Foreword

Narrative reporting forms a key part of the relationship between a reporting entity and its stakeholders and is currently one of the hottest topics in the business reporting environment. As a consequence of this, considerable guidance has been issued over the last few years by regulatory bodies looking to meet the ever-growing demand from stakeholders for more useful, pertinent and insightful information from annual reports.

In line with this guidance the developments in narrative reporting have generally been led by the larger corporates as it is at these businesses where the demand from shareholders for an entity to explain their performance and its stakeholder value creation process is highest. It is also where the resources required to produce that enhanced reporting are most readily available.

Co-operative entities have generally been followers in this regard. It can however be argued that because of the unique relationship between members and their co-operatives (in comparison to companies and their shareholders) that this is an area where co-operatives should be leading the field. At their heart, co-operatives exist to serve their members and so any narrative reporting that they do should look to fulfil that purpose and clearly articulate how the individual co-operative is achieving that goal.

This guidance document has been published by the Co-operative Performance Committee (CPC) on behalf of Co-operatives UK in an attempt to bridge that gap. It aims to provide help and direction for all co-operative entities in relation to the format and content of their narrative reporting. In doing so it is hoped that the co-operative sector will show leadership in this area and drive improvements in reporting to the benefit of its members. The framework can also be used as a more general toolkit for use with any or all member communication.

This document looks to build on (rather than replace) the guidance that has already been issued by regulators such as the Financial Reporting Council. However, at its core the framework emphasises the uniqueness of the co-operative model, the closeness of the relationship between members and their co-operative and the overall articulation of the 'co-operative difference'.

The framework that is put forward is a simple and flexible principles based approach. The model has been developed in this way so that it can be applied by co-operatives of all sizes and types as the underlying principles of the framework can be applied across the board (from large retail societies to local micro-entities). Each co-operative can choose those areas of the framework that are particularly relevant for their members and use the model as a menu for developing best practice within their narrative reporting.

We hope you find this guidance useful and informative.

John Sandford, Chair of the Co-operative Performance Committee

The Role of the Co-operative Performance Committee (CPC)

The CPC is a Co-operatives UK Member Group made up of senior finance leaders from the co-operative sector which provides strategic direction and best practice guidance in matters of accounting, financial reporting and business performance monitoring: www.uk.coop/cpc
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Executive summary

Overview

Narrative reporting forms a key part of the relationship and communication channel between a co-operative and its members whilst providing each co-operative with a unique opportunity to engage, inform and inspire their membership.

It is vital that such reporting clearly demonstrates the benefits and purpose of co-operating and identifies the unique 'co-operative difference' that each co-operative makes to its members.

Defining the audience

The key audience for co-operative narrative reporting is deemed to be the members and they have been firmly put at the heart of the framework that has been developed and which is outlined in this guidance document.

How to use this report

The report is designed to provide producers of Annual Reports for co-operatives with guidance and direction in relation to narrative reporting.

The report is for additional guidance only and does not replace any statutory or legal requirements. It aims to give direction as to the type of areas that a co-operative could consider covering (the 'what') as well as the way the information is conveyed (the 'how').

The framework reflects a 'principles' based approach rather than being prescriptive. This means it can be applied by co-operatives of all scales and types, as the underlying principles of the model will be relevant across the board.

Each co-operative can choose those areas of the framework that will particularly resonate with their members and use the model as an 'options menu' for developing best practice within their narrative reporting.

Key questions

Throughout the report there are a series of questions that are posed across each section of the framework. You will find them in purple boxes.

These are designed to help users of the guidance to consider and reflect upon the nature and content of their narrative reporting. The questions are designed to help bring the framework to life enabling authors to produce a compelling co-operative narrative.
The framework

In many ways the CPC framework outlined here builds on existing guidance that has been published by other reporting bodies such as the Financial Reporting Council (FRC) and the International Integrated Reporting Council (IIRC).

However, at its core the CPC guidance looks to emphasise what is unique about all co-operative entities namely: the ‘co-operative difference’ and this underpins the entire framework.

The framework consists of 3 pillars covering specific content areas which are then used to help articulate and demonstrate the 'co-operative difference'.

The pillars themselves are set within the wider lens of best practice 'co-operative reporting':

Pillars

- Member value
- Member voice
- Co-operative values

Co-operative Reporting

- Co-operative principles
- Communication quality

A more detailed overview of the framework is given on pages 9-23.
Defining narrative reporting

Definition of narrative reporting

Before introducing the framework in detail it is useful to briefly consider exactly what we mean by narrative reporting.

In its loosest sense narrative reporting can be defined as any content (written or pictorial) that sits at the front of the annual report before the financial accounts.

This information accompanies the pure financial numbers that form the annual accounts and together they make up an entity's annual report.

Narrative reporting is designed to give a reader a better understanding of and relevant insight into a reporting entity's purpose, strategy, performance, position and future prospects.

In general narrative reporting is usually split into sub-sections in the front half of the annual report under the headings of the strategic report and the governance report.

Scope of guidance

For the purposes of this framework we have limited the definition of narrative reporting to cover the information that is typically contained within the strategic report.

Specifically we exclude those areas that are generally contained within the Governance section of the annual report. This is because the disclosure requirements in this area are often mandatory in nature and have prescriptive criteria with less judgement required.

However, current practice by co-operatives may see certain items (such as principal risks) being included within either section. To help define the scope of the framework, the table below outlines those items that are covered by this guidance.

<table>
<thead>
<tr>
<th>Strategic report sections (covered by narrative reporting)</th>
<th>Governance report sections (NOT covered by narrative reporting)</th>
</tr>
</thead>
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<tr>
<td>Chief Exec / Chair reports</td>
<td>Exec / director biographies</td>
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<tr>
<td>Strategy &amp; business model</td>
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<td>Finance review</td>
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<td>Membership and communities</td>
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<tr>
<td>KPI’s</td>
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<tr>
<td>Sustainability reviews</td>
<td></td>
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<td>Risk assessments</td>
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</table>
The Framework: An overview

A brief overview of the narrative reporting framework is given on the following pages (4-8). The overview section is designed to give a user an initial introduction to the framework whilst hopefully conveying the main principles and concepts of the model.

The framework overview section is split as follows:

<table>
<thead>
<tr>
<th>Framework overview</th>
<th>Page 4</th>
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<tbody>
<tr>
<td>• Basic structure</td>
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<tr>
<td>• How to apply the framework</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Co-operative reporting</th>
<th>Page 6</th>
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</thead>
<tbody>
<tr>
<td>• Communication quality</td>
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<tr>
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<thead>
<tr>
<th>The co-operative difference</th>
<th>Page 7</th>
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<tr>
<td>• Member value (pillar 1)</td>
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<tr>
<td>• Member voice (pillar 2)</td>
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<tr>
<td>• Co-operative values (pillar 3)</td>
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</table>

More detailed guidance can then be found in the ‘framework detail’ section on pages 9-23.

Basic structure

The diagram below outlines the basic structure of the framework. This consists of 3 pillars covering the 3 specific areas of content which underpin the concept of ‘co-operative difference’. The pillars themselves are set within the wider context of best practice ‘co-operative reporting’ which consists of a foundation of the ‘co-operative principles’ and an over-arching roof of ‘communication quality’.

How to apply the framework

The model reflects a ‘principles’ based approach rather than being prescriptive in nature and each co-operative should choose those areas of the framework that will particularly resonate with its members using the model as an ‘options menu’ for developing best practice narrative reporting.

Good narrative reporting is all about telling a unique and compelling story of a co-operative in a clear and meaningful way for its members. Each section of the framework contains a series of questions (highlighted in purple boxes) designed to help draw out best practice reporting. The questions can be used as a checklist for consideration to help and challenge users to articulate the story of its individual co-operative in a unique and powerful way.
Narrative reporting: The framework

The main principles of narrative reporting. Download or view an extended version at www.uk.coop/nr
Co-operative reporting

Before considering the detailed areas of narrative reporting (which are explored further through the 3 pillars) it is important to consider some basic qualities and characteristics that best practice ‘co-operative reporting’ should look to exhibit.

Two basic building blocks of good 'co-operative reporting' are identified namely:

1. Communication quality
2. Co-operative principles

These elements of 'co-operative reporting' form the foundation and roof of the framework. They are not specific content areas but rather principles and characteristics that best practice would see permeate throughout any co-operative narrative reporting.

It is not expected that these characteristics would be specifically referenced; however it is likely that they will be there in the background as integral elements of the narrative reporting.

1) Communication quality

A foundation of the framework is the concept of 'communication quality' which refers to the way in which information is conveyed to the members.

In this regard the guidance looks to articulate the best practice characteristics that could be demonstrated by a co-operative in its narrative report.

The guidance puts an emphasis on the characteristic of 'accessibility' which is deemed to be particularly relevant to member owned organisations whilst also dovetailing with existing direction from the FRC in terms of narrative reporting.

More detail is given on page 10.

Communication quality

- Accessible
- Fair, balanced and understandable
- Comprehensive and concise
- Forward looking

Tips and guidance

The elements of ‘communication quality’ can equally be applied to more general member communication.

2) Co-operative Principles

There are 7 fundamental ‘co-operative principles’ that underpin the movement as a whole and give the sector its unique identity. It is only natural then that these principles should be referenced to and drawn out under a co-operative framework for narrative reporting.
The 7 principles are listed here and more detail and guidance on their application is given on page 11.

**Co-operative principles**
- Voluntary and open membership
- Democratic control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operatives
- Concern for community

**The co-operative difference**

The 3 pillars represent broad areas of potential content for narrative reporting and as such can be used to frame and organise the reporting. It is through these areas of content (the pillars) that the ‘co-operative difference’ can be demonstrated and brought to life.

Guidance on how the pillars can be used to express and demonstrate the ‘co-operative difference’ and how they can be translated into compelling co-operative narrative reporting is given in the subsequent sections (page 13-24).

**Tips and guidance**

The 3 pillars sit under the umbrella of the 'co-operative difference'. It is through the pillars that the 'co-operative difference' can be demonstrated.

**Member value (pillar 1)**

Member value can take many forms and reflects the essence of the relationship between a co-operative and its members.

Different members will value different things and this will vary between members and between co-operatives.

What is important is that each co-operative looks to define and express that value in relation to its members. See page 14-19 for further guidance.
Narrative Reporting • A Framework & Guidance for Co-operatives

**Member voice (pillar 2)**

Member voice is a vital component of any healthy co-operative. Demonstrating and articulating how this is being achieved is paramount to generating further member engagement.

*See pages 20–22 for further guidance.*

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**Co-operative values (pillar 3)**

These underpin the sector as a whole and each co-operative can look to demonstrate and articulate them throughout any narrative reporting that is undertaken.

*See pages 23–24 for further guidance.*

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**Key questions**

- How engaged are the members with their co-operative?
- How well is the co-operative doing at listening to, understanding and responding to what their members really want from their co-operative?
- How is the co-operative demonstrating the sectors’ core values?
Framework detail

A brief overview of the narrative reporting framework is given on pages 10-24 and is designed to give a user that first introduction to the framework and an understanding of the main principles and concepts of the model.

More detailed guidance is now given in the following ‘framework detail’ section:

<table>
<thead>
<tr>
<th>Co-operative reporting</th>
<th>10-12</th>
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<tbody>
<tr>
<td>1. Communication quality</td>
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<tr>
<td>– Accessibility</td>
<td>10</td>
</tr>
<tr>
<td>2. Co-operative principles</td>
<td>11</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>The co-operative difference</th>
<th>13</th>
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</thead>
<tbody>
<tr>
<td>Background</td>
<td>13</td>
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<tr>
<td>Supporting pillars</td>
<td>13</td>
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<table>
<thead>
<tr>
<th>Member value (pillar 1)</th>
<th>14-19</th>
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<tbody>
<tr>
<td>Defining member value</td>
<td>14</td>
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<tr>
<td>The member value cycle</td>
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<tr>
<td>Specific areas to cover</td>
<td>15-19</td>
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<tr>
<td>– Strategy and business model</td>
<td>16</td>
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<tr>
<td>– Business performance</td>
<td>16</td>
</tr>
<tr>
<td>– Risks and uncertainties</td>
<td>17</td>
</tr>
<tr>
<td>– Member benefits</td>
<td>17</td>
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<tr>
<td>– Community benefits</td>
<td>18</td>
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<tr>
<td>– Wider stakeholders</td>
<td>18</td>
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<tr>
<td>– Colleagues</td>
<td>19</td>
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<table>
<thead>
<tr>
<th>Member voice (pillar 2)</th>
<th>20-22</th>
</tr>
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<tbody>
<tr>
<td>Background</td>
<td>20</td>
</tr>
<tr>
<td>Defining member voice</td>
<td>21</td>
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<tr>
<td>Defining active members</td>
<td>21</td>
</tr>
<tr>
<td>Monitoring member voice</td>
<td>21</td>
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<tr>
<td>Trend analysis</td>
<td>22</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Co-operative values (pillar 3)</th>
<th>23-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrating</td>
<td>23</td>
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</tbody>
</table>
Co-operative reporting

The following sections (pages 10-12) provide further detail on ‘co-operative reporting’ which covers (1) communication quality and (2) co-operative principles.

1 Communication quality

The co-operative narrative reporting framework includes an over-arching concept of ‘communication quality’. This refers to a set of characteristics and the ways in which information is communicated to members to ensure that they can get the best insight and understanding of the report they are reading.

The characteristics (1 to 6) shown in the diagram below are taken from the Financial Reporting Council (FRC) ‘Guidance on the Strategic Report’ which was issued in June 2014 and further detail and definitions are given in Appendix B (page 26).

The FRC guidance clearly represents a common sense approach to any narrative reporting and as such it is deemed that the FRC characteristics are as applicable to a co-operative specific model as to their intended corporate target and that there is limited benefit in re-working the FRC guidance from a co-operative specific perspective.

However one additional concept has been included which has specific resonance for co-operative entities and is that of ‘accessibility’.

Accessibility

This is deemed to be an over-arching characteristic that all co-operative narrative reporting should exhibit as it is particularly important for a co-operative that its members can easily access and then easily understand what they are being told.

As a co-operatives’ purpose is to serve its members, it is paramount that all communication with members is readily available to all and that the communication itself is clear, simple and easily understandable by a typical member.

Accessible narrative reporting is that which is readily and conveniently available for all members and which can be accessed with minimal effort across a variety of mediums. Digital and mobile options could be appropriate (dependent upon the membership base) and technological changes should be monitored to ensure ease of access.

Wherever possible narrative reports should be in plain English.

See next page for an overview of the main characteristics of ensuring the best quality communications to members.
2 Co-operative principles

There are 7 fundamental 'co-operative principles' that underpin the co-operative movement as a whole and it is natural that these should be referenced to and drawn out throughout narrative reports. Commonly accepted definitions of the principles are shown in Appendix A on page 25.

As fundamental building blocks for a co-operative then the 7 principles will be interwoven into everything that it does and best practice would see the principles being integrated throughout narrative reports. The principles are the practical way in which co-operatives express their identity and as such they include elements of the 3 pillars of member value, member voice and co-operative values.

The table on the next page outlines how the 7 principles can be linked into the 3 pillars in the narrative reporting framework.

Furthermore, some example questions are posed to help a user consider the principles with respect to their individual entity and their individual reporting. This is an illustrative list and co-operatives are encouraged to adapt, add to or amend these as appropriate to fit their circumstances.

Tips and guidance

Members may find it useful if the reporting identifies (using symbols) when a principle is demonstrated in action.
**Table: How the 7 principles can be linked into the 3 pillars in the narrative reporting framework.**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Pillars</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary and open membership</td>
<td>1 Member value</td>
<td>Are we attracting new members?</td>
</tr>
<tr>
<td>Democratic member control</td>
<td>2 Member voice</td>
<td>Are members involved in the democracy of our co-operative?</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>1 Member value</td>
<td>What trade do we have with our members?</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>2 Member voice</td>
<td>Do our assets and liabilities allow us to develop the business?</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>3 Co-operative values</td>
<td>Do we develop and train those involved in the business?</td>
</tr>
<tr>
<td>Co-operation among co-operatives</td>
<td>3 Co-operative values</td>
<td>Do we co-operate with other co-operatives?</td>
</tr>
<tr>
<td>Concern for the community</td>
<td>3 Co-operative values</td>
<td>Are we improving the overall impact that we have on communities and the environment?</td>
</tr>
</tbody>
</table>
The co-operative difference

Background

This guidance frameworks’ primary objective is to help preparers of co-operative narrative reports to emphasise in their reporting what is unique about all co-operative entities, namely the ‘co-operative difference’.

The framework looks to do this by having the ‘Co-operative Difference’ as a theme that sits at the heart of the model and is designed to help each Co-operative to tell their unique story to their members.

Supporting Pillars

The concept of ‘co-operative difference’ is underpinned by the 3 pillars and these are the areas where specific guidance is given as to potential content areas that a co-operative could consider including within its narrative reporting.

The pillars are designed to help frame the content of narrative reporting and provide structure for each co-operative to tell its unique and compelling story.

**Tips and guidance**
The pillars sit under the umbrella of the ‘co-operative difference’ and it is through the pillars that the difference is demonstrated.

**Detailed guidance for each pillar is set out on pages 14-24. Within each section, a series of questions are posed which are designed to help the user consider how they can draw out the ‘co-operative difference’ for their individual co-operative.**

<table>
<thead>
<tr>
<th>The co-operative difference</th>
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</thead>
<tbody>
<tr>
<td>Member value</td>
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<tr>
<td>Strategy and business model</td>
</tr>
<tr>
<td>Business performance</td>
</tr>
<tr>
<td>Risk and uncertainties</td>
</tr>
<tr>
<td>Member benefits</td>
</tr>
<tr>
<td>Community and co-operative benefits</td>
</tr>
<tr>
<td>Wider stakeholders</td>
</tr>
<tr>
<td>Colleagues</td>
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</tbody>
</table>
Member value (pillar 1)

Defining member value

Member value is difficult to define yet it goes to the very heart of a co-operative organisation and describes the essence of its relationship with its members. Member value is the first pillar in the framework supporting the articulation and demonstration of the ‘co-operative difference.’

As such it is vital that co-operative narrative reporting seeks to define what member value actually means to that co-operative and its members. The ways in which a co-operative generates that value for its members will likely vary for each individual society.

Similarly so will the ways in which each society monitors and looks to sustain that value. Furthermore, it will mean different things to different members.

As a consequence of this, each co-operative will need to carefully consider how it articulates member value within its narrative reporting and some broad themes may be useful to consider:

### Key questions

What do members value from their co-operative?

<table>
<thead>
<tr>
<th>Trading activity</th>
<th>Returns to members</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Members may appreciate and value their co-operative through the trade they undertake with that business.</td>
<td>• Some members may more readily perceive member value as the returns that they receive from the society.</td>
<td>• Other members may more highly value non-monetary aspects of their relationship with their co-operative such as through the reputation and stance of the business or in the support and participation that the business makes to the local community or wider society as a whole.</td>
</tr>
<tr>
<td>• For example a member may value their co-operative when they interact with the business and receive high quality goods and services at a fair price.</td>
<td>• This maybe in the form of dividends or distributions.</td>
<td></td>
</tr>
</tbody>
</table>

The member value cycle

Once member value has been defined then best practice would see an entity explain the member value cycle.

In simple terms this would involve describing how the co-operative creates member value, how it monitors it and how it plans to sustain and grow this value for its members in the future.
This will most probably be at a high level but best practice would see an attempt being made to explain in simple terms what the particular co-operative is all about and what its fundamental purpose actually is (in a similar way to a corporate entity’s mission statement).

Specific areas to cover

The following section provides further detail around those areas that could be covered in a co-operative narrative report. These sit under the first pillar of member value.

**Member value**
- Strategy and business model
- Business performance
- Risks and uncertainties
- Member benefits
- Community and co-operative benefits
- Wider stakeholders
- Colleagues

Each area does not need to be covered under the individual headings noted but it would be anticipated that these broad topic areas would be covered somewhere when it is relevant for the reporting entity.

The depth to which each area is covered will vary by entity and judgement will be required. Factors to consider will include the size and complexity of the co-operative and the nature of the business it is conducting.

Underpinning this assessment should be the fundamental goal of providing members with useful and appropriate information.

**Tips and guidance**

It may be useful to use symbols throughout the report that show a reader when a value is demonstrated in action.

The following pages give examples of areas each report section could cover.
The over-arching business objectives will generally stem from the definition of member value (noted above) and the process of creating and maintaining that value.

The strategy and business model will then articulate how the entity is trying (and crucially how it will try in the future) to achieve those objectives and create and maintain that member value.

This could include details of the markets and sectors in which the co-operative operates, where it sees its competitive advantage is and how it is trying to leverage that advantage for the benefit of its members.

It is also imperative to outline the importance of the role that the members themselves play in the survival and growth of their co-operative and the symbiotic relationship between the two. Clearly articulating the way in which the member sits at the heart of the business model will in itself demonstrate the unique ‘co-operative difference’ each entity has.

For a co-operative it will also be important to explain how it funds its operations and raises capital (potentially from its members). Furthermore outlining its approach to recycling profits (either through re-investment or by return to members) will also be important to a member’s understanding of their co-operatives approach to doing business.

Any business performance review that is undertaken would likely make reference to comparative figures (prior years). Where appropriate it may also be useful to reference any targets (or budgets) that have been set for the year to allow a member to assess how things have gone (including reference to wider market and peer comparisons).

The review of business performance would be expected to cover income statement performance, cash flow and the balance sheet closing position where appropriate.
Performance measurement should not be limited to just financial measures and it would also be relevant to show year on year trends against relevant financial or non-financial KPI's that cover member value (however that has been defined by the entity against the areas of ‘trading activity’, ‘returns to members’ and ‘values’ as noted in the table of page 14).

Where a co-operative operates in different markets or in multiple sectors then best practice would see it outline performance for each market or business segment separately. Each area should be given sufficient focus dependent upon its size and importance to the overall co-operative business model (i.e. you shouldn’t skirt over areas that haven’t performed as planned and just focus on your successes).

**Risk and uncertainties**

Does the narrative reporting clearly show members those significant risks and uncertainties that could undermine the achievement of its objectives and its ability to create and sustain member value?

- These may be external and wider market based risks or alternatively they could be internal barriers or potential hurdles.

- An assessment could be given as to the likelihood and the significance of any potential impact on future performance and stated objectives of any of the risks and uncertainties that are noted.

- Information could also be given to show how risk has changed over time.

- An overview could also be given as to what approach or activity is being undertaken to manage or mitigate the significant risks and uncertainties that are identified.

**Member benefits**

Does the narrative report clearly identify the benefits of being a member? Does the narrative report make a compelling case to encourage non-members to become members by articulating the ‘co-operative difference’?

- An entity could clearly spell out the benefits of membership to a reader. These may be financial benefits (such as day-to-day trading discounts or annual dividends) or they could be non-financial benefits (such as advice or non-financial support that is provided).

- For each benefit identified it would be expected that the total annual benefit passed onto members by the co-operative would be shown as well as how this averages out to a typical member.

- An indication could also be given as to any factors or plans that may significantly change the likelihood and type of member benefits that are expected to arise in future years.
An entity could clearly spell out the contribution it makes to the community and the nature and wider benefits of co-operating and how those benefits link into their core values and business model. Again these maybe financial (such as specific charitable donations and financial support) or non-financial (such as general support, advice or free use of resources for others).

Where it is possible to financially quantify each community benefit identified it would be useful to show the total annual benefit with prior year comparatives.

All co-operatives will have a variety of stakeholders beyond their direct membership and customer base. This may include external bodies such as suppliers, creditors, regulators or other co-operatives as well as internal people such as colleagues or unions. The success of the relationships with these wider stakeholders may have a significant effect on the entities ability to achieve its objectives and as such a fair summary of the state of those relationships could be given in the annual report.

An entity could identify all significant wider stakeholders and explain the nature of the relationship they have with them.

Throughout an emphasis should be placed upon how co-operative values and principles have helped foster positive relationships with the wider stakeholder community and how that approach has helped create value to members.

Furthermore, the work that has been done during the year (or which is planned for the future) to foster such relationships could be noted.

The potential impact and likelihood of deteriorating relationships could also be objectively discussed with reference to the stated objectives of the business.
An entity could look to clearly articulate how the employees of the co-operative generate value for the business and the membership.

An entity could also give details as to how it attracts, rewards, retains, develops and generally strives to treat its employees.

Employee engagement could also be covered. This could be represented through metrics around membership, product advocacy, specific satisfaction surveys, staff turnover and retention rates etc.

For co-operatives with employees, then metrics could be disclosed that show the total number of employees that each co-operative has as well as how that workforce is comprised along appropriate lines such as age, gender, sexuality, disability and ethnic diversity. Metrics could also be disclosed showing gender and diversity at Board and senior management level.

Where a co-operative uses volunteers then similar metrics on their profile may be considered for use.

**Colleagues**

Does the narrative report explain how employees of a co-operative are crucial in the member value creation process and the ability of the organisation to meet its objectives?
Member voice (pillar 2)

Background

Members are the life blood of every co-operative organisation and the symbiotic relationship between members and their co-operative represents a fundamental point of difference to the traditional investor-owned business structure.

In light of this it is vital that any narrative reporting that is undertaken clearly articulates how well the reporting entity is doing at connecting and resonating with its members and hearing and encouraging their member voice.

Member voice is the second pillar in the framework supporting the articulation and demonstration of the ‘co-operative difference.’

<table>
<thead>
<tr>
<th>Membership</th>
<th>Members trade</th>
<th>Democratic participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute numbers</td>
<td>Absolute value</td>
<td>AGM participation (%)</td>
</tr>
<tr>
<td>New members</td>
<td>Percentage of total trade</td>
<td>Voters to active members (%)</td>
</tr>
<tr>
<td>Lapsed members</td>
<td>Frequency / value</td>
<td>Advocacy</td>
</tr>
<tr>
<td>Colleague members</td>
<td>Satisfaction rates (%)</td>
<td></td>
</tr>
</tbody>
</table>

Key questions

How well does the co-operative do at listening to its members?

Does the co-operative have a deep understanding of what their members really want from their co-operative both now and in the future?

How well does the co-operative do at responding to what members are telling them they want?

How well is the co-operative doing at delivering what their members want and consequently how well are they doing at confirming the bond of membership between the co-operative and its members?

Co-operatives of all sizes can look to understand and monitor the levels of engagement that they have with their members as this goes to the heart of their purpose.

Furthermore the narrative report could demonstrate that the co-operative has clear and communicated plans in place to involve members in all that they do.

Tips and guidance

It may be useful for the co-operative to explain to its members their two-way communication strategy to demonstrate how member voice is heard and engagement is created and nurtured.
Defining Member Voice

Member voice will be defined differently across different organisations so it’s important that each individual co-operative looks to define what it means to them specifically and to share that definition with their members.

One lens to use is that of member engagement. In simple terms engaged members will be those that regularly choose to trade with their co-operative, those who choose to work for their co-operative, those who participate in the co-operatives democratic processes and those who choose to contribute on a regular basis to help guide and define how the co-operative conducts itself.

Defining ‘active’ members

It may also be helpful for each co-operative to make the distinction between ‘active’ and ‘non-active’ members within its narrative reporting.

This will require judgement but it should be clearly explained and justified in the reporting that is undertaken with reference to the business model of the individual co-operative.

Tips & guidance:

Some possible areas to consider in terms of member voice and member engagement are noted in the box on the previous page under ‘member voice’.

Tips & guidance:

A member may be deemed as no longer active (lapsed) if they haven’t traded with the co-operative in the last 12 months.

Monitoring member voice

It may be useful to split how member voice and engagement are considered within any narrative reporting between ‘trading’ and then ‘non-trading’ activities.

Some simple examples of metrics that could be monitored are listed in the table overleaf for consideration.
**Trend analysis**

Furthermore it might be useful to communicate relevant measures through simple bar graphs or charts that show the trend of the metrics over time. In this way the co-operative will be able to articulate to its members how well it is doing at connecting with those members.

The table below lists some example questions that could be considered when thinking about member voice. These are not exhaustive but rather noted as a prompt for consideration by a reporting entity when considering this pillar.

There's further detail in Appendix C on page 27 which translates some of these questions into metrics that can then be tracked and monitored over time.

<table>
<thead>
<tr>
<th>Trading</th>
<th>Non-trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>What proportion of a co-operatives’ total business is done with actual members?</td>
<td>How many members does the co-operative have?</td>
</tr>
<tr>
<td>What’s the total value of that member business?</td>
<td>How many members are deemed to be active members?</td>
</tr>
<tr>
<td>How many members are trading with the co-operative?</td>
<td>How many new members have joined during the year?</td>
</tr>
<tr>
<td>How frequently are members trading?</td>
<td>How many members have lapsed during the year (i.e. slipped from active to non-active).</td>
</tr>
<tr>
<td>How much are they spending?</td>
<td>How many members (or what proportion of members) participate in the democracy of their co-operative (e.g. through attendance at AGM’s or voting on resolutions etc).</td>
</tr>
</tbody>
</table>
Co-operative values (pillar 3)

Co-operative values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity and in the tradition of their founders, co-operative members also believe in the ethical values of honesty, openness, social responsibility and caring for others.

‘Co-operative values’ is the third pillar in the framework supporting the articulation and demonstration of the ‘co-operative difference.’

Demonstrating

Clearly these values are rooted at the heart of the co-operative movement and so it’s natural that these should be referenced throughout any narrative reporting that is done.

The best way to identify the activities of the co-operative, with reference to the values, will vary between entities and some thought should be given to achieving the most impact.

Co-operatives may focus on specific values, or choose to add to the values as set out in the global ‘Statement of Co-operative Identity’. The key is to identify what works best for your co-operative in terms of bringing the values to life.

It may be appropriate to simply list the values and then note activities that the entity has undertaken during the year against them that demonstrate the values in action.

Alternatively it may be most effective to simply signpost or flag relevant activity that is noted in other areas of the report with symbols or markers that demonstrate the values in action (rather than looking to have individual sections on each area).

Broadly accepted definitions of the ‘co-operative values’ are given in Appendix D see page 29 and the questions noted below can be used as a checklist for narrative reporting to help a preparer understand whether their reporting demonstrates co-operative values.

Tips and guidance:

A ‘values checklist’ is detailed in Appendix E (page 30) which can be used as a more detailed prompt to consider when reviewing reporting against the ‘co-operative values’.
<table>
<thead>
<tr>
<th>Value</th>
<th>Question to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-help</td>
<td>How as a co-operative do we work with others for mutual benefit?</td>
</tr>
<tr>
<td>Self-responsibility</td>
<td>How do we encourage individuals to play a full role in the running of their co-operative?</td>
</tr>
<tr>
<td>Democracy</td>
<td>How do members play a part in the running of their co-operative?</td>
</tr>
<tr>
<td>Equality</td>
<td>Are member benefits shared equally in-line with member contribution?</td>
</tr>
<tr>
<td>Equity</td>
<td>How are we showing that we treat our members justly and fairly?</td>
</tr>
<tr>
<td>Solidarity</td>
<td>How are we showing our support for our members and other co-operatives?</td>
</tr>
<tr>
<td>Ethical values</td>
<td>How are we demonstrating the sectors' ethical values?</td>
</tr>
</tbody>
</table>
Appendix A: Co-operative principles

Users may wish to refer to further guidance on the co-operative principles as published by the International Co-operative Alliance. The definitions below represent the generally accepted definitions of the principles.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary and open membership</td>
<td>Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept responsibilities of membership, without gender, social, racial, political or religious discrimination.</td>
</tr>
<tr>
<td>Democratic member control</td>
<td>Co-operatives are democratic organisations 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 organised in a democratic manner.</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>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 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.</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, 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.</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>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.</td>
</tr>
<tr>
<td>Co-operation among co-operatives</td>
<td>Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.</td>
</tr>
<tr>
<td>Concern for community</td>
<td>Co-operatives work for the sustainable development of their communities through policies approved by their members.</td>
</tr>
</tbody>
</table>
Appendix B: Communication quality

The detailed definitions of the communication principles (1 to 6) shown below are taken from the Financial Reporting Council (FRC) Guidance on the Strategic Report\(^1\) which was issued in June 2014.

<table>
<thead>
<tr>
<th>Ref</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Fair, balanced and understandable:</strong> Narrative reporting should address the positive and negative aspects of the development, performance, position and future prospects openly and without bias. Readers should not be misled as a result of the presentation of, or emphasis given within narrative reporting, or by the omission of material information from it.</td>
</tr>
<tr>
<td>2</td>
<td><strong>Comprehensive but concise:</strong> Comprehensiveness reflects the breadth of info within narrative reporting rather than the depth of information. Reporting does not need to cover all possible matters in detail to be considered comprehensive. It should include info that is necessary for an understanding of the development, performance, position and future prospects of the co-operative.</td>
</tr>
<tr>
<td>3</td>
<td><strong>Forward looking:</strong> Information on how a fact or circumstance might affect the co-operative should be included when it is material to an assessment of the development, performance, position or future prospects. The provision of this info does not require disclosure of a forecast of future results.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Entity specific:</strong> Information on how a particular fact or circumstance might affect, or has affected, the development, performance, or future prospects of the entity and how it is responding to that fact or circumstances provides insightful info that can be used in the assessment of future prospects. The inclusion of generic or ‘boilerplate’ info on its own is of limited use.</td>
</tr>
<tr>
<td>5</td>
<td><strong>Linkages:</strong> Reporting should highlight and explain linkages between pieces of information presented within the narrative reporting and in the annual report more broadly.</td>
</tr>
<tr>
<td>6</td>
<td><strong>Reviewed annually (to ensure efficient and effective and relevant):</strong> Consistent structure, presentation and content will facilitate comparison from year to year but the benefits of continuity should not override innovation where this will improve the relevance and understandability of the information presented.</td>
</tr>
<tr>
<td>7</td>
<td><strong>Accessible:</strong> The information should be readily and conveniently available for all members and accessible with minimal effort across a variety of mediums. Digital and mobile options should be available and technological changes should be monitored to ensure ease of access. Wherever possible narrative reports should be in plain English.</td>
</tr>
</tbody>
</table>

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Appendix C: Member voice example metrics (pillar 2)

The tables and charts noted below are just some example ways in which a co-operative could look to communicate and monitor member voice.

Member voice

What proportion of our trade is with members?

- The falling proportion of trade with members is the result of attracting new customers and changes in our store estate (new and closed stores).

![Graph showing declining proportion of trade with members]

Are our members actively purchasing from the society?

- We are delighted to be maintaining a high level of trade with our members
- Our ambition is to grow to be consistently over 70%.

![Bar chart showing percentage of members' purchases over time]
Are we attracting new members to our society?

- Membership recruitment is at a 6 year and we have exceeded our target of 18,000 new members.
- Our target for 2017 is a 19,000 new members – a 5% increase on 2016.

Are members involved in the democracy of our society?

- The changes we made to our Annual Members Meeting in 2016 reversed the decline in attendance and we are looking to grow this again in 2017.
Appendix D: Co-operative values (pillar 3)

The generally accepted definitions of the co-operative values are detailed in the table below.

Co-operatives may focus on specific values in their narrative reporting, or choose to add to the values as set out in the global Statement of Co-operative Identity.² The key is to identify what works best for your co-operative in terms of bringing the values to life.

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-help</td>
<td>In co-operatives, people help each other whilst helping themselves by working together for mutual benefit.</td>
</tr>
<tr>
<td>Self-responsibility</td>
<td>Individuals within co-operatives act responsibly and play a full part in the organisation.</td>
</tr>
<tr>
<td>Democracy</td>
<td>A co-operative will be structured so that members have control over the organisation – one member, one vote.</td>
</tr>
<tr>
<td>Equality</td>
<td>Each member will have equal rights and benefits (according to their contribution).</td>
</tr>
<tr>
<td>Equity</td>
<td>Members will be treated justly and fairly.</td>
</tr>
<tr>
<td>Solidarity</td>
<td>Members will support each other and other co-operatives.</td>
</tr>
<tr>
<td>Ethical values</td>
<td>In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.</td>
</tr>
</tbody>
</table>

Further guidance on the co-operative values has been developed by Co-operatives UK (Ed Mayo, Values: How to bring values to life in your business,³ Greenleaf, 2016). This includes a 'co-operative values checklist' which is detailed in Appendix E (page XX).

Appendix E: Co-operative values checklist (pillar 3)

Values checklist

The following checklist is intended to be a resource, as a prompt for possible actions, rather than a list of requirements. What measures do you do? What measures could you take?

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
</table>
| Articulating values         | ▪ Does the organisation have an agreed statement of shared values?  
  ▪ Are these values published and available?  
  ▪ Are the values translated into expectations around every day behaviour? |
| Leadership on values        | ▪ Is the strategy and direction of the organisation informed by its values?  
  ▪ Do those with responsibility lead by example? |
| Governance on values        | ▪ Does the board consider values and track performance and risk in relation to them?  
  ▪ Does the board consider external assurance and stakeholder feedback in relation to the values of the organisation?  
  ▪ Are values integrated in the framework of policies approved by the board for the business? |
| The values fit              | ▪ Are the values in line with the core purpose or founding story of the organisation?  
  ▪ Are the values the right ones, in terms of their fit with the wider market and society within which the organisation operates? |
| Ownership and awareness of values | ▪ Do those involved in the business know what the values are?  
  ▪ Do those in the business believe that the values are ones that they care about?  
  ▪ Do the values inform the conversations, communication and planning of those within the business? |
| Integration of values       | ▪ Are values integrated in human resource management – such as performance review, learning and development and colleague recruitment and induction?  
  ▪ Are values integrated into commercial relationships – such as buying decisions, supply chain management, and partnerships?  
  ▪ Are values integrated into marketing – such as communication, product and service design and innovation? |
| Accountability on values    | ▪ Do values form part of the accountability framework of the business to its ultimate owners, for example in dialogue or in the articles of association?  
  ▪ Do values form any part of what the business reports on or discloses externally?  
  ▪ Are the interests and perspectives of stakeholders considered in the way that values are handled? |