of need. In addition to our \$1-million commitment over five years, FCL will match donations up to \$10,000 per local Co-op to any Canadian Red Cross emergency response appeal activated during the year. In 2021, FCL, local Co-ops and their customers raised over \$12,000 for the Canadian Red Cross British Columbia Fires Appeal, helping thousands of British Columbia residents affected by nearly 1,200 wildfires throughout the province.

371,413

ACRES PARTICIPATING IN CO-OP'S
GROWN WITH PURPOSE PROGRAM

Carbon footprint

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

In 2020, FCL's reported emissions were 2.2 million tonnes of carbon dioxide equivalent. Emissions were down 10 per cent from the previous year.

Absolute Emissions (tCO ₂ e ¹)	2018	2019	2020
CRC	2,002,942	2,128,026 ²	1,911,090
Crude Oil ³	53,608	40,483	40,292
FCL ⁴	167,852	165,971	140,982
CEC ⁵	107,997	99,406	95,505
Total	2,332,399	2,434,786	2,187,869

¹ Tonnes of carbon dioxide equivalent

² This value has been updated since the 2020 FCL Annual Report to reflect the final value that was not available at time of publication last year.

³ Crude oil assets acquired in late 2019 are incorporated in 2020 results.

⁴ Reported data reflects FCL fleet and facilities.

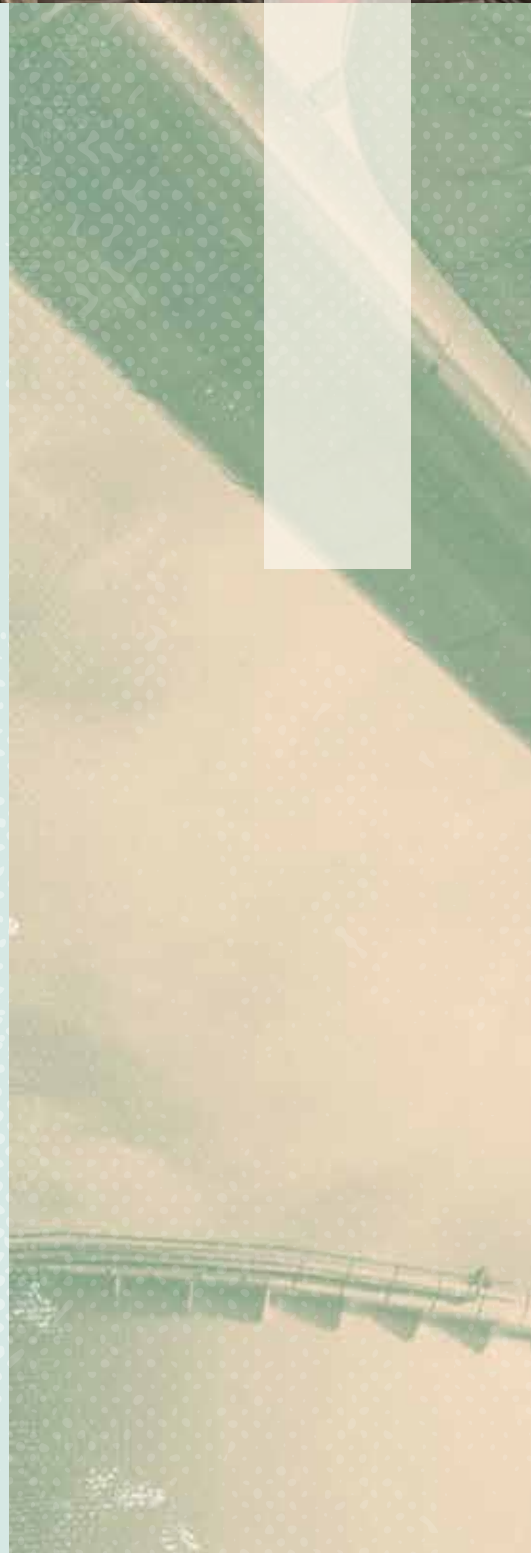
⁵ Terra Grain Fuels was acquired in 2019 and rebranded to CEC in 2021. Retroactive results from 2018 and 2019 have been previously reported to the Saskatchewan Ministry of Environment and are shown only for comparison purposes.

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. Waste diversion improved to 70 per cent in 2020, up from 65 per cent in 2019. Increased organics collections at Saskatoon and Edmonton Distribution Centres contributed to the higher diversion rates.

	2018	2019	2020
Waste Diversion	65%	65%	70%

*Excludes the Co-op Refinery Complex and one-time events (e.g. diverting waste from construction projects)





COMMITTED TO BEING A RESPONSIBLE NEIGHBOUR

The transition to the low-carbon economy is one of the largest, but most necessary shifts we will have to make in our long history. As part of these efforts, FCL is committing to reduce greenhouse gas emissions by 40 per cent below 2015 levels by 2030. The organization is also aspiring to achieve net-zero emissions by 2050.

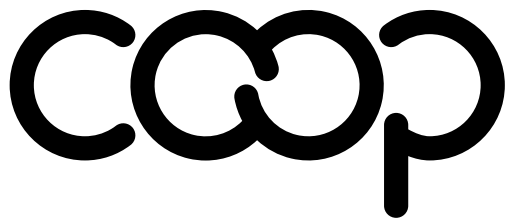
To achieve these new emissions targets, we continue to invest in critical projects. As key components of our future energy business, these projects will help reduce emissions and lead to the production of clean, renewable transportation fuels.

As part of this process, we signed a memorandum of understanding with Whitecap Resources in October 2021 that will tangibly increase the amount of carbon dioxide being captured and sequestered in Saskatchewan. We're pleased to partner with Whitecap and to leverage their experience and expertise in support of our sustainability goals.

Through this planned operating agreement, FCL will fund, construct and operate facilities at the CRC and CEC that will capture 500,000 tonnes of carbon dioxide equivalent and transport it to the Whitecap-operated Weyburn Unit.

We expect carbon capture at the CEC to be completed in 2024, followed by the commissioning of carbon capture at the CRC starting in 2026.

Carbon capture and the work we're doing with Whitecap is just one of multiple paths we're exploring as part of a strategic plan to integrate sustainable solutions into our operations to improve environmental performance. As a team, we're committed to sustainably supporting Western Canada's fuel needs well into 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 Standard

- All claims, statements, information, advice, and proposals shall be honest and factual.
- 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.
- Due regard shall be given to public decency and good taste.
- Unfair exploitation in any form shall be avoided.
- 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.
- The interests of the membership as a whole shall be paramount to the interests of the institution.
- The co-operative shall aim to be equitable in the treatment of its members.
- Knowingly advising or persuading individuals to take action that may not be in their best interests shall be avoided.

Application of the Code

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

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

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

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



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