

Customer summary

“Working to deliver value to our Partners in a socially responsible and ecologically sustainable manner”.

2003 was the first full year in which The Co-operative Bank and CIS traded under the structure of Co-operative Financial Services (CFS).

CFS has adopted a ‘triple bottom line’ approach to the management of its business. This means that, as well as running the business in a way that seeks to satisfy the needs of Partners – customers, shareholders, staff, suppliers, society and the Co-operative movement – CFS recognises that it has a duty to operate in a socially and ecologically responsible manner.

CFS refers to this as its Sustainable Development Approach and, in support of the work undertaken in pursuit of sustainability, it produces a report that provides a ‘warts and all’ account of its economic, social and ecological impacts. The Sustainability Report 2003 details CFS’ performance against a series of indicators and targets, and is intended to provide Partners with a detailed picture from which they can judge CFS’ performance. Internally, the Report, and the research undertaken in support of it, is used to help drive sustainability through the business.

The CFS Sustainability Report 2003 builds on the strong Social Accountability and Partnership reporting traditions of CIS and The Co-operative Bank, which in 2004 received awards for the UK’s Best Social Report and Best Sustainability Report, respectively. The accuracy of the data and commentary within the Report is verified by CFS’ Sustainability Auditors, **justassurance**.

Key Facts:

- CIS and The Co-operative Bank set a total of 86 performance targets for attainment in 2003 and beyond. 43 have been fully achieved, acceptable progress has been made against 27, and 16 have yet to be completed (see: www.cfs.co.uk/sustainability2003/indicators);
- CFS has set over 60 new targets for 2004 and beyond, and CFS reports against 87 indicators - many of which are new (see: www.cfs.co.uk/sustainability2003/indicators/indicators);
- CIS’ and The Co-operative Bank’s customers are more satisfied than the industry norm for a set of key products (see: www.cfs.co.uk/sustainability2003/deliveringvalue/personal.htm);
- The Co-operative Bank provides considerably more finance to small businesses in ‘deprived’ areas than the industry average (10.4% of advances compared to 3.3%) (see: www.cfs.co.uk/sustainability2003/deliveringvalue/corporate.htm);
- 24%, or £422 million, of corporate business banking advances (loans, overdrafts, etc.) are invested in activities that strongly benefit society (see: www.cfs.co.uk/sustainability2003/deliveringvalue/corporate.htm);

- 97% of CFS' electricity is from renewable sources, making CFS one of Europe's ten largest business purchasers of renewable electricity. As a result, energy-related carbon dioxide emissions at The Co-operative Bank have reduced by 91% since 1997 and by 52% since 2002 at CIS (see: www.cfs.co.uk/sustainability2003/ecological/energy.htm);
- 70% of CFS' general waste is either reused or recycled (see: www.cfs.co.uk/sustainability2003/ecological/reduce.htm);
- During 2003 there was a 27% increase in the amount of paper used by The Co-operative Bank due to the increase in mailings to a larger number of customers following the creation of CFS (see: www.cfs.co.uk/sustainability2003/ecological/paper.htm); and
- During 2003, 1,550 staff contributed 2,365 days to community organisations - a donation of time worth £308,660. Overall community investment as a percentage of pre-tax profit is above the financial services sector average, with CIS and The Co-operative Bank being two of the three most generous businesses in the sector.

Influence and action In a first for CFS, the Report contains details of CIS' and The Co-operative Bank's public policy lobbying activities, including, for example, the position taken on financial services issues, such as the provision of insurance in areas of high flood risk. Instances where CIS and The Co-operative Bank have sought to promote wider social and environmental ends, such as calling for measures that would curtail the trade in 'conflict diamonds' or promote the use of 'safer chemicals', are also disclosed. This development has the backing of leading environmental commentator Jonathon Porritt, who states: "This move addresses a major concern of NGOs. There's still far too much corporate lobbying that is inconsistent with companies' stated policies and aspirations, and it would be good to see other companies following CFS' example." Under the banner of 'Influence and action' examples of CFS' public policy lobbying activities are detailed throughout the Report.

Ethical Finance The Co-operative Bank operates an Ethical Policy that governs where it will and will not invest customers' money. **just**assurance gave the bank a clean bill of health with regard to the implementation of the Ethical Policy in 2003. During 2003, income of almost £7 million was foregone as a result of business declines following a referral to the bank's Ethical Policy Unit. Declines included: an oil producer, a packaging manufacturer and a timber merchant. In 2003, a project was developed to substantially reconcile the historically different approaches of CIS and The Co-operative Bank to Socially Responsible Investment. Reconciliation will focus on establishing a clear customer mandate for CIS' Responsible Shareholding policies, much as bank customers currently guide its ethical investment. See www.cfs.co.uk/sustainability2003/socialresponsibility/ethical.htm

Ethical / ecological products and services CFS has recently launched a number of products and services that have a distinctly ethical or ecological dimension, including:

- Affinity Visa credit cards with: Christian Aid, Y Care International, the Medical Foundation for the Care of Victims of Torture, the League Against Cruel Sports and the Mothers' Union

- FTSE4Good Tracker Unit Trust - a unit trust fund which 'tracks' the FTSE4Good UK index (companies that meet prescribed standards in three areas: environmental sustainability, human rights, and stakeholder relations)
- further development of the **smile**invest ethical investment offering
- new Green Mortgage products, which offer a free Home Energy Rating on all house purchases, and a CO₂ offset feature

See: www.cfs.co.uk/sustainability2003/socialresponsibility/tailored.htm and www.cfs.co.uk/Sustainability2003/ecological/tailored.htm

Feedback CFS is committed to improving its sustainability performance in a way that continues to balance the interests of its six Partners, with those of society and the environment. We are keen to hear your views on our approach to sustainable development and for you to share with us your ideas on how this approach may be further developed. To provide feedback online, please visit the feedback page www.cfs.co.uk/sustainability2003/feedback/. Alternatively, e-mail sustainability@cfs.co.uk or write to the Sustainable Development Team, Co-operative Financial Services, 1 Balloon Street, Manchester, M60 4EP.