



# Directors' Annual Report and Financial Statements for the 52 week period ended 30 January 2022



The Southern Co-operative Limited  
Registered Office: 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE  
Reg No. 1591R (Co-operative and Community Benefit Societies Act 2014) England

# Directors' Annual Report and Accounts for the 52 week period ending 30 January 2022

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## **OFFICERS AND PROFESSIONAL ADVISORS**

### **Directors**

Chair	Mark Ralf	
Vice-Chair	Helen Jackson	
	Elizabeth Rogers	
	Neil Blanchard	
	Beverly Wyatt	
	Joanne Gray	
	John Lay	
	Jessica Danyluk	(Appointed 28 May 2021)
	Anthony Scott	(Appointed 28 May 2021)
	Olusoji John	(Appointed 21 February 2022)
	Amber Vincent-Prior	(Resigned 27 May 2021)
	Gareth Lewis	(Resigned 27 May 2021)
	Jason Crouch	(Resigned 27 May 2021)

### **Independent Chair of Audit and Risk Committee**

Lucy Knox (appointed as Chair of Committee 1 October 2021)

### **Chief Executive and Leadership Team**

Mark Smith	Chief Executive
Silena Dominy	Director of Corporate Affairs / Society Secretary
Sarah Kavanagh	Business Transformation and HR Director
Simon Eastwood	Chief Operating Officer Food Retail
Stephen Pearce	Chief Operating Officer End of Life Services
Gemma Lacey	Director Sustainability and Communications
Greg Wilkins	Finance Director

### **Bankers**

Barclays Bank Plc, Barclays House, Oceans Way, Ocean Village, Southampton, SO14 2ZP

### **Independent Auditor**

BDO LLP, Chartered Accountants and Statutory Auditor  
Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL

## **CHAIR'S STATEMENT**

In last year's report, I spoke about the need to rebuild communities and the economy post COVID along with the imperative of acting on climate change. Not surprisingly, these themes remain critically important in 2022. Together, we have endured a tough second year of the pandemic with all the associated difficulties this has brought. Hopefully, we're now closer to the end of our historic battle with this virus, and our attentions can turn to the other large underlying challenges we face, both as a business, and individuals.

The ability to adapt is of increasing importance, and is a focus for much of our forward planning as we work to build resilience in our people, business, communities and indeed, our planet. Within our business we've learned much over the last two years on how we can ensure business continuity and high levels of operational flexibility in difficult times. We're working through how we can apply and use these learnings to help us address other threats in the future.

Part of this is investing further in the latest technologies, alongside how to best utilise the time and talents of colleagues across our business. Our people plan remains absolutely central to the future of our business. This report sets out further progress on our important work to protect our colleagues, support and develop young people through our enthusiastic engagement with the Kickstart programme, and follow through on our commitment to meaningful diversity and inclusion.

Our mutual model has meant that we're never slow to take a long term view and reinvest into our business. That investment, of course, includes adding new trading units. We're also blending the mix of different types of our outlets to reflect future customer trends and wider risk. Similarly, we continue to invest in new technologies to support the efficient operation of our stores at a time of rapidly rising costs.

## **CLIMATE IMPERATIVE**

Underpinning all of this is our pledge to play our part in urgently cutting carbon to the levels necessary to avoid catastrophic damage to our world. In June, our carbon reduction commitments for 2030 were independently validated by the Science Based Targets initiative (SBTi). These targets are underpinned by a defined set of plans that we call Our Climate Pathway, supported by an investment of £5.8m, that modelling has shown will initially be required to support the activity needed to meet our target over the timeframe of the target baseline (2019) through to 2030. Our Climate Action Group, chaired by our Chief Executive, provides the internal leadership to drive this agenda and will oversee and track progress.

We're taking direct action to reduce our carbon footprint, whilst actively creating space for wildlife and supporting nature recovery; which plays a critical role in tackling climate change, and ensures we all benefit from a healthy, natural environment.

Our supply relationships with the national co-operative food buying joint venture and our franchise link to Starbucks' global supply chain enables us to work with them on improvements to the overall sustainability of our supply chains for the products we sell.

Clearly, there is a long way to travel on our climate ambitions, not least to deliver challenging Scope 3 (indirect) carbon reduction targets, which tackle those emissions relating to our supply chain and the products we sell, but we have definitely made a start. Our partnerships and collaborative working model position us well to succeed in this over time.

We'll work with others on these big wider issues, just as we do across a range of day to day matters in our core trading activities, and engage our communities closer to home. We understand the challenges many in our communities are facing. We want to do what we can to help, and build resilient communities across the south.

2021 has seen more progress in these areas, and I'm especially pleased with the work we have been doing in support of fighting food poverty, including through partnerships with Neighbourly and Hubbub.

I hope this will be the last of these reports in which I have to refer to the negative impacts of the pandemic. Along with all businesses, our challenge as leaders now is to harness the positives of our response to COVID for the future. I'd like to pass on the thanks of the whole Board to all of our colleagues across Southern Co-op for the outstanding contribution they have made again this year, especially in such challenging conditions.

We also need to note the lessons of what could have been done better, and use these to bolster our response to the climate emergency. I know our Members will stand alongside us in that endeavour and as always, we're grateful for your custom and wider support of your co-op.

Thank you all.

Mark Ralf  
Chair

## **CHIEF EXECUTIVE'S REVIEW**

### **INVESTING FOR GROWTH, EFFICIENCY AND RESILIENCE**

We made further strategic progress in 2021, alongside dealing with the demands of pandemic trading and achieving a robust financial result.

Growth for the long term remains central. Our Starbucks franchise added 20 new stores reaching a milestone 50<sup>th</sup> coffee store. We are now aiming to operate 100 stores by 2025. Importantly, our End of Life Services operation grew, acquiring three new woodland burial ground businesses, and adding six funeral homes in the year. In food, growth continued through our Welcome franchise format, partnering with our independent franchise operators to open 13 new stores.

In our managed food estate, 15 stores were added to our online rapid grocery delivery service, bringing the total number active in that channel to 43. We also had one new food store opening in Basingstoke.

We have put further core investment into enhancing how we engage digitally with our Members, and other customers, and started a major project to replace all our people IT systems.

As part of our Right Store 23 efficiency programme, this step change investment will help deliver a positive colleague employment experience, whilst enabling growth, and a more efficient operation. The programme also now completed the planned deployment of self-service check out options to 168 stores.

Following the announcement of major regulatory changes, the market for all forms of pre-paid funeral planning will be regulated by the Financial Conduct Authority (FCA) from July 2022. As a significant and long-standing provider of high-quality products in this market, we welcome the enhanced regulation, and we have formally applied for full FCA regulated status. We are taking advice on these regulations, reviewing the impact and monitoring this closely.

### **TRADING CONDITIONS**

2021 was characterised by well documented and overlapping supply side challenges, something that was felt across the food industry. We put considerable time and resources into managing these constraints, working hard to keep the disruption impacts on our customers to a minimum. Unfortunately, toward the end of 2021, interruptions in supply into our stores intensified for a period of time, resulting in shelf availability impacts on certain lines. This has since eased, but I would like to apologise to our Members and other customers for this temporary worsening of supply caused by IT system issues at our logistics provider.

Alongside disruption to in-bound product supply, the other significant operational challenge has been the labour shortage. Mirroring the bigger employment picture in the country, we have faced higher colleague turnover and vacancy rates in the second half of 2021. This unexpected outcome for the labour market as a whole has been a particular challenge for us with our exposure to two of the most impacted sectors of the market. It remains a priority to further improve our touchpoints with colleagues and to build on the attractiveness of our brand as an employer.

We want to offer our teams the best possible overall employment experience in the sectors in which we operate. We have made some progress towards that goal this year and continue to explore ways to support colleague wellbeing, and recently introduced a new permanent hybrid working programme for head office colleagues to align with broader life needs.

## **FINANCIAL RESULTS**

### **Profit**

Our preferred profit measure of EBITDA\* increased to £19.2m (+3% above 2021).

Profit before tax (PBT) rose by £1.2m to £3.3m.

This was after the higher annual accounting charge from depreciation on our investment programme.

Total capital invested in the year was £39m.

Profit Before Distributions, which is the figure most comparable with PBT, as reported by limited companies elsewhere, was £4.3m. This is £1.5m higher than 2021.

The robust profitability in 2022 enabled additional amounts to be distributed to Members during the year by way of an ad-hoc interim dividend of 1.5p per £1 of eligible spend.

### **Sales**

Total income for Southern Co-op reached £494m. As expected, this was a small increase of £4m on 2021 (+1%) even though the prior year was a 53 week year, the comparable 52 week period movement was an increase of £11m (+2%). This increased turnover was driven by coffee sales from a combination of less interrupted trading hours, new sites opened and acquired.

Total sales are heavily influenced by our food business. In 2021, food sales were strongest in the first half. Second half sales eased back, impacted by external interruptions to inbound supply to stores, particularly in Q4.

In our other operations, coffee sales built steadily through the year, further supported by new stores to significantly exceed expected levels. Our funeral business completed less client arrangements than we had planned for the year, and just 1% lower than the 2020-21 figure.

Measured against the most comparable (pre pandemic) year of 2019, total Society income was £27m, 6% higher, including a two year like-for-like increase of +3.3% in food sales and a 9% increase from comparable coffee stores.

## **UKRAINE HUMANITARIAN CRISIS**

We are united with others in condemning the war in Ukraine and remain gravely concerned by the escalating situation. We are supporting the Disasters Emergency Committee Humanitarian Appeal with an initial £10k business donation, colleague fundraising and by enabling our customers to make in-store donations at till point. We have also removed Russian Vodka from sale in our food stores, for the foreseeable future, as an expression of solidarity. We continue to explore with our existing networks and partnerships how we might best provide longer term support for refugees to the UK and help build wider community resilience. Alongside this, we are working to assess the potential impact of all aspects of the crisis on our business.

I would like to thank all our trading and central teams for delivering our positive outcomes this year. They have again shown great commitment, ingenuity and resilience in the face of constantly changing conditions in 2021.

My thanks also to our Members and other stakeholders for your ongoing support. I look forward to continuing our Co-op journey together into 2022.

Thank you.

Mark Smith  
Chief Executive

## **RETAIL**

### **FOOD RETAIL**

Given a very tough backdrop, including the impacts of COVID and supply chain availability issues, our Food Retail business has performed well this year.

#### **Self-checkouts (SCO)**

We now have 168 stores with self-checkouts with 454 units now in use in our stores.

To date, our SCOs have been limited to card only transactions. However, we have commenced trials to have them accept other non-cash methods of tender such as vouchers, including Member Share of the Profits and our new Southern Co-op gift card.

#### **Electronic shelf edge labels (ESEL's) and high shelves**

Price changes and promotional processes remains a significant task and operational challenge to our stores, so we have piloted ESEL's (Electronic Shelf Edge Labels) in some of our food stores with a view to rolling this out more widely during 2022.

High shelves are designed to store extra stock allowing our store colleagues to replenish gaps and low stocks without the need to return to the warehouse. This results in improved availability for our customers. We're currently trialling this in some of our existing stores with a view to a further roll out during 2022.

#### **Cash 360**

In all stores, we designed, piloted and implemented a new simplified process for cash handling. This took a 14-touch point process to just five touch points. The new process required investment in additional technology and integration with our solution provider, taking full advantage of our improved operating systems and in turn helping our store teams to be more efficient.

#### **Home delivery**

Our home delivery service has been developed further this year with the service now available on the Isle of Wight, and in Portsmouth, Chichester and more recently with a trial in Southampton. We are delighted to be offering customers in these locations a different way of shopping with us.

#### **New stores**

We opened one store this year, Basingstoke Wallingford Road, in October. The store opened with a strong customer offer and the incredibly high standards expected by our customers.

#### **Instant BBQ withdrawal**

Following local campaigns, pressure has risen to protect local environmentally sensitive areas from wild fires and we were happy to support this approach with 21 core stores and three franchises situated within one mile radius of the South Downs National Park removing disposable BBQs from sale. This is in addition to five core and three franchise stores in the New Forest National Park area that had already removed instant BBQs from sale in 2020.

## **Soft plastics recycling bins**

We're trialling the use of soft plastics recycling bins across a number of stores. The bins are designed to support customers in recycling soft or lightweight plastics that often cannot be recycled at home. All material is back hauled to depot with other store waste for recycling. It's a further step on our Climate Action Pathway, to build a more sustainable world and work towards a waste free future. Find out more in our sustainability section on page 32.

## **Store improvement programme**

This year we completed 26 stores as part of the store improvement programme. We updated store plans and ranges, and where applicable, complete space realignment works. New internal graphics and vinyls were applied to refresh the look and feel of the stores. Freshwater Avenue Road had the first enhanced version of the programme allowing us to improve the look and feel of the store with new flooring, internal decorating and a re-spray of both the internal and external shop front.

## **Post Office**

This year, we have developed and delivered new training for our colleagues to improve the way we deliver Post Office services, ensuring we continue to offer this key service to local communities.

## **Communicating with our colleagues**

In May 2019, we launched the Connect platform providing a source of news and activities communicated from our Central Support centre at Lakeside. This provided a library for all store processes and gave up to date information on key activities which were required to be completed. We have been working throughout 2021 to deliver further enhancements which include communicating key metrics to our colleagues via a new dashboard, field team store visits were recorded on the platform and next steps monitored and reported upon. There will be improved two-way communication, with the ability to respond to messages and news, as well as the ability for stores to talk directly with the centre via this platform. In addition, new functionality will show video guidance and messaging which will further enhance the colleague experience.

## **Local Flavours**



Our local suppliers have once again showed their strength and resilience during 2021 by continuing to provide a stable supply of goods in challenging economic times. Strong sales have continued throughout 2021 after an exceptional year in 2020, showing what a great range of suppliers and products we have as part of our Local Flavours range.

Local Flavours' sales performance shows a strong double-digit growth, as customer shopping habits since COVID have increased demand for our local products.

## **Supply of product**

Given some challenges in the broader supply chain network this year, our local suppliers have maintained availability and continuity of supply for our customers. Kent Crisps, Popcorn Kitchen, South Downs Water, Hunt's Food Service and Curry On Wheels were all extremely supportive suppliers when asked to provide us with higher than normal volumes of product with over 100,000 additional products supplied during 2021. This is testament to their ability to move quickly and effectively with short notice.

Our local egg suppliers have experienced a great year as we expanded the total number of retail stores they supply. Claytons Eggs from Hampshire, Coastal Farm Eggs from Kent, Black Dog Eggs from Devon, Stokes Farm from Berkshire and The Good Egg Company from Wiltshire were all supportive when asked to deliver into a wider geographical area. Over 30 retail stores were added and the expansion will continue into 2022, with our aim to increase our local eggs offering to an even higher number of retail stores.

During 2021, we welcomed 20 new local suppliers across a number of our counties including coffee from the IOW, cider from Somerset, beer from Sussex and spices from Dorset. This took our number of local suppliers above 200, offering around 2,000 products to our customers.

As a responsible business ourselves, we have been sourcing suppliers with corporate social responsibility at their heart. This year, we partnered with a small brewery based in Sussex, Bedlam Brewery. At their farm location, they installed solar panels and donate their spent grain direct to the cows in the barn next door. They have also entered into an offset scheme managed by Forest Carbon.

### **Local Flavours Member promotion**

We ran an exclusive 25% off promotion on all Local Flavours products (excluding alcohol) for our Members for six weeks during October and November. The promotion was a success with increased purchases from our COOK frozen ready meals, one of the most popular ranges.

As we look to 2022 we will continue to work and support our valued local suppliers/ businesses. We also plan to steadily grow the range of local suppliers we work with, giving our customers the opportunity to support more local businesses.



This year, we grew our total store count from 30 to 51, increased the size of our operational team to five District Managers and appointed a New Store Opening Manager to support our growth. The Cobra team, in total, now consists of over 600 partners.

### **Growing business**

We had a great year of growth through the acquisition of 12 trading stores from Amsric, a business based mainly in the South-West. In addition to this, we opened seven new stores - Orpington (Drive-Thru), Winchester, High Wycombe, Bristol Gallagher Retail Park, Sevenoaks, Rickmansworth and New Malden.

We also purchased two Drive-Thru sites that were in development from Amsric in Bognor Regis and Plymouth. There was one closure in Torquay.

At the end of our financial year, we had 51 stores - seven drive-thru stores, 30 high street stores, three shopping centre locations, four commuter/travel locations and seven retail park locations. This gives us a healthy business mix and balanced portfolio.

### **Technology advances**

Our in store virtual machine has been improved for our stores and printers have been replaced across the business to a standardised printer. Alignment of our hardware contracts with our supplier NCR has also taken place to improve service levels and reduce downtime. This has also included the introduction of label printers to support our "Delivers" strategy.

We have grown our Uber representation and have added 'Just Eat' and 'Deliveroo' throughout the year across our stores. Most stores now have at least 2 of the above aggregators. The "Delivers" platform has grown to circa 13% of our weekly gross sales.

### **Social media growth**

Our LinkedIn page has significantly grown this year and has generated a good awareness of Cobra Coffee. We have been gently increasing our social media and PR activity to help build the Cobra Coffee profile.

### **People progress**

We now have over 600 partners, five District Managers and one Hub District Manager within the business. This year a new Store Opening Manager role was created to support our growth and we have created a Hub District Manager Role which provides a route for our Store Managers to grow into a District Manager role.

In addition, our Central Support team has been increased to include an HR Admin Assistant, a Recruitment Assistant and a part time Employee Relations Manager to support our growth.

Much of the year has been taken up with the integration and alignment of the Amsric business into Cobra Coffee. We have aligned pay rates, benefits and contracts across the business to ensure a fair and consistent approach. We have introduced exit interviews to monitor our leavers, increased pay rates and further aligned our pay strategy making it fit for the future. Wider benefits have also been provided with life insurance and support for bereavement being included for all partners.

Employee relations upskilling took place for Store Managers along with Mental Health training sessions. Our District Managers have attended a Diversity and Inclusion sessions, as well as Mental Health workshops. We have also introduced a new induction process to support our new starters and align with our app-based training portal Attensi.

Barb Sladkova, a Barista from our Clifton Down store, beat all other UK entrants across the Starbucks license and equity business to win the UK Barista of the Year title.



*Barb Sladkova, Barista, Clifton Down store*

Whilst our work this year has been focused on further process alignment and building solid foundations across our people plans, we have also been living our values of 'pride, passion and care' whilst developing our culture.

### **Sustainability and Community**

All our District Managers have completed the "Greener Apron" programme, via Starbucks Global Academy, which is in conjunction with Arizona State University. This is a sustainability qualification which many of our Store Managers and partners have also completed during the year.

Starbucks continue to focus on a 50% reduction in waste, water and carbon with strategies in four areas - move away from single use cups, plant based menus, greener stores and regenerative agriculture.

All our partners have been given a re-usable cup for their drinks in-store to ensure that we do our bit to reduce unnecessary cup waste. All new starters receive one when they join us. When we open a new store we gift 50 re-usable cups during our first week of opening to customers to encourage a responsible approach.

We launched Too Good To Go across our Cobra Coffee stores in September to reduce food waste. We have already saved over 4,800 meals and 12,000kg of CO<sub>2</sub> as a result. We continue to save circa 600 meals a week.

At the start of 2022, we helped customers make more sustainable milk choices and no longer charge them extra for non-dairy options. This will actively support a transition to a less dairy based mix and the sustainability agenda.



Building from the success of 2020, Welcome has opened a further 13 new stores across 2021. Of these, seven stores were opened by five new Welcome franchisees, and six from existing franchisees. We opened two new to market stores, Hayes and Taunton with the rest converting from other symbol brands. It's encouraging that Welcome has continued to recruit great franchisees, and that existing franchisees are happy to continue to open new stores with us.

We ended the financial year with 57 Welcome stores operated by 26 franchisees as one franchisee in Kent decided to sell their four Welcome stores to a competitor.

### **Award recognition**

We entered a number of stores into retail awards this year and we had great success with three category winners and three highly commended. Particular recognition was given to our Welcome store in Brockenhurst which won two awards, and Jeannette Smith in Welcome Ashurst who won Store Manager of the Year.

To help with the continued growth of Welcome, two new Franchise Store Support Manager roles have been created to support new franchisees in their first 12 weeks of trading. They are then handed over to our field operations team for ongoing management.

We were pleased to win or be commended in a number of categories at The Convenience Awards in 2021.

- New Store/Refit of the Year - Winner - Welcome Brockenhurst
- Store Manager of the Year – Independent Winner - Jeanette Smith, Welcome Ashurst
- Post Office Retailer of the Year – Independent Winner - Welcome Brockenhurst  
Highly Commended - Welcome Stoke Bishop, Bristol
- Best Use of Technology - Highly Commended - Welcome Liberty Quays, Southampton
- Franchise of the Year - Highly Commended - Welcome Franchise

## **END OF LIFE SERVICES**

End of Life Services (ELS) performed well in a difficult and challenging second year of the pandemic.

We have continued to invest in our colleagues, vehicle fleet, crematoria, natural burial ground and funeral homes this year to ensure we offer our clients the best level of service. Our focus has remained on developing our service proposition to offer the very best end of life care, support and experience.

### **FUNERAL OPERATIONS**

This year our funeral operation split into two areas. Client Experience, relating to our front of house operations and Funeral Operations and Logistics for our back of house operations. The structure is supported by newly formed management teams for each area, which has improved the experience for both clients and colleagues.

Following an acquisition from Midcounties Co-op in November, we expanded into Buckinghamshire and opened funeral homes in High Wycombe, Hazelmere, Wendover and Aylesbury. This increased our total number of funeral homes to 62.

The final recommendations of the Government's investigation into the funeral and crematoria market (via the CMA) were published in June 2021, with a number of requirements set to be implemented by September 2021. We achieved the necessary compliance with all requirements and information was made easily accessible.

We continued investment in our existing funeral estate with seven branches receiving a full refurbishment. We piloted a new concept for a back of house mortuary in three of our locations and this is being considered for further roll out.

Our vehicle fleet took delivery of another Mercedes hybrid hearse and limousine and two mild hybrid ambulances, in addition to the first all-electric Whisper Tesla based hearse. To support the ongoing running of these vehicles, we have installed electric vehicle charges at our support centres and The Oaks Crematorium.

With our continued focus on climate action, all our funeral vehicles have a vehicle tracking system fitted which allows us to review driving statistics and improve efficiencies when using the vehicles.

### **CREMATORIA and NATURAL BURIAL GROUNDS**

#### **The Oaks, Havant Crematorium**

This year, The Oaks Havant Crematorium completed a milestone of 10,000 cremations since December 2013. Further landscape works have been completed to enhance and enlarge the memorial grounds at the front of the entrance and the meadow. We also secured the purchase of approximately four acres of woodland to the east of the site, and are now reviewing what can be done to further enhance the biodiversity of this area. For more information on biodiversity, please see page 30 (sustainability section). The Oaks website also had a full refresh and update.

#### **East Devon Crematorium**

East Devon Crematorium (EDC), situated just east of Exeter, performed as expected with this year seeing further investment in internal and infrastructure works to enhance its service proposition and offering in its natural and tranquil setting for the bereaved. EDC's website was also rebuilt and refreshed this year.

## **Clayton Wood Natural Burial Ground**

Clayton Wood Natural Burial Ground had various landscaping, drainage and improvement works this year which, once concluded, enabled the opening of the new Clayton Meadows situated in the southern aspect of the site. Information Boards and maps have been added to the site to improve the client visiting experience.

## **Expanding our Crematoria and Natural Burial Grounds**

Supporting our strategic plan to expand our crematoria and natural burial ground services, as well as contributing to our climate ambitions by offering more sustainable choices to clients, we have acquired three woodland burial grounds from Co-op Group.

The three burial grounds are Poole and Wimborne Woodland Burial Ground in Wimborne Dorset, Hinton Park Woodland Burial Ground in Christchurch, Hampshire and Mayfields Remembrance Park on the Wirral in the North West.

Both Poole and Wimborne and Hinton Park also have a funeral home on site. The acquisition (see note 32) takes our total number of crematoria and burial sites to six alongside our other sites in Hampshire, Sussex and East Devon.

## **FUNERAL PLANNING**

Funeral Plan sales have reflected an overall downward market trend due to the future uncertainties around regulation.

HM Treasury concluded its investigation into the pre-paid funeral plan market during the year and has formally announced this market will now move to become fully regulated under the Financial Conduct Authority (FCA) in 2022, to ensure a robust set of standards and oversight is achieved. We fully support this decision, and have completed the first stage of our application in becoming fully regulated by July 2022. We continue to monitor the changing landscape of funeral plans regulation and assess its impact on our end of life services business.

Our current IT platform has had further investment this year to enhance the client experience and meet regulation requirements.

## **COLLEAGUES AND TRAINING**

We want to deliver the best customer care, support and end of life experience and this can't be done without our colleagues. This year, a full review of learning and development was undertaken to help support the eight week induction programme created for our colleagues, with much of it online.

With the safety of our funeral colleagues always in mind, many of whom are lone workers, additional investment has been made, via the Protecting Our People programme, to install an improved door entry system on all our funeral homes.

Our operational management team received training via the Academy and management development programmes and apprenticeships. As part of our restructure to operations, we have been evaluating the ELS specialist training required to ensure we deliver our strategy and customer experience.

## **BEREAVEMENT CARE**

This year, we rebranded to Bereavement Care, launching a new website and social media channels. The team at Bereavement Care offers support, education and networking for the benefit of our local communities, the bereaved and various professionals and organisations.

In 2021, the team held 1,444 counselling sessions with 1,368 people attending educational sessions. 749 calls were made to ELS colleagues to offer support in their day-to-day jobs.

The Hampshire and IOW NHS GP Signposting Teams and Social Prescribers teams have completed the entire suite of Bereavement Care educational sessions. These are teams of people linked to all GP Surgeries in Gosport, Waterlooville, Fareham, Portsmouth and the Isle of Wight that support GPs to help them manage their patient lists. We are continuing to support these teams with bereavement counselling for their patients.

The team gave training for IOW and Chichester Citizens Advice Teams to help with bereavement linked enquires due to COVID. They also supported Portsmouth Council with sessions for their community staff and we carried out training with the Royal Marines Charity in Portsmouth.

## OUR PEOPLE

### EMPLOYMENT MARKET OVERVIEW

Throughout 2021, the UK employment market has been unpredictable and heavily influenced by the impacts of the COVID-19 pandemic and BREXIT. Industry sectors have slowly re-opened and new records have been set; over 1 million registered job vacancies and a ratio of 3.9 vacancies per 100 employees is the highest on record. Unemployment has steadily fallen from a high in 2020 of 5% to 4.3% by November 2021, and up to 1.3m foreign born workers are reported to have left the UK at the start of the pandemic with the majority choosing not to return to the UK. Together with the high vacancy level, this has led to the widely reported national skills shortage, which has created pay inflation as employers compete for talent.

Across our trading area the shortage of labour has been exacerbated by unemployment rates that are lower than the national average; 3.8% in the South-East and 3.3% in the South West. While the impacts have been felt across all business areas, our Food Retail business has been the most severely affected. The skills shortage is predicted to be with us for the next 2 to 3 years, so we will continue to focus on the attraction and retention of key talent and investing in career development for all our colleagues. *(Source ONS Labour Market Survey November 2021)*

Our HR agenda focuses on delivery of our strategic aims and objectives as set out in 'Our Plan', specifically under embed and encourage responsible business and:

***Creating a healthy and engaging workplace where colleagues can develop and thrive***

### COLLEAGUE WELLBEING

We've made good progress in 2021 with our Wellbeing agenda. The 4 priority areas of Wellbeing are Mental, Social, Physical and Financial.

#### **Social wellbeing**

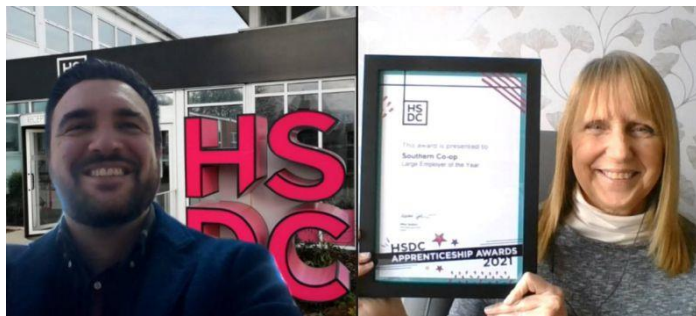
This year we established the Wellbeing Calendar to raise awareness and promote self-help on a range of wellbeing topics. In 2021 this included men's health, menopause, healthy eating, stress awareness, suicide, and physical activities such as National Walking month and Cycle-to-work among others.

Additionally, 2021 saw the launch of the Academy Hub; this online portal is accessible to all colleagues, providing information on how to receive training to support career development.

We've continued to invest in Apprenticeships. In 2021, a total of 107 colleagues were studying for an apprenticeship qualification. In addition to our core apprenticeships in Retail, a Level 4 Retail Manager apprenticeship was introduced for our food Store Managers and 19 are now studying for this qualification. We have also extended the apprenticeships for Lakeside colleagues; new in 2021 are Business Admin Level Three, Project Management Level Four and Coaching Professional Level Five; seven colleagues have enrolled on these courses.

We're delighted by the commitment our colleagues have demonstrated to their personal development as many have continued to study whilst working through the pandemic. In total this year, 24 colleagues, from Food Retail and Lakeside, have successfully completed their apprenticeship, 16 of whom were awarded a pass with Distinction.

Our achievement was topped off at the 2021 Havant and South Downs (HSDC) college awards ceremony, where Southern Co-op was awarded the Large Employer of the Year 2021 award.



*Linda Masterman, Diversity manager, receiving the Large Employer of the Year award at the virtual ceremony held in 2021.*

## **Apprenticeship Levy supports investment in our communities**

As a large employer, we have the opportunity to transfer up to 25% of our apprenticeship levy fund to sponsor the apprenticeship training for employees in Small to Medium Enterprises (SMEs) in our region. In 2021, we made 2 pledges of £50,000 to support the development agenda for SME's in the Hampshire and Solent area and Bristol area. This has provided sponsorship for a range of apprentices including 5 Senior Health Care Support Workers at a Bristol Drugs Project, 1 Early Years Educator at a Charity run pre-school and 1 Operations/Departmental Manager at a Community Charity on the Isle of Wight.

## **Mental wellbeing**

We held a series of listening groups to engage with colleagues and understand what is important to them; mental wellbeing was the area of greatest interest to our colleagues. Therefore, we developed a comprehensive training programme that will be available for all line managers in spring 2022.

Retail crime and violence against front line colleagues continues to be a concern. Our Critical Incident Support (CIS) programme provides specialist help to those colleagues who have been the victims of crime. Our internal CIS team is trained to work with individuals and teams to recognise trauma and ensure that colleagues can access the help they need to recover from the effects of an incident. In 2021, specialist support was provided to 47 colleagues as a result of 25 serious incidents.

We continue to work with those colleagues who are absent from work for long periods due to severe ill-health. Our aim is to facilitate a return to work, although this is not always possible. In 2021, we supported 266 colleagues who are suffering from a long-term health condition.

## **Choices**

Our workforce is becoming increasingly diverse, so it's important that workplaces are inclusive, flexible and fair. We wanted to evolve the way we work to ensure that everyone feels welcome and able to perform to the best of their ability while balancing work with personal commitments, goals and aspirations. COVID-19 restrictions continually challenged traditional Monday to Friday, 9 to 5 working patterns. With the majority of Lakeside colleagues needing to work from home for parts of the year, we have had the opportunity to robustly test and evaluate the effectiveness of hybrid working.

At the start of summer 2021, based on feedback from colleagues and managers in Lakeside, we established and successfully trialled a framework of choice-based working, which we call 'Choices'. This gives colleagues, in the majority of roles, the ability to work from home up to 3 days per week. However, we believe that colleagues benefit from spending time together, whether for social wellbeing, to build relationships, share ideas, problem solving or task completion; so 'Choices' ensures that all colleagues spend some of the work week in the Lakeside office. As a result, hybrid working has been adopted by 80% of Lakeside based colleagues, while 20% continue to be office based.

Colleagues and line managers have been invited to share their feedback about 'Choices'; colleagues have experienced improved work/life balance, reduced travelling time and costs and an overall improvement in their wellbeing. Line managers have also welcomed the new flexibility, and many noticed improved morale, motivation and productivity. Additionally, after long periods of working from home, everyone has recognised the importance of being able to collaborate with colleagues face to face in an office environment.

'Choices' has also seen us become a relatively early adopter of this more progressive hybrid employment model ensuring we remain competitive in the job market where location is no longer considered to be a barrier.

## Health and Safety

Southern Co-op continues to invest in health and safety. Regular training and coaching is delivered and a suite of policies and processes exist to help create a safe and healthy environment for the benefit of our colleagues, customers and Members. These are regularly reviewed to ensure they remain fit for purpose. Despite the measures we have in place to provide a safe and healthy place to work, accidents still occur. The number of colleague accidents has increased year on year which may be accounted for through clearer processes to encourage the reporting of accidents. The number of reportable incidents (i.e. those we are required to report to the Health and Safety Executive) had decreased year on year. The colleague absence rate (which includes absence for general illnesses and injuries unrelated to accidents at work) has decreased year on year. \* The absence figures do not include absence within the Cobra Coffee business, nor do they include any requirement to self isolate due to COVID-19.

Colleague injury **2021-22: 411** employee accidents, of which **3** were reportable  
2020-21: 377 employee accidents, of which 4 were reportable

Absence rate **2021-22: 5.39** days lost per colleague \* 2020-21: 5.65 days lost per colleague \*

## DIVERSITY and INCLUSION

Our Diversity and Inclusion agenda launched in 2021 with 4 key goals;

- To provide access to work for underrepresented groups targeted at young people and over 50's
- To publish our ethnicity pay gap report
- To engage with colleagues and gain their views on what is important to them
- To develop and launch a comprehensive education programme

### What we achieved in 2021

The main initiative this year was our involvement in the Government's Kick Start scheme; the aim of which is to provide work experience to young people who have been identified as at risk of long-term unemployment.

The involvement in the scheme began in April 2021 and is due to end in March 2022. Our aim was to provide 75 paid work placements opportunities to young people in our communities. By the end of January 2022, we had provided work placements to 56 young people and registered a further 70 placement opportunities with the Department of Work and Pensions, which exceeded our original target. We offered employment to 13 of our Kickstarter placements.

### Colleague engagement and Diversity and Inclusion

Our Diversity and Inclusion programme began in April 2021 with colleague Listening Groups, which were followed by the launch of the YouGov/BITC 'Race @ Work Survey'; 342 colleagues from across the business participated in the survey and the results, which were received in January 2022, are providing invaluable insight to inform our Diversity and Inclusion agenda over the coming years.

## **Education**

Education is critical to ensure we maintain a culture where all colleagues can come to work and be themselves, able to fully participate and feel valued for who they are.

Recognising the power of leadership in influencing culture, we began our internal education programme by running a Diversity and Inclusion session with our Board of Directors. We're delighted that the Board has appointed a sponsor for Diversity and Inclusion, and Joanne Gray is lending her support to driving this agenda.

We have also developed a comprehensive education programme for line managers and colleagues, which will launch at the start of 2022.

## **PAY, BENEFITS AND INCENTIVES**

### **Bonus**

To recognise the part that each colleague plays in our success, everyone participates in the annual bonus scheme. While the business performance achieved in the 2020/21 financial year met the criteria to trigger maximum bonus, given the extraordinary forces at play in the year due to the pandemic, the Leadership Team and the Board felt it was appropriate to cap the bonus to a lower level and in May 2021, 3,920 colleagues received a bonus payment.

In the first half of 2021, our frontline colleagues continued to provide essential services to our Members and customers and maintain COVID-19 safe environments in our food stores and funeral homes. As restrictions began to lift in July, to recognise their commitment during this period, 3,106 frontline colleagues benefited from a special award, equivalent to 50% of the annual bonus, which was paid in July.

### **Investing in pay**

In April 2021, the NLW for those aged 23 and above rose by 2.2% to £8.91 per hour. The increase was lower than had previously been predicted, however the long-term aim of reaching £10.33 by 2024 has not changed, and therefore to compensate for this, we anticipated that larger increases would be implemented in the coming years.

This was confirmed when in October 2021 the government announced that the NLW effective in April 2022 would rise by 6.6% to £9.50 per hour. In November 2021 however, we took the decision to start investing in our retail CSA and duty manager pay and bring forward the annual pay review to 28 November, which provides colleagues with additional benefit over five months.

The pay increase of 3% was introduced for the general colleague population in April 2021 and following negotiation with the GMB union and a ballot, an increase of 2.2% was implemented in February 2021 for all non-management colleagues in End of Life Services.

A rigorous pay structure is in place to manage pay for salaried colleagues. An extensive benchmarking exercise conducted in autumn 2020 and spring 2021 showed that the pay market had moved forward, and that investment was required in our pay ranges to ensure salaries remained competitive. In July 2021, pay ranges were uplifted to align to the new market rates, resulting in 130 colleagues receiving a pay increase to align their salary with the revised salary range.

## Pay Gap Reporting

Our 2021 Gender Pay Gap report was published in November 2021. The report analyses pay for the period that includes 5 April 2021, and bonus paid in the preceding year.

While not required under legislation to publish the ethnicity pay gap or pay ratios, as part of our Diversity agenda, and good practice, we have chosen to publish the results for both of these areas.

The full report can be found on our website

<https://www.thesouthernco-operative.co.uk/wp-content/uploads/2021/11/Gender-Pay-Gap-2021-Website-publication.pdf>, or on the government website:

<https://gender-pay-gap.service.gov.uk/Employer/7RzuNAce/2020>

## COMPANY CARS SUPPORTING CLIMATE ACTION AGENDA

In August we revised the company car policy, removing vehicles with combustion engines from the car list. From August 2021 all car drivers have to select either a full electric vehicle or petrol/hybrid. For more information on our climate action, please see the sustainability report on page 25.

## RECRUITMENT AND LABOUR TURNOVER

As more sectors and retailers that were unable to trade through the pandemic have reopened, we experienced an increase in labour turnover as the availability of job vacancies outweighed labour supply. In 2020 labour turnover trended down, however the significant increase in job vacancies, particularly in hospitality, leisure and other retailers has meant that labour turnover has increased month on month, ending the year at 43%.

Another impact has been on vacancy numbers which peaked at circa 450 vacancies, 170 more than the pre-pandemic run rate. While the majority of vacancies were in food retail, recruitment for professional roles at our Lakeside office has been particularly challenging. In the uncertain economic climate, people are choosing to stay with their current employer resulting in a significant decrease in the number of job applicants for roles across all departments including Property, Sustainability, Health and Safety and HR.

Bus. Area	Time to hire
Retail	15
Store Manager	26
ELS	28
Lakeside	52

## Recruitment stats: Feb 21 - Jan 22

Vacancies	2,929
Applications	39,940
Offers	2,062
Time to Offer (SC)	29 days
Time to Offer (Retail)	13 days

We want to improve the experience of candidates applying for roles within Cobra Coffee and have introduced our applicant tracking system this year. The technology, supported by a centralised recruitment team and new careers site, will provide an end-to-end recruitment process for candidates in Cobra Coffee allowing them to view and apply for vacancies online, manage their application through an online portal and complete their offer and on Boarding information electronically. The system was launched in January 2022.

## **PEOPLE SYSTEMS PROGRAMME**

In 2021, we committed to investing in technology and launched our People Systems Programme. This programme will implement new technology across all Southern Co-op and will replace a number of our existing people systems including payroll, HR and some of our e-learning and scheduling tools.

The new systems will focus on a fully integrated, end to end solution providing us with the opportunity to automate many of our current paper-based processes and also introduce new functionality that will further improve the way we support and manage our colleagues.

Colleagues can look forward to a more user-friendly experience with improved self-service functionality. Cobra Coffee is set to go live first in the Summer of 2022, with the rest of the business following later in 2022.

## **TRAINING AND DEVELOPMENT**

### **Booking system**

The move away from classroom to virtual learning led to a large increase in the number of training events taking place in 2021. To make the booking process more efficient and simpler for colleagues and managers, an online booking system was launched that allows colleagues to choose, and reserve places on all the training events. 3,676 hits on the booking system were made in 2021.

### **Academy Hub**

Our well-established Development Frameworks describe the stages of development for colleagues who wish to progress their career with Southern Co-op. The Academy Hub was designed and introduced in the past year to provide colleagues with full visibility of the training opportunities that support the development frameworks. This is brought to life through the use of colleague testimonials where stories about career journeys, and the Academy support they have benefitted from, provides inspiration for other to begin their own career journey.

### **Protecting our People training**

As an employer of over 4,000 colleagues, we strongly believe that all colleagues have the right to work in a safe environment free from harm and the fear of harm. The most pressing concern is the increasing number of crimes that include the use of violence and/or weapons.

This reflects a national issue that is impacting all retailers but we want to do everything we can to protect our colleagues. Our Protecting our People programme launched in April 2019 and aims to tackle this issue on a number of fronts from providing security equipment in stores, to working with local charity groups in our communities who address the root causes of crime such as drug or alcohol abuse, as well as ongoing political lobbying to raise awareness of this type of crime and the impacts on individuals and communities.

This year we committed to offer training to every frontline, customer facing colleague in Food Retail and End of Life Services. The POP programme for retail colleagues focused on 'securing our assets' and 'creating a safer environment' and an understanding of what Critical Incident Support is available to them. All colleagues attended webinars and virtual workshops to help build confidence and knowledge in these important areas.

By the end of 2021, 160 training events were run in retail with a total of 3,001 colleagues attending. In ELS, 28 training events were run with 99 colleagues attending.

A new POP Toolkit supplements the virtual workshops, with a range of activities to reinforce the learning, which managers can use to run refresher training in the workplace. Feedback from colleagues who have completed the POP programme has been encouraging with 95% of colleagues rating the training as either "good" or "excellent".

## **Duty Manager Essentials 2**

A new virtual workshop was added in 2021 to the portfolio of Duty Manager workshops to help strengthen the personal effectiveness and management skills of our Duty Managers. All new and existing managers in store were offered the chance to attend, with this now becoming a permanent feature in the Academy calendar.

## **SMTM**

In 2021 the Academy ran the first virtual Store Manager Training Manager (SMTM) programme; 11 store managers were selected by Area Managers to take on the important role of training our new Store Managers who join externally or who are appointed internally. Our SMTMs have received training on subjects such as presentation skills, train the trainer skills and understanding learning styles.

## **Management development**

We have continued to identify and develop Duty Managers in Food Retail to prepare them for Store Manager roles. In 2021, 16 duty managers completed the internally designed and facilitated Management Essentials Level Two programme.

## **Performance management**

2021 gave us an opportunity to revisit and strengthen our Annual Performance Review process and tools. In December, we relaunched the Behaviours framework and the performance review process, which was supported by comprehensive training for all line managers and colleagues in Lakeside, and senior managers in Food Retail and ELS.

# SUSTAINABILITY REPORT

## INTRODUCTION

We're committed to supporting the global goals (UN Sustainable Development Goals), described as the world's 'to-do list', focused on addressing the world's biggest challenges and a call to action to end poverty, protect our planet and ensure everyone can enjoy peace and prosperity.

Three goals in particular remain our focus and are where we believe we can have the greatest impact and influence:



Our People plans (see pages 18 - 24) with our focus on job creation within our communities, the steps we are taking to make our business more diverse and inclusive and our work on colleague wellbeing (page 18) and healthier neighbourhoods (page 35) supports goals 3, 5, and 9. Our work on tackling food poverty, goals 1 and 2 (see page 35) and efforts to make space for nature and support nature recovery (see page 30) support goals 14 and 15.

## GOVERNANCE

Our Leadership Team and Board receive updates throughout the year on our sustainability plans, endorse our sustainability commitments and oversee delivery and progress.

Our Climate Action Group, chaired by our Chief Executive, steers our business environmental response and activities and ensures we stay on track with our climate ambition, targets and pathway and wider environmental aspirations and considers both the climate-related risks and opportunities for our business.

We have also created a new Board Climate Action Ambassador role. Board member, Helen Jackson will ensure climate action is given the prominence and consideration it deserves, as well as using her ambassador's influence to drive the agenda both internally and externally.



In September 2021 we took part in Business in the Community's (BITC) Responsible Business Tracker, a measurement tool that enables us to assess our progress by tracking performance against BITC's Responsible Business Map (see visual above). This defines best practice in responsible business to create healthy communities and a healthy environment. Results of the tracker assessment will be shared with us in 2022 and will inform future plans.

Our Southern Co-op Compass helped ensure sustainability impacts and opportunities informed our strategic, investment and procurement decisions throughout 2021 and as part of our enterprise risk management approach we have ensured that material sustainability issues are appropriately reflected and mitigation plans identified.

## CLIMATE ACTION

Our climate is changing and these effects are being felt across our trading region, as well as globally - unpredictable weather patterns, changes to our seasons, and a drastic decline in our wildlife and environment – threatening every aspect of our lives - our economy, our prosperity and our wellbeing.

This means we need to act now, to urgently cut greenhouse gas (GHG) emissions and play our part in restoring nature, bringing wildlife back to our land and seas.

### Climate Action Targets

#### Reduce absolute greenhouse gas emissions 50% by 2030 compared to 2019

Targets Scope 1 and 2 emissions which fall under our direct operational control and influence i.e. the electricity, gas and fuel we use and those emissions associated with our refrigeration.

#### Reduce the absolute greenhouse gas emissions associated with our managed trading businesses, 17% by 2030 compared to 2019

This includes Scope 3 emissions, so the indirect greenhouse gas emissions associated with our supply chain and the manufacture or development of our products and services (everything before point of sale) and those associated with our customers and their use of our products (after the point of sale).

Our pathway (see picture below) to reducing GHG emissions from running our business is in line with the required action to limit global warming to no more than 1.5°C above pre-industrial levels. This is the safer temperature limit scientists say we need to stay within in order to avoid the most severe impacts of climate change.

These near term targets play a vital first step on a longer-term pathway to net-zero carbon, whereby we balance the carbon we emit with carbon that can be sequestered, (sunk or stored) through natural or technological processes.

### Our Climate Action Pathway



## Measuring impact

In 2021, our direct operational absolute CO<sub>2</sub>e (carbon dioxide equivalent) emissions (Scope 1 and 2) were 13,185 tonnes – a decrease of 9% compared with the previous year (14,482 tonnes), and a 30% reduction compared with our baseline year of 2019 (18,766 tonnes). See summary table below for more detail. This reduction has been driven by ongoing refrigeration and gas replacement work, the roll-out of ecoblade technology and photovoltaic additions to sites. Company car emissions were lower in 2020 compared to 2021, with a return to more site visits previously impacted by Covid restrictions. We are making good progress towards our target to reduce operational emissions by 50% by 2030 and at the close of 2021/22 we were 41% ahead of target having reduced emissions by 30% against our baseline year.

Our carbon intensity, which measures our emissions relative to the size of our business and estate, increased from 29.56 tonnes for every £1m of sales in 2020 to 31.85 tonnes in 2021 – an 8% increase. Compared to 2019 (40.18 tonnes), our carbon intensity has decreased by 21%.

### Direct (Scope 1&2) greenhouse gas (GHG) emissions

	2021	2020	2019	% difference year on year	% difference against 2019 baseline
Scope 1# energy consumption (kWh)	5,126,841	5,208,197	5,776,322	-2%	-11%
Scope 2## energy consumption (kWh)	34,331,523	34,054,665	37,372,321	1%	-8%
Total energy consumption (kWh)	<b>39,458,364</b>	<b>39,262,862</b>	<b>43,148,643</b>	<b>0%</b>	<b>-9%</b>
Scope 1# carbon emissions (tonnes CO <sub>2</sub> e)	5,895.06	6,542.67	9,213.99	-10%	-36%
Scope 2## carbon emissions (tonnes CO <sub>2</sub> e)	7,290.03	7,939.50	9,552.37	-8%	-24%
Total Scope 1&2 carbon emissions (tonnes CO <sub>2</sub> e)	<b>13,185.09</b>	<b>14,482.17</b>	<b>18,766.36</b>	<b>-9%</b>	<b>-30%</b>
Carbon intensity (tonnes CO <sub>2</sub> e per £m sales)	31.85	29.56	40.18	8%	-21%

#Scope 1 includes the energy consumption (kWh) and carbon emissions (CO<sub>2</sub>e) associated with natural gas usage, freight and company car use (associated with a fuel card and business travel in own cars) and refrigeration and cooling.

##Scope 2 includes the energy consumption (kWh) and carbon emissions (CO<sub>2</sub>e) associated with electricity purchased.

NB: Data assumptions: Energy associated with our property portfolio is based on 2019 data. This portfolio has remained unchanged.

We have chosen voluntarily to align our carbon emissions reporting with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations) which implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). Reporting is in line with the GHG reporting protocol corporate standard and DEFRA's Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019. We have used DEFRA's greenhouse gas reporting conversion factors 2021, 2020 and 2019 to calculate our carbon footprint.

Despite the growth, in our Cobra Coffee estate in particular, over the last year, our total energy consumption has remained flat year on year, at 39.4 million kWh in 2021, compared to 39.3 million kWh in 2020. Compared to 2019 (43.1 million kWh), our total energy consumption has decreased by 9%.

Retail energy consumption was 31.5 million kWh in 2021, down 7% on 2020 (33.6 million kWh). Retail energy efficiency was 59.85 kWh per sq ft trading area, down slightly from 65.54 in 2020. Compared to our 2019 baseline (67.13 kWh per sq ft trading area) our retail energy efficiency has improved by 12%.

Total fuel consumption was 1.06 million kWh, unchanged from 2020 (1.06 million kWh). Compared to our 2019 baseline (1.19 million kWh), total fuel consumption has decreased by 11%. This includes vehicle fleets in Central Operations, Home Delivery, Retail and End of Life Services.

In 2020, 99% of our electricity was sourced from renewable sources. We report our electricity as being 99% renewable, to account for the small number of new properties we open and the minority of sites for which we cannot source a renewable supply. We purchase renewable energy guarantee of origin certificates (REGOs) in alignment with the GHG Protocol (and other initiatives such as RE100, a global *initiative* bringing together the world's most influential businesses committed to 100% renewable electricity).

## **Energy & refrigeration**

In 2021, we opened one new food store, 6 new funeral homes and 20 coffee shops as a franchisor of the Starbucks brand.

A key focus this year has been on our refrigeration, given this is the highest user of energy (c.70%) in our stores and funeral homes and it generates fugitive gas emissions, which also have a significant carbon impact.

We replaced older refrigeration equipment in 22 stores in 2021, with all stores earmarked for replacement (33) to be completed by end of 2022 and replaced refrigerant gases with those that have a lower environmental impact across our estate and rolled out our ecoblade technology to a further 80 locations. These provide an alternative to fridge doors creating an internal air curtain to the chiller case to keep cool air in and hot air out, meaning a more efficient case and less energy is used. We continued to trial energy efficient fans which form part of our refrigeration and optimise voltage to improve energy performance, showing a 60% reduction in energy compared with older fan models. A three year programme of roll out will begin in 2022.

We have also been looking to optimise the performance of our in store building management systems that control lighting, heating and ventilation with a new user guide created for colleagues.

## **Supporting the transition to electric vehicles**

A new fully electric Tesla-based hearse has now been delivered into our End of Life Services vehicle fleet with electric charging for this vehicle installed at our Fratton Hub and The Oaks Crematorium Havant; the latter also being available for customer charging.

We removed the option to order petrol and diesel company car vehicles from the 1 August so colleagues can order fully electric or hybrid vehicles and lowered the CO<sub>2</sub> emissions limit on individual vehicles.

We have continued to play our part in promoting renewable technology with a further 4 sites planned for solar panels which will bring the total sites with photovoltaics to 12, future proofing us against rising electricity price increases and reducing electricity bills and carbon.

## **Indirect emissions**

Our indirect CO<sub>2</sub>e emissions were 225,473 in 2019 and have increased slightly (3%) in 2021 to 232,238 which has been driven by growth across certain Scope 3 categories (e.g. spend on capital goods) along with enhancements to the data collected. See summary table below for more detail. Overall we are tracking in line with expectations which would see a 1-2% reduction each year. Over 50% of our indirect (Scope 3) emissions relate to the goods we purchase through our buying arrangement with Federal Retail Trading Services. We therefore ensure our own carbon priorities are aligned to those of the buying group who have their own Climate Action programme focused on tackling these product related emissions. The same applies with our coffee shops through our franchise relationship with Starbucks.

### Indirect (Scope 3) GHG emissions summary table

Types of emissions	Activity	2021 (tCO2e)	% of scope	2020 (tCO2e)	2019 (tCO2e)	% difference to 2019 baseline
Indirect emissions* associated with:	Goods & Services purchased (we sell)	121,365	53%	122,770	128,812	-6%
	Goods & Services purchased (we use within our business)	18,981	8%	6,981	3,643	+421%
	Fuel and energy related activities	2,935	1%	2,550	2,636	+11%
	Supplier transportation & distribution	6,799	3%	5,846	1,980	+243%
	Waste generated in operations	284	0%	62	155	+83%
	Business travel	144	0%	52	113	+27%
	Colleague commuting	2088	1%	1,985	2,170	-4%
	Customer travel to our food stores/other businesses	26,429	12%	25,493	33,424	-21%
	Use of fuel sold at petrol stations	48,614	21%	38,167	47,653	+2%
	End of life treatment of sold products	1,429	1%	1,520	1,788	-20%
	<b>Total</b>	<b>229,068</b>	<b>100%</b>	<b>204,426</b>	<b>222,374</b>	<b>+3%</b>

\*excludes Category 14 emissions associated with our Welcome Franchisees and Category 15 emissions associated with our investment properties)

A new Co-op Environmental Sustainability Forum is enabling Co-op Group to share progress with their supply chain work and for us, as a wider group, to share best environmental practice across societies.

There are opportunities though for us to have a greater level of influence on smaller elements of these emissions. Our zero food waste strategy (see page 32) and company car policy change are examples, alongside early steps to engage and encourage customers to make lower carbon choices, such as promoting meat based alternatives, which are no more expensive than the equivalent meat products.

### Mobilising action

To deliver our climate ambition we need to mobilise our Members, customers and colleagues to play their part in helping us along our climate pathway.

This year we've worked to raise awareness of our ambitions across internal communications channels, social media and press coverage of our activity. A climate update formed part of our update to Members at our AGM in May, and our colleague business briefing in June. In the run up to and during the global climate summit, COP 26, we shared news, posts, and inspiration pieces across our social, digital and internal channels to educate and raise awareness of the need for climate action and through instore point of sale with tips on the positive steps and changes customers can make, especially around reducing food waste. Our first 'All Together' email to Members also shone a spotlight on the steps we are taking and how Members can get involved.



## **Taskforce on climate-related Financial Disclosures (TCFD)**

Climate change poses both risks and opportunities for businesses. The Taskforce on Climate-related Financial Disclosures (TCFD) recommends a framework for identifying and reporting how climate-related risks and opportunities are measured, monitored and managed by companies and others. It is our intention to voluntarily report in line with these requirements and the framework in future years.

We currently recognise sustainability and climate change as a priority risk for our business and report on this in our Annual Report and Accounts. We report on our targets, KPIs and the action being taken to urgently cut greenhouse gas emissions in the Measuring impact section on pages 27 - 29.

This past year as part of a wholesale review and relaunch of our approach to Enterprise Risk Management (ERM), Senior Management from each area of the business attended workshops run by our Group Risk and Assurance Manager, the purpose of which was to ensure all significant risks were identified as part of our ERM strategy. This included a number of methods of facilitating thought and discussion using tools such as PESTLE (Political, Economic, Social, Technological, Legal, Environmental), considering the macro and micro environment (including supply chains) and horizon scanning.

The output of this resulted in 'Directorate' risk registers all of which had considered direct environmental risks, including climate related risks, as well as assessing the environmental consequence of all 'other' risks identified in line with the matrix within our ERM Framework.

The Leadership Team discuss and agree the most significant of these risks and common themes which are presented to the Board via the Audit Committee. The most recent presentation included reference to the impact the climate crisis has on our supply chain and our business, the cost of evolving to respond and adapt to the climate crisis through both self-driven activity (aligned to our science-based targets), as well as the cost of compliance with the changing legislative landscape in this space.

We plan to further review the TCFD recommendations on climate-related financial disclosure to consider how we might best align our disclosures with these requirements and how we can go further in reporting on our climate-related risk exposure in line with the TCFD Framework.

## **MAKING SPACE FOR NATURE**

Our changing climate is driving nature's decline and we can't solve the climate crises without nature. Only by protecting and restoring our natural environments like peatland, woodland, saltmarsh, as well as our oceans, can we provide vital carbon stores and homes where wildlife can thrive.

The 37 acres we have across our crematoria and natural burial ground continues to provide an opportunity to enhance these habitats for the benefit of wildlife, as well as the people visiting these sites. Making space for nature forms an integral part of our landscape strategy for each of these sites. In 2021 we acquired three new natural burial ground sites (see ELS section page 16) and as a first step we will be seeking to understand the biodiversity we have there and how we might best protect and enhance this.

## **Clayton Wood**

Our wildlife monitoring surveys continued this year. Whilst the site provides good habitat for dormice, none were seen, although wood mice made good use of the nest tubes installed. Great crested newts have been sighted previously but they were absent this year, although palmate and small newts were present along with the common frog and toad. Our bird boxes continued to be inhabited, most likely by blue or great tits and a trail camera recorded sightings of fox, rabbit, small mammals and five bird species including dunnock, song thrush and robin.

## **The Oaks**

Last year we purchased an area of woodland adjacent to The Oaks Havant Crematorium. Some initial work was undertaken this year to understand the ecological value of the land in partnership with Hampshire and Isle of Wight Wildlife Trust. Further survey work will take place in 2022 and we will be working with them to develop our future vision which will prioritise wildlife and the site's natural value, to complement the work we've undertaken at the crematorium.

## **East Devon Crematorium**

Enhancements were made to the site this year, including the sowing of wild grass and flower meadow; creation of habitat piles for insects and new mowing regimes introduced to create a mosaic of different grassland habitats. Bee hives have also been installed.

## **Wilder Business Award**

Southern Co-op was delighted to win the Wilder Business Award in Hampshire and Isle of Wight Wildlife Trust's inaugural Wilder Annual Awards 2021 which accompanies their strategy and work towards a Wilder 2030. The award recognised our longstanding partnership with the Trust and our work to help nature recover and create a wilder Hampshire and Isle of Wight.

## **South Downs renature partner**

In 2021 we joined with major global companies to fund vital nature restoration projects in the UK's National Parks through an innovative new financing facility – *Revere*, funding pioneering nature restoration projects in the UK designed to combat climate change and the biodiversity crisis.

Revere designs restoration projects with National Parks teams and land managers and raises private capital to fund the restoration. The projects generate revenue through the sale of ecosystem services, creating new income streams for farmers and landowners seeking to improve the quality of landscapes and support biodiversity.

Revere will channel funding into several pilots across the National Parks, including the conversion of hundreds of acres of arable farmland in the South Downs National Park to woodland pasture. The restoration will be funded through the sale of carbon, biodiversity and water quality outcomes and is being supported by funding from ourselves and Gatwick Airport.

## **Seeds of Change**

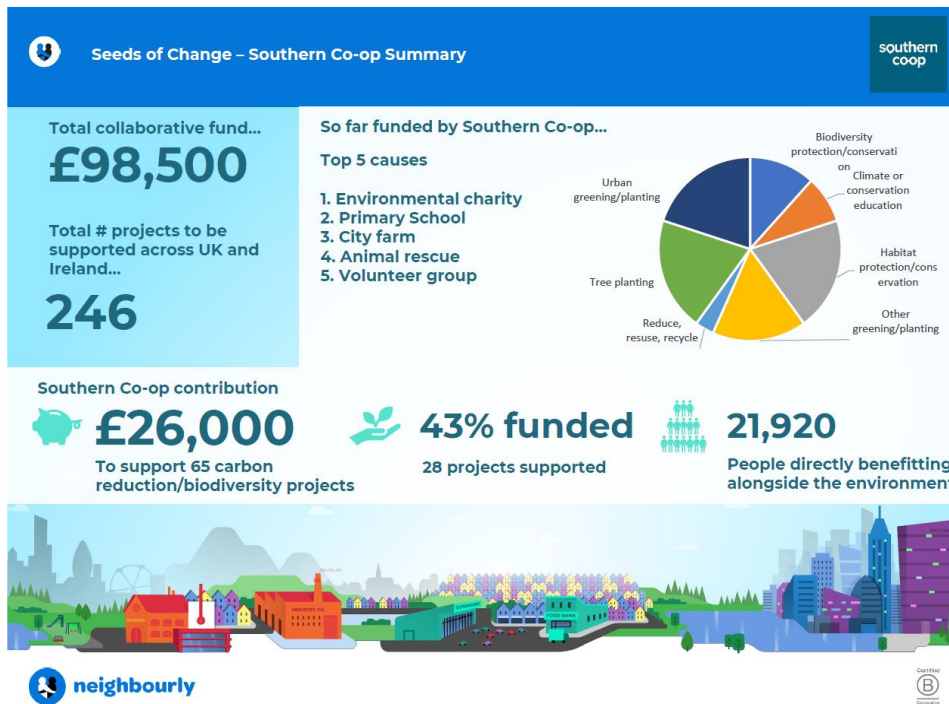
We joined with others including Coca Cola, Danone and MandG in a Neighbourly campaign to help ensure greener communities.

The Seeds of Change programme enabled businesses to donate volunteer time and / or micro grants to small charities and local causes across the UK, helping to create green spaces for local communities and reduce their CO<sub>2</sub> emissions.

Announced in the run up to COP26 we donated £26k to the seed fund directed to supporting groups in our region. 285 applications were received in the first 5 days.

*“It’s critical to involve community causes in accelerating responses to the pressing environmental and societal challenges we face. Seeds of Change gives businesses and local communities a way to come together in the lead up to COP26 and beyond – translating the enormity of the climate crisis into meaningful action at a local level.”*

**Steve Butterworth, CEO of Neighbourly**



## WORKING TOWARDS A WASTE FREE FUTURE

We’ve continued to look at ways to use resources wisely and eliminate waste. In our food business the focus remained on tackling food waste.

We are now selling food past its best before date, for a nominal price, in 104 stores and a trial with To Good to Go now allows customers to rescue magic bags of surplus unsold food from 12 food stores in the London area, so it gets eaten instead of wasted. The magic bags are also being trialled in a number of our Cobra Coffee shops. Since the trial started in September 2021 we’ve saved over 5,000 meals. We are also trialling a new food distribution partnership with Neighbourly which will see surplus food donated to local good causes.

We have now removed all single plastic bags from all stores extending our replacement of these with compostable bags, which are certified as suitable for local authority food waste collections and also suitable for home compost bins. We have also removed plastic bags for life from sale and refined our offering of reusable bags.

The next step was taken in ensuring all Co-op brand packaging is easier to recycle either in store or via council kerbside collection with the introduction of soft plastics recycling units in 31 of our food stores. Customers can now bring back soft plastics, including cling film, that can’t currently be recycled at home. Once collected, the recyclable material is sent to a company which turns it into post-consumer plastic granules which can be used to make products such as bin liners, buckets, and construction industry materials.

Our new approach to recycling across our End of Life Services estate introduced last year continues to work well, with waste segregated into general waste and recyclables, with recyclables being collected on demand. Larger sites have a dedicated receptacle for the recyclable materials.

Our Cobra Coffee business has also introduced waste initiatives, more of which can be found on page 12.

## **FAIR and ETHICAL DEALINGS WITH OUR SUPPLIERS**

We champion fair and ethical standards in our supply chains. We celebrate British and local food and drink and the contribution this makes to the local economy and employment. Our products are sourced responsibly, so our customers know they are buying high-quality products that are sustainably produced.

We are committed to ensuring that the people who provide us with our products and services are treated fairly and that their fundamental human rights are protected and respected.

Through our trading agreement with Federal Retail and Trading Services Limited (FRTS), the buying group for co-operatives in the UK, we work to protect the rights of workers throughout our supply chains through an ethical trade programme that is guided by a Sound Sourcing Code of Conduct.

The primary responsibility is towards Co-op brand suppliers and supply chains because there is the greatest opportunity to influence positive change and monitor performance. Further details can be found on the Co-op Food website: <https://food.Co-op.co.uk/food-ethics/people/ethical-trading/>

We also want to ensure our direct suppliers for goods sourced independently of FRTS for sale by our businesses or those goods and services used by our business uphold equally high ethical standards in their businesses, with a view to promoting an increasingly sustainable way of working. Our Compass tool has informed our larger procurement contract decisions and although slowed by the pandemic, we continued our local supplier audit programme.

We also continued our work to make sure that human trafficking and slavery has no part in the production and manufacturing of the products we sell and the services we use. We ran refresher modern slavery training for key individuals and refreshed our modern slavery strategy to identify future priorities for 2022. Our 'modern slavery statement' can be found on our website and outlines the steps we are taking to ensure no one in our business or supply chain is subject to such practices. See [www.thesouthernco-operative.co.uk/modern-slavery-act/](http://www.thesouthernco-operative.co.uk/modern-slavery-act/)

### **Products for a fairer world**

Fairtrade products ensure a fair price for farmers and fair wages for workers, as well as investment in their communities. So every Co-op Fairtrade product customers buy changes lives in communities around the world. We continued to show our support for Fairtrade and used Fairtrade Fortnight once again to celebrate the great products and supplier stories with our Members and customers.

## **COMMUNITY**

As a co-operative, we fundamentally believe in the power of working with others to achieve more. This year our Love Your Neighbourhood programme helped colleagues, Members and the wider community to connect on issues that matter at a local level. In 2021, we contributed over £1.6m to our local communities across the south benefiting hundreds of local causes focusing on creating greener, safer, healthier and more inclusive neighbourhoods.

Colleagues continued to help build neighbourly communities and ensure nobody was forgotten in 2021. To celebrate the Royal British Legion's 100<sup>th</sup> birthday, all our ELS sites created windows in Remembrance of current and ex service men and women, and their families. Our Southampton store teams were on a Mission at Christmas, supporting Cash For Kids annual campaign, to ensure every child has something to open on Christmas day and individuals throughout the business walked for wildlife, litter picked and donated funding to ensure our flora and fauna could re-generate and thrive.

### **Members**

In 2020 Southern Co-op and its Members donated a combined £61,200 to the Neighbourly Community Fund, supporting 153 groups with £400 micro grants across the south responding to the COVID pandemic.



Members continued to work with us to support goods causes in 2021. A total of £30,615 was donated to NHS Charities Together 'Be There For Them' campaign from Southern Co-op's 2020 Share of the Profits which were distributed to Members in 2021. The funding came from donated vouchers and Members automatically donating their odd pence.

The 'Be There For Them' campaign provides a range of counselling services, helplines, and intensive psychological support for NHS staff affected by COVID-19.

## Southern Co-op members working in partnership with

**NHS CHARITIES TOGETHER** **BE THERE FOR THEM**

Registered Charity No 1186569

Thank you to Southern Co-op members for your Share of the Profits donation. All Together we can support local communities



Throughout December we donated 10p to the food banks our colleagues support each time a Southern Co-op Membership card was scanned in one of our stores. A total of c. £30,000 was raised which resulted in 64 food banks receiving a topped up £500 donation each.



## Measuring impact

Since 2016, we've used the Business for Social Impact (B4SI – formerly LBG) framework, a globally recognised tool for corporate community investment measurement, to measure our community impact. This allows us to monitor our own performance and provides useful insight into best practice for delivering and reporting community investment activities. The table below sets out our community contribution for 2021/22 and the prior two years.

### Community contribution summary table

	2021	2020	2019
Charity and community donations (£)	321,473	380,616	316,350
Support for co-operatives (£)	59,889	50,157	63,751
Time (£)	1,755	1,193	15,563
Management time (£)	79,417	95,439	118,310
Total community investment (£)	462,534	527,405	513,974
Community investment as % of pre-tax, pre-dividend profit	12%	22%	43%
Leverage – carrier bag fund (£)	281,031	300,336	387,992
Leverage – other (£)	945,239	653,531	529,902
Total leverage (£)	1,226,270	953,867	917,894
Total community contribution	1,688,804	1,481,282	1,431,868

## Healthier neighbourhoods

We have committed to supporting 10 Community Fridges across our region, as part of a wider programme involving Co-op Group and environmental change organisation, Hubbub, in: Basingstoke, Eastbourne, Uckfield, Brighton, Worthing, Bognor Regis, Chichester, Hayling Island, Portsmouth, Gosport.

Community Fridges accept good quality, surplus chilled, ambient and in some cases frozen food, free of charge from local food retailers, producers, growers, restaurants and households; helping to reduce the amount of food wasted and in some cases disposal costs.

A 'Fridge' can be accessed by anyone within the local community who wants to prevent food going to waste, volunteer or get involved with food, nutrition or environmental related activities the group have to offer.

We are also proud to be entering a relationship with Ascend, a specialist college based in Kent, set up to provide young adults with SEND (special educational needs and disabilities) employability and independence skills. The students' education will be delivered via a social enterprise catering business, where they will manage and run every aspect and also help to address local social issues such as food poverty.

Bereavement Care is a free service fully funded by The Co-operative Funeralcare and throughout 2021 they provided workshops, counselling services and guidance to support the mental health of those within our communities.

## Safer neighbourhoods

Through our Protecting Our People programme (see also People section page 18-24), we're working in partnership with others, to understand and tackle the social causes behind the rise in business crime.

While each community has its own complex needs there is clear evidence that the majority of incidents in our stores are related to drug addiction, alongside other factors such as homelessness, repeat offending, unemployment and mental health issues. Our Safer Neighbourhood Fund is providing funding support to UK charities delivering innovative programmes in our most impacted local communities to reduce crime, support ex-offenders and those at risk of offending.

### Beneficiaries by outcome

Outcome	No. of beneficiaries
Improved relationships with family and/or friends	87
Improved resilience and/or confidence	418
Having overcome specific practical and personal barriers	330
Reduced negative health and wellbeing behaviours and improvement in personal wellbeing	191
Involved in activities that engage in the local community and/or natural environment	667
Participating in employability related training or education	267
Accessing work experience, job placements and/or apprenticeships	31
In employment	32

Support for individuals has included helping them to: obtain ID like birth certificates vital for benefits/work etc, secure accommodation and/or employment; overcome social barriers; stopped alcohol dependence.

We've also continued to lobby government for the greater protection of our workers, writing to MPs about specific crime issues in their constituency, contacting elected Police Crime Commissioners to press home the need for partnership working and for business crime to be considered in their plans; raising awareness through lobbying alongside other co-operatives and championing the National #ShopKind campaign supported by the Home Office. We're delighted that this lobbying has paid off with an amendment to the Police, Crime, Sentencing and Courts Bill, giving courts stronger sentencing powers when dealing with attacks on retail workers which we hope will give greater protection to colleagues working in our retail stores. The Bill is due to return to the Commons and receive Royal Assent in 2022.

## Greener neighbourhoods

Green spaces in our neighbourhoods help wildlife thrive, support climate action and a cleaner environment, and support good physical and mental health. Whether it's turning a piece of disused land into a community allotment, encouraging the return of local wildlife, educating others on the importance of climate change or re-vamping a school playground, with the support of Love Your Neighbourhood our communities can grow greener.

## Wilder Portsmouth

We entered the third year of our partnership with the Hampshire and Isle of Wight Wildlife Trust's Wilder Portsmouth which is helping people take action to create and enhance wild spaces across Portsmouth. The initiative has been such a success it is now providing a wilder blueprint for other cities in these counties and is being adopted by other Wildlife Trusts. Highlights this year have included:

- 62 private/individual spaces made 'wilder' (including wilder streets)
- 24 other green spaces made 'wilder'
- 29,500 people reached through the programme (59,000 is the 1 in 4 target to reach that valuable engagement tipping point)
- Fawcett road greening in collaboration with Portsmouth City Council (including planting at Southern Co-op's Fawcett Road store by Brambles school pupils)

Find out more here: <https://www.hiwwt.org.uk/wilder-portsmouth>

In 2022, we will be working in partnership with this Wildlife Trust to support their Wilder Wight programme on the Isle of Wight.

## **Natural Choices**

Our partnership with Dorset Wildlife Trust's Natural Choices programme is helping people from all backgrounds and abilities across the county to experience the health and wellbeing benefits of regular contact with nature through a programme of events and activities.

Highlights this year included:

- More than 240 people engaged, with 85% of participants reporting a positive impact on their health.
- Explore West Dorset - Kingcombe Nature reserve, together with neighbouring Powerstock Common Nature reserve gained National Nature Reserve status (now called Kingcombe National Nature Reserve) for their unique habitats and wildlife.
- Urban Green - Bournemouth/Poole College Foundation/STEPS students engaged through building compost bins, general gardening, scrub removal and creating a vegetable garden. Dorset Coppice Group was engaged to lead the community in coppicing hazel in local woods.
- Wild Brownsea - 10 community events were hosted including churches' Count on Nature BioBlitz, Great wildlife exploration at Redhill Park, Wimborne Spring Green Festival. 7 youth taster sessions on the island with Chatterboxes, Dorset Goes Wild, Lytchett Scouts and Winchester Scouts.
- Health and Nature Dorset (HAND) was further developed in 2021 and officially launched in May 2021 as part of Mental Health Awareness Week. The recording and presentation can be viewed at [www.dorsetlnp.org.uk/hand](http://www.dorsetlnp.org.uk/hand)

## **Neighbourly**

Our Neighbourly platform has continued to support our colleague interaction with local charities and good causes. We've successfully launched campaigns via Neighbourly including Greener, Healthier, Safer and More Inclusive Local Funding, Food Banks, Nurturing Nature and Lend a Hand.

Neighbourly not only allows our colleagues to raise and allocate funds via a secure digital platform, but also allows them to connect with small local groups who benefit from the link with a well-known, reputable business. We have the additional benefits of reduced administration as we move to digital applications which Neighbourly process, whilst completing our due diligence and helping us build clear data and social impact reports.

## **Co-op's Fortnight**

Once again, we were pleased to both sponsor and participate in the annual Co-ops Fortnight. In 2021, the campaign focused on the benefits and diversity of being a co-op Member. #joinaCo-op was used on a variety of communications channels to encourage people to join a co-op. We promoted the campaign with a number of social media posts and till screen messages in our retail stores.



**Report of the Board's  
Governance and Membership  
Committee**

# THE GOVERNANCE AND MEMBERSHIP COMMITTEE

## INTRODUCTION

In line with co-operative corporate governance best practice, the Board of Directors of the Southern Co-op has established a number of Sub-Committees to delegate specific aspects of its remit to. The Sub-Committees operate under the delegated power of the Board with the scope and remit of each being set out in clear terms of reference, with mechanisms for reporting back on activities to the Board being in place.

One of those Sub-Committees is the Governance and Membership Committee. The following report aims to provide members with an overview of the role of the Governance and Membership Committee, together with information on Southern Co-op's governance and membership.

This report covers the 52 week period ended 30 January 2022.

## ROLE OF THE COMMITTEE

The Board has set out clear responsibilities for the Committee with Terms of Reference which were last considered and approved by the Board in January 2021.

The Governance and Membership Committee ensures that appropriate and effective governance arrangements are in place relative to the scale and complexity of the Society, taking into account best practice and our co-operative structure. The Committee also oversees the Society's Membership Strategy.

The purpose of the Committee is to:

- ensure that both now, and in the future, the Board of the Society has the level and breadth of competence and experience required to ensure that its governance role is undertaken effectively
- consider the optimum composition of the Board and its Sub-Committees and make recommendations to achieve these
- monitor and review the Society's corporate governance principles, policies, standards and practices with the aim of ensuring that they optimally support the Society's strategic priorities and take into account best practice
- consider the findings of Board performance evaluations and recommend actions to the Board and its Sub-Committees to improve effectiveness
- review the Society's Membership Strategy ensuring alignment with co-operative values and principles and business strategy
- oversee democratic and constitutional processes seeking to maximise the participation of Members and consider methods for informal engagement with Members, and to
- take a leadership role in shaping the corporate governance of the Society

## MEMBERSHIP OF THE COMMITTEE

Membership of the Governance and Membership Committee is appointed by and from the Board, following recommendations from the Remuneration and Appointments Committee. The terms of reference set out that the Committee will comprise five Directors one of whom shall be the Chair of the Board.

Directors who are also colleagues of Southern Co-op tend to sit on this Committee as conflicts of interest mean that they are not eligible for the two other main Committees of the Board.

During the year the Board considered the membership of the Committee following one member leaving the Board. This led to Mr Scott joining the Committee. The Committee is chaired by Mark Ralf (the Southern Co-op Chair).

During the year the membership of the Governance and Membership Committee was as follows:

Director	Period	Meetings attended	Time on Committee ^
Mark Ralf *	Full Year	5 (5)	3 years 6 months
Helen Jackson	Full Year	5 (5)	3 years 6 months
Beverly Wyatt	Full Year	5 (5)	3 years 6 months
Joanne Gray	Full Year	4 (5)	1 year 5 months
Anthony Scott	From 1 August 2021	2 (2)	6 months

Directors listed are those who were in office as at the year-end date of 30 January 2022.

The number in brackets indicates the total number of meetings the Director was eligible to attend during the period.

\* Committee Chair

^ The time on the Committee is as at 30 January 2022.

Appointments to the Committee are initially for a period of up to three years, which may be extended for two further three-year periods. The table above confirms how long members have served on the Committee, as at the end of the year.

Only members of the Committee and the Secretary, have the right to attend Committee meetings. It is common however for other individuals to be invited to attend for all or part of any meeting to present and/or advise the Committee. This includes, but is not limited to, the General Counsel, membership, marketing and secretariat team members and external advisers.

## INDEPENDENT EXTERNAL ADVICE

The Committee has full authority to commission reports or surveys which it deems necessary to help it fulfil its obligations within the powers and budgets set by the Board.

During the year the Committee engaged Co-operatives UK Limited to facilitate its Board performance evaluation process in order to bring additional independence to this effectiveness review.

## OUR MEMBERS

Southern Co-op is owned by its Members and there were **138,748** at the end of January 2022.

**29,323** new Members joined Southern Co-op during 2021-22 (5,996 in 2020-21)

During 2021, Southern Co-op has promoted its enhanced membership offer and has proactively sought to attract new Members to its membership and its All Yours programme. This has resulted in an increased level of new Members during the year. In addition, the Board took the decision in 2021 to leave the Co-operative Affinity Membership scheme as Members of Southern Co-op were no longer receiving reciprocal benefits from all member societies. An increase in membership was seen as regular customers, who were Members of other co-operative societies, joined Southern Co-op to continue to receive a Share of the Profits on their purchases. Such Members will now receive the Share of the Profits and a range of additional benefits directly from Southern Co-op rather than via another co-operative.






During the year 478 accounts were closed upon request and 22,819 accounts forfeited in accordance with the Rules. 671 previously forfeited accounts were re-opened upon request by the Member. The forfeiture process is set out within Southern Co-op's Rules and is an important process to ensure that the membership register remains as accurate as possible.

### MEMBERSHIP OFFER

 <p>Specially selected discounts with our third party partners</p>	 <p>Extra in-store discounts with All Yours</p>	 <p>Invites to exclusive member trips and events</p>	 <p>Discounts on End of Life products and services</p>	 <p>A share in our profits when a dividend is paid</p>	 <p>Voices and votes at our AGM and elections</p>	 <p>Smarter shopping with our Southern Co-op member app</p>
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Membership means getting more from your Southern Co-op. All Members can enjoy exclusive discounts from selected third party partners accessed via our member benefits portal. The portal also gives access to free online courses and wellbeing advice. Immediate discounts are offered to Members on our end of life products and services. Members continue to be eligible to receive a share of our profits based on their spend within our food stores when a dividend is paid. Our Members can shop a little smarter by using our Member app to track their Share of the Profits points, view in-store offers, find their local store location and use their membership card digitally in-store.

Members also have the opportunity to opt in to our All Yours additional benefits package, to gain all together more value. Members can receive our latest food store offers, products and recipes to their email inbox, together with money off vouchers on joining, on their birthday and during discount days and special events. By swiping their card in-store, All Yours participants will also receive surprise money off coupons at times from our tills.

 <p><b>A warm welcome</b></p> <p>'All Yours' gives you that little bit extra right from the start; we'll send you a one-off in-store 15% discount for subscribing.</p>	 <p><b>Nice little surprises in-store</b></p> <p>Swipe your membership card at the till and from time to time, you'll receive a money off coupon to spend in-store.</p>	 <p><b>A happy birthday to you</b></p> <p>We'll email you a 10% off voucher to mark your birthday, which can be spent in any of our food stores.</p>	 <p><b>VIP shopping invites</b></p> <p>Receive exclusive invitations to discount days, special events and offers when you subscribe.</p>	 <p><b>The latest food offers and recipes direct to your inbox</b></p> <p>Get our regular All Yours emails about the latest offers and products in-store, plus delicious recipes and meal ideas.</p>
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As a business we also like to give back. By shopping with us, our Members help us to give more back to our local communities. All together membership means more.

Our Members also have a say in shaping our future through our Member meetings and elections. Informal Member events have been on hold during the COVID-19 pandemic but will be returning in 2022 in a mix of online and in-person formats. Details will be available on our Member app and website.

### **Member Share of the Profits**

When our business does well, so do our Members. Each year, once we know what profit the business has made, we share it with our Members. Unsurprisingly, we call it a 'Share of the Profits'. The Board was pleased to be able to make a Share of the Profits to Members in 2021 in relation to the spend of Members and profits for the 2020-21 year. A payment of 0.5p per £1 of eligible spend was paid to Members in June 2021.

In December 2021, the Board decided to recognise the incredible loyalty of our Members during what have been exceptional times by making an early interim bonus Share of the Profits payment to all eligible Members. 1.5p per £1 of eligible spend was paid to Members for spend during the first half of the year (February – July 2021). The Share of the Profits was sent by a combination of email and post. The final dividend for the 2021-22 year will be put to the Members for approval at the AGM in May 2022, with payment of the balance being made to Members in June 2022. The distributions for the year can be seen in Note 8 on page 110.

The percentage of our Members actively transacting with us **2021-22: 59.5%\*** 2020-21: 56.0%\*

The amount of our trade with Members as a % of our total turnover **2021-22: 7.75%\*** 2020-21: 7.84%\*

The amount of our trade with Members as a % of retail turnover **2021-22: 8.65%\*** 2020-21: 8.40%\*

\* as measured through membership card use

### **MEMBER VALUE**

Our co-operative difference is created by the value that we create for our Members, both individually and collectively, through our governance structure which allows our Members to have a voice in our business and through our purpose and values which are the foundation of all we do.

Throughout this report and in our 2021-22 highlights report we have sought to demonstrate how Southern Co-op creates value for its Members. This can be seen in our reporting on our purpose and values, the achievements and performance of our business and our future direction and our work supporting and developing our colleagues, our local communities and other stakeholders such as our local flavours suppliers. Our approach in tackling climate action and in enhancing the environments in which we operate is a demonstration of the wider value created and we have reported on how we manage risk to protect Member value.

## MEMBER RIGHTS AND RESPONSIBILITIES

Members, as the owners of a co-operative, are key to its success.

Co-operatives are Member-owned, Member-governed businesses that operate for the benefit of their Members according to common values and principles agreed upon by the international co-operative community.



### Values

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity

put into practice through the **Principles** of:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Co-operation Among Co-operatives
- Concern for Community

Membership rights and responsibilities generally derive from the co-operative's governing document. For Southern Co-op this takes the form of our [Rules](#) which are available on our website.

Member participation is important and there are numerous important avenues for Member involvement via the following methods and processes:

### General Meetings

General Meetings act as the Members' democratic connection to the co-operative and provide an environment in which Members can exercise their rights. General meetings provide opportunities for Members to make decisions and hold the Board of Directors, who they have elected, to account.

The Rules set out that some decisions will be reserved for the Members to decide and therefore the Board of Directors will put these decisions to the Members in the form of motions within the Annual General Meeting or at Special General Meetings. These include:

- consideration of the accounts, balance sheet and reports of the Directors and auditor
- voting on an advisory basis to approve the Board's remuneration report
- approving distributions from surplus profits for customer Members and our communities
- approval of Board remuneration
- the appointment of the Society's auditors
- the election of Members to the Board of Directors (generally this process is run ahead of the AGM and the results confirmed at the meeting)
- ratification of directly appointed Directors in accordance with the Rules
- approval of amendments to the Rules
- proposals to amalgamate with or transfer engagements to another co-operative, and
- proposals to convert into a company or to wind up or dissolve the Society

Any Member who has been in membership for at least 6 months, is at least 16 years of age and has spent at least £1 in a Southern Co-op business in the year ending 84 days before the date of the meeting is entitled to attend and vote in a General Meeting. The Board has introduced proxy voting to enable Members who are eligible, but who are not able to attend, to appoint the Chair of the meeting to cast their votes as they direct on their behalf. Each Member has one vote, regardless of their shareholding in the Society.

Members are able to themselves raise motions or questions in certain circumstances. The rules in relation to this are set out in our [Standing Orders for the Conduct of Society Meetings](#), which are available on our website.

## **Board Elections**

Our Members elect a Board of Directors from the membership to act on their behalf to govern the Society. The Board must ensure that the Society's affairs are conducted in accordance with the Rules approved by Members. It must act in the best interests of the Society and its Members, and in accordance with the co-operative values and principles. It determines the strategy of the Society in consultation with the Chief Executive and oversees its implementation. It has full power to conduct the business of the Society on behalf of the Members.

Each year one third of the Board retire by rotation and an election is held to fill the vacancies that exist at that time. Subject to meeting the qualifications set out in the Rules, Members may seek nomination as candidates in the election.

Any Member who has been in membership for at least 6 months, is at least 16 years of age and has spent at least £1 in a Southern Co-op business in the year ending 84 days before the date of the AGM is entitled to vote in the Board election that precedes that AGM.

## **Information**

As owners of the co-operative, Members have a right to request within General Meetings and be provided with information on the co-operative's position and prospects so that they can adequately challenge the Board on its decision making. The Board of Directors publishes an Annual Report and Financial Statements ahead of each Annual General Meeting for this purpose.

Southern Co-op's 'Our Plan' is also published on the website which sets out the Society's purpose, vision and strategic intent in the medium term. Updates against 'Our Plan' are posted on the website.

## **Communications and Engagement**

Southern Co-op has introduced regular Member updates which share regular news about how we're playing our part to help some of the most important issues within our communities and how our Members can join in with us as we are always stronger together. The first two updates were 'All Together for our planet' updating on climate action and 'All Together for each other' in relation to well-being and resilience. As well as sharing the action Southern Co-operatives is taking, Members are invited to participate in a range of ways.

The Board of Directors are keen to hear the views of Members and utilises Member surveys and its 'Talk to Us' online channel for this purpose in addition to listening groups.

## **Connection to the Business**

As a consumer co-operative, Southern Co-op operates food stores, end of life services and coffee stores for the benefit of our Members. Members can earn a Share of the Profits through their trade with our food stores and receive discounts on our end of life services and products.

By shopping with Southern Co-op and utilising our services whether in food retail, end of life services or our coffee stores, Members are helping to create profits which can be utilised to support the communities in which we operate and advance our work to protect the environment.

## LISTENING TO AND ENGAGING WITH OUR MEMBERS

Our Board represents the interest of all of our Members and considers these interests and those of other stakeholders when making its decisions. Our co-operative structure of membership ownership allows Members to vote on key governance decisions and to share their views within both our formal governance meetings, such as the Annual General Meeting, but also informally through our 'Talk to us' online communication channel, through other Member events including our listening groups and through feedback to our Member Support Team and in-store colleagues.

Listening to the views of our Members helps us shape the business for the future and the participation of Members in our events and the sharing of views is encouraged and appreciated. Examples of how we have engaged with our Members are set out on the following pages.

### Annual and Special General Meeting

Our AGM was held on 27 May 2021. This was an online only event in view of the continuing risks from COVID-19 that existed at that time. 147 Members logged into the live event (143 eligible to vote). For the first time the Board offered Members who were not able to attend the event, or did not wish to, the opportunity to appoint the Chair of the meeting to cast their votes on their behalf. Members were required to determine how they wished their votes to be cast ahead of the meeting and information was published in advance to explain each motion. Ahead of, and during, the meeting Members were given the opportunity to raise questions. The Board was pleased that 5,597 Members took up this opportunity to use their Member voice in addition to those attending the meeting. In total 8.29% (5740) of eligible Members either attended the meeting or appointed the Chair of the meeting to cast their vote.

At the AGM our Members were asked to vote on motions in relation to our report and accounts including the remuneration report, distributions to customer Members and the communities in which we trade, Board fees, the re-appointment of our independent Chair and the reservation of one seat on the Board for co-option to advance the diversity of the Board. Votes were cast as below. A simple majority was required to pass the motions.

	Voted For	Voted Against	Abstained/ Did not vote
Adoption of Directors' Annual Review and Financial Statements	5,293 (98.49%)	81 (1.51%)	366
Advisory vote to approve Board's Remuneration Report	5,027 (96.36%)	190 (3.64%)	523
Approval of Share of the Profits payments for customer Members of 0.5p per £1 of eligible purchases	5,505 (98.66%)	75 (1.34%)	160
Approval of community distributions of up to £450,000	5,425 (97.98%)	112 (2.02%)	203
Approval of new fees structure and payments for Directors	4,286 (88.01%)	584 (11.99%)	870
Ratification of Board's re-appointment of independent Chair	5,015 (95.83%)	218 (4.17%)	507
Ratification of Board's action to reserve one seat on the Board for co-option to advance Board diversity	5,303 (96.84%)	173 (3.16%)	264

At the AGM Members received updates from our Chair, Mark Ralf, and Chief Executive, Mark Smith. Members heard from Director and Board Ambassador for Diversity and Inclusion, Joanne Gray, on the action the Board was proposing to advance its diversity. Our Chair of our Audit and Risk Committee, Neil Blanchard, and Finance Director, Greg Wilkins, presented a report in relation to the prior year's financial position and Director and Board Ambassador for Climate Action, Helen Jackson, introduced a presentation on Southern Co-op's work to reduce its carbon footprint and help to address the risks of climate change.

As is usual at our AGMs, Members took the opportunity to ask questions in relation to the contents of our Annual Review and raise matters which they care about. Society Secretary, Silena Dominy, announced the results of the Board election which had taken place prior to the event.

The AGM is publicised to Members on our website in the lead up to the event. Members who are eligible to vote and attend the AGM receive notification by email or post in the weeks ahead of the event, with instructions on how to join the meeting, and alternatively how to appoint the Chair of the meeting to cast their votes at the meeting on their behalf, if they are not planning to attend.

Holding the AGM online in 2021 and introducing proxy voting enabled more Members to have their say on the motions put forward, making the decisions more reflective of the views of our whole Membership. The Directors are keen to encourage more Members to attend this event each year. They therefore monitor participation levels.

Number of Members voting on AGM motions as a % of our total Members

**2021-22: 5,740 (4.14%)\*** 2020-21: 223 (0.17%)

\* Proxy voting was introduced in 2021.

Due to continuing risks from COVID-19, the Board has determined that the AGM in 2022 will once again be an online event.

### **Member Trips and Listening Groups**

Unfortunately, due to COVID-19, our programme of events was put on hold from March 2020 in line with social distancing guidelines and in order that our colleagues could focus on continuing to provide our services through our food stores and delivering our end of life services during the pandemic.

The Board ensured that Annual General Meetings were held in 2020 and 2021 to provide that Members were able to continue their formal engagement with the Board and make important governance decisions.

In January 2022, we recommenced the running of Member events, with an online Member session related to 'self-care and resilience'. Members were invited to attend to learn ways to build resilience and prioritise self-care in a session led by psychotherapist and life coach Jason Brennan. The free event, exclusively for Southern Co-op Members, also showed Members how a free personal POWR plan could be created to help improve well-being. The plans are available to all Members via the POWR 'Be well' button on the home screen of our [Member Benefits Portal](#).

Further events are being arranged for 2022, linked to our partnerships with wildlife trusts and local suppliers, and 2022 will also see the return of listening groups hosted by our Board. It is hoped that in addition to online events, we will be able to include in-person events later in the year.

### **Talk to Us**

Our Board wants to hear the views of our Members and the 'Talk to Us' communication channel ([www.thesouthernco-operative.co.uk/membership/your-Board-of-Directors/talk-to-us/](http://www.thesouthernco-operative.co.uk/membership/your-Board-of-Directors/talk-to-us/)) has therefore been in operation since 2020. During 2021 Members shared their views and asked questions in relation to our climate action plans, plastic waste and recycling, confirmation that we have no connections with the international arms trade, food waste, local products, our Member app and the diversity of the Board.

Members continue to be invited to share their views and ideas and to speak to the Directors that they elected about matters that they care about.

Our Members of Southern Co-op, are part owners, so the Directors like to hear their views. Questions and thoughts submitted by our Members together with the responses from our Board are published on our website for all of our Members to view.

## Member Communications

Via emails, our Chief Executive and Chair have provided Members with an update on our performance, our response to COVID-19 and information on our Board elections during the year.

2021 saw the launch of our 'All Together' Member updates which share regular news about how we're playing our part to help solve some of the most important issues within our communities, and how our Members can join in with us as we are always stronger together. To date, Members have received two such communications:

- 'All together for our planet' provided information to Members on the action that Southern Co-op is taking on climate change, setting out our science-based targets for reducing emissions and the action being taken to reduce energy, reduce plastic waste and move towards electric vehicles. Members took the opportunity to ask Director, and Board Ambassador for Climate Action, Helen Jackson, questions in relation to this subject. Members learnt how they could help through recycling and were signposted to volunteering events in partnership with our wildlife trust partners. Members were also advised how they could apply for funding for environmental, wildlife or horticultural projects through 'Neighbourly for Greener Funding'.
- 'All together for each other' focused on personal wellbeing. Members learnt of the experience of one of our food store Duty Managers in their use of the free POWR wellbeing path planner available through the Member Benefits Portal and the work of our Bereavement Care service which helps people at time of loss whether that be related to a death, loss of employment, relationship or home. Members were invited to a free online seminar on self-care and resilience and were signposted to the POWR path planner. Outdoor events were highlighted which can benefit one's physical and mental wellbeing and Members had the opportunity to ask questions to our Director, Beth Rogers, who has a special interest in mentoring our new Directors.

## Member Survey

At our AGM in May 2021, our Board spoke about how the Board of Directors is composed and a desire to ensure it is diverse, inclusive and fair, to help the Board be representative of our Members and ensure that everyone feels able to participate in the opportunities available. The Board acknowledged that they were at the beginning of their journey and didn't have all the answers yet, so they asked our Members to share their views through completion of a short survey. The Board was keen to understand barriers or issues within membership as Southern Co-op seeks to be inclusive, safe and fair, making sure all Members can participate as much as they would like in our activities and governance. We are also keen to make our Board of Directors more accessible to Members and to understand changes that could be made to improve this. 1,416 Members took the time to respond to the survey.

The Board was pleased to note that the majority of our Members who responded indicated that they had not experienced discrimination or unwelcome comments or conduct when visiting our premises or participating in events, however, approximately 6% of respondents had. 93% of respondents believed that Southern Co-op would take appropriate action if such instances were reported and felt that Southern Co-op itself treats Members, customers and colleagues equally and with fairness; valuing people of all cultures and backgrounds. Suggestions were received on how improvements could be made for people with disabilities which will be considered further. Whilst the majority of respondents felt that the Board election process was open and accessible to all and was conducted in a fair and unbiased manner, a range of feedback was provided on how there could be greater awareness for Members of the role of the Board and opportunities for Members to participate. The Board has discussed this and will be reviewing how processes and information could be simplified to make its governance more accessible to Members.

# **CORPORATE GOVERNANCE**

## **CORPORATE GOVERNANCE BEST PRACTICE**

Guidance on achieving the highest possible standards of governance is contained in the UK Corporate Governance Code issued by the Financial Reporting Council. As a co-operative, Southern Co-op is not required to adhere to the provisions of the UK Corporate Governance Code. However, Co-operatives UK Limited, the representative body for co-operative enterprises in the UK has issued guidance for co-operatives in the form of Codes of Best Practice since 2005. The latest of these was published in November 2019 and updated in 2021. Co-operatives are requested to voluntarily comply with this Code. The Code is based on the principles contained in the UK Corporate Governance Code but is tailored to the particular governance characteristics found in co-operative societies.

## **STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF BEST PRACTICE**

The Board is committed to the principles set out in Co-operatives UK Limited's Co-operative Corporate Governance Code ('the Code'). The Board has reviewed its governance arrangements against those set out in the 2019 Code. Last year we reported that there were two provisions out of 75 where the Board did not fully nor partially comply. The Board has taken steps since last year to advance its approach towards provisions 3 and 5 of the co-operative leadership and purpose section of the Code, which was newly introduced to the Code in November 2019. As such the Board has now assessed that it either fully, or partially complies with all principles and provisions within the Code and that no areas of non-compliance exist.

The Board continues to focus on continual improvement against areas of the Code for which there is currently partial compliance. These relate to:

- Improving visibility of the information for Members in relation to their role, rights, decisions reserved for Members and information available to Members
- Considering further how stakeholders can best be consulted in relation to our purpose, strategy and values, and
- Monitoring and reporting on the Society's culture.

## OUR GOVERNANCE STRUCTURE

### Our Members



As a co-operative we are owned by our c. 140,000 Members, who are at the heart of everything we do. Our profits are not shared with remote shareholders but are reinvested back into the business, utilised to improve our operations and services and to improve our sustainability and advance our climate action. Profits are also shared to support the communities in which we operate, and are shared with our Members when there is a surplus available. Our Members have a say in shaping our future, enabling us to achieve our goals and continued business success. Our Members, at our formal Members' meetings, make decisions on matters such as how our profits are shared and the governance of Southern Co-op. There are also informal ways in which our Members can share their views, such as through our listening groups, Member Support Team, surveys and our Board of Director 'Talk to Us' communication channel.

### Our Board of Directors

Our Members have elected a Board of Directors to act on their behalf. The Board ensures that Southern Co-op's affairs are conducted in accordance with the Rules approved by Members and comply with relevant laws and regulations. They also ensure that our business is conducted in the best interests of the co-operative and its Members and in accordance with the Co-operative Values and Principles. When making decisions the Board considers the benefits and impacts on our Members, other stakeholders and the communities and environment in which we trade. The Board determines the strategy and policy of Southern Co-op in consultation with the Chief Executive and oversees its implementation, ensuring that organisational structures are in place to deliver our long-term objectives.



Mark Ralf



Neil Blanchard



Beth Rogers



Bev Wyatt



Joanne Gray



Helen Jackson



John Lay



Jessica Danyluk



Anthony Scott



Olu John

### Our Chief Executive and Leadership Team

The Board appoints the Chief Executive, who together with the Leadership Team of Southern Co-op, is responsible for conducting the day-to-day business of our co-op. The Chief Executive acts under the direction and control of the Directors, but together with the Leadership Team he works with the Board on the creation of strategies and policies.

## OUR BOARD OF DIRECTORS

The Board of Directors consists of up to nine Members who are directly elected from, and by, the Members on a 'one Member one vote' basis under Southern Co-op's democratic structure. All elected Directors are non-executives and serve terms of three years, with one third of the Board retiring by rotation each year. No Director may serve on the Board for more than nine consecutive years. Current Directors who have served for longer than this time period may complete their current elected term but will be required to step away from the Board for at least a year thereafter, before being eligible for election again, there is one Director remaining on the Board in this position, Neil Blanchard, who will be retiring from the Board in May 2022. The chart on page 52 shows the length of total uninterrupted service on the Board for our current Directors since their initial election. The Board currently has eight elected Directors.

In accordance with the Rules of Southern Co-op, the Board of Directors may also co-opt up to two additional independent non-executive Directors to the Board, provided that elected Directors, who are not employees or recent former employees of Southern Co-op, remain in the majority on the Board. The Board currently has two Directors co-opted.

The Board appoints a Chair from one of their number. The Board acknowledges that it is not only important that the Chair has the skills and experience to lead the Board effectively, but that the Director who holds this role must also have sufficient time to devote to the role. The Board has also acknowledged that it is necessary for there to be certainty and stability for the role of the Chair. It is for this reason that the Board decided to co-opt an independent Director with the required skill set and experience to the Board in 2017, with the support of our membership. This Director, Mark Ralf, was appointed as Chair in May 2018 for an initial term of three years, and reappointed to this role in 2021 for a further three years. In accordance with the Corporate Governance Code, the Chair of the Board is not an employee or recent former employee. The maximum time recommended by the Code for the role is six years, and therefore in 2024 the Board will look to appoint a new Chair.

In 2021, the Board discussed with Members at the AGM their desire to ensure that they are diverse, inclusive and fair. This helps the Board be representative of our Members and ensures everyone feels able to participate in the opportunities available. With the support of Members, the Board determined that one of the seats on the Board should be filled by co-option to help advance the diversity of the Board.

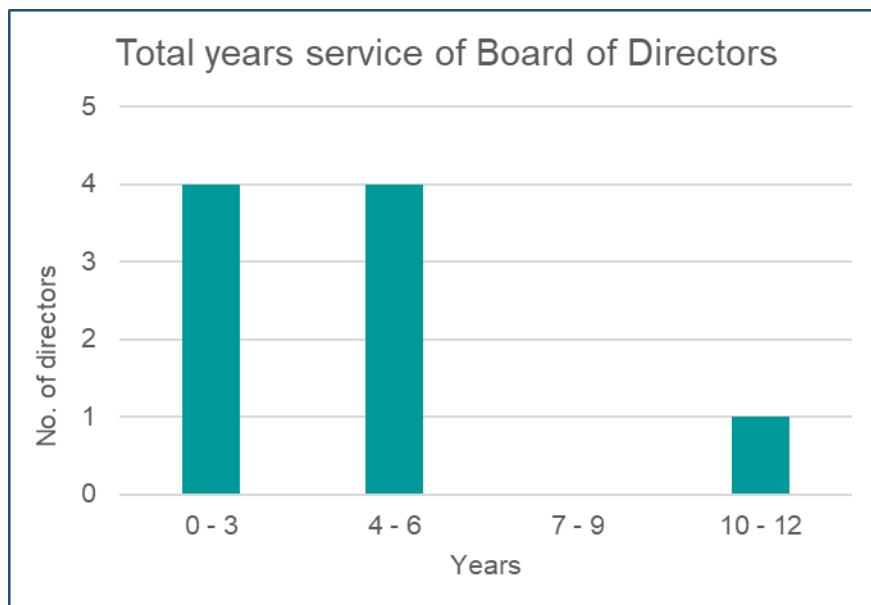
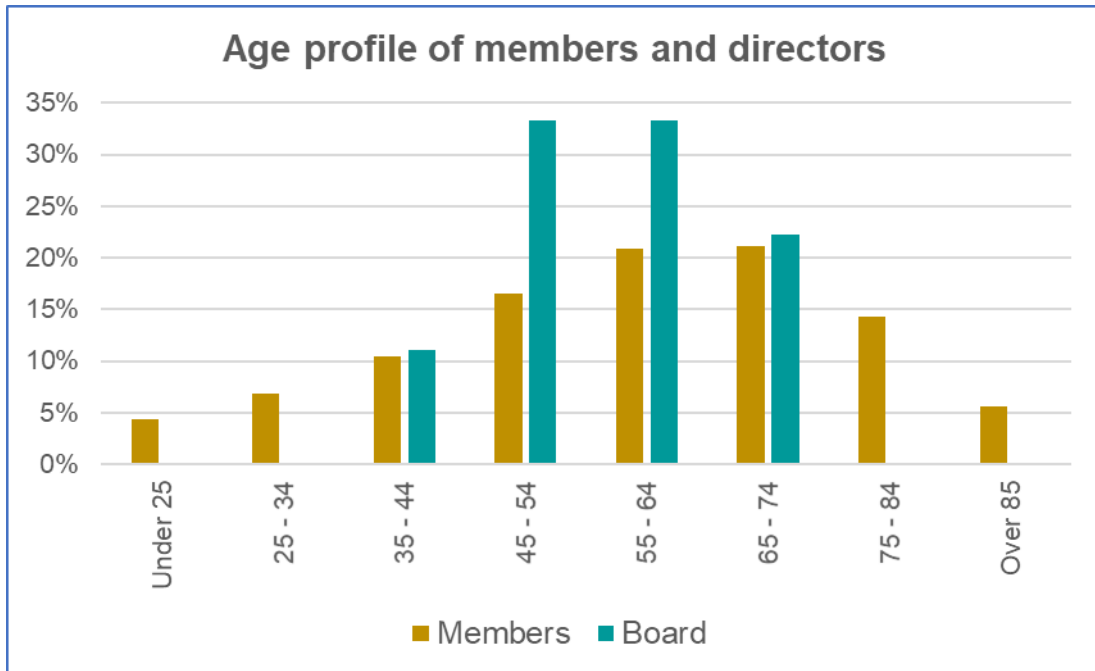
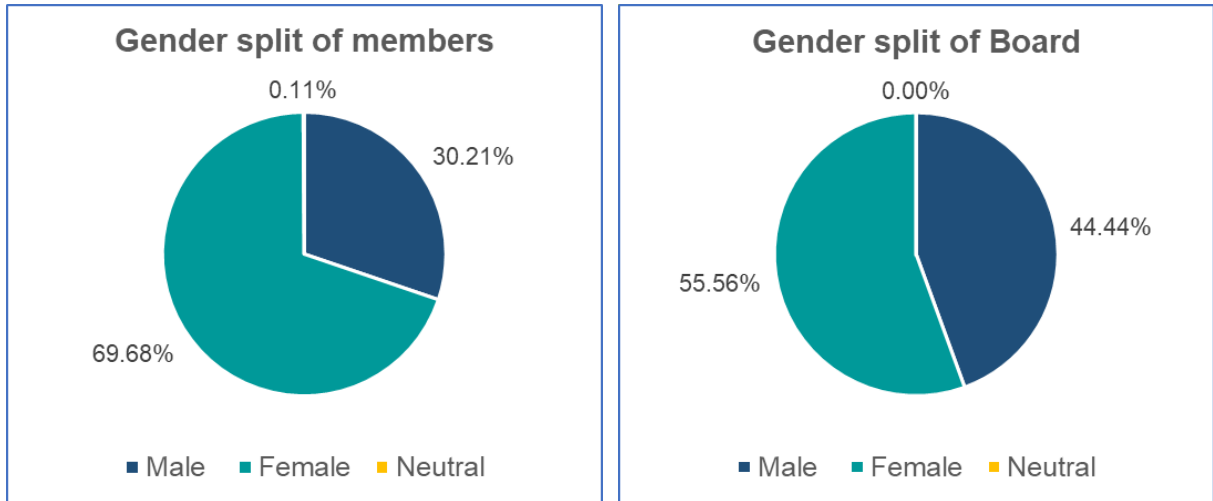
In December 2021, Members who felt they had experience to assist the Board to develop their approach to diversity and inclusion were invited to discuss further Board opportunities. Following a selection process, Olusoji John was appointed to the Board for an initial term ending on the day of the AGM in May 2023. Ratification of this appointment will be sought from Members at the AGM in 2022.



*Olusoji John*

The Board elects a Vice-Chair each year to deputise for the Chair when they are not available and also to promote Board cohesion, encourage positive behaviours in the Boardroom, create conditions for overall Board effectiveness and help other Directors feel supported, empowered and enabled to carry out their roles. This role is currently held by Helen Jackson.

As at the period end, the Board consisted of seven Directors who are considered to be independent and two Directors who are also employees of Southern Co-op. The demographics of the current Board and our membership generally as at January 2022 are shown below:



## 2021 Board Election

The Board welcomes contested elections and encourages Member participation in the electoral process and is keen to attract potential future Directors. Members interested in a role on the Board are invited to indicate this by contacting the Member Support Team. Members are invited to receive further details through an information session ahead of our Board elections.

Elections to determine who will serve on the Board are normally held before the Annual General Meeting (AGM) each year. In order to ensure a fair and transparent election process, which is free from fraud and undue influence, the Board has arranged for Civica Election Services to administer the ballot process and vote counting.

All Members who are at least 16 years of age, have been in membership for at least six months and have spent at least £1 in the year preceding close of nominations for the Board election are entitled to vote. In order to make voting accessible to all Members, a postal and electronic voting system is used. Ballot papers are emailed and posted to Members. Any eligible Member may request a ballot paper during the election.

In addition to receiving candidates' election statements, Members are afforded the opportunity to submit questions for the candidates to answer ahead of the voting period. This enables Members to understand their views on matters that are important to them.

**69,085** ballot papers were despatched to eligible Members by a combination of post and email in the 2021 election. Members could choose to return their ballots via our online voting platform, post or a telephone voting system. For environmental and cost reasons we encourage Members who can to use our online and telephone options. **7,886** Members voted in the election (95.3% online, 4.2% by post and 0.5% by telephone).

The 2021 Board election saw nine candidates nominated for the two seats which were available to Members who were not also colleagues of Southern Co-op. In addition, there was one seat available for a Member who was also a colleague of Southern Co-op, with three candidates standing for this seat. Existing Director, Helen Jackson, was re-elected onto our Board for a three year term. Member, Jessica Danyluk, was also elected to join the Board for the first time for a three year term. Colleague Member, Anthony Scott, was elected to the colleague Member seat for a term of three years.



*Helen Jackson*



*Jessica Danyluk*



*Anthony Scott*

Election results are announced at the AGM and are also published on our website.

The percentage of our Members voting in Board elections **2021-22: 5.68%** 2020-21: 7.97%  
Return rate in Board elections **2021-22: 11.41%** 2020-21: 11.69%

## Appointment, Conduct and Development of Directors

On appointment, Directors receive a formal letter of appointment and an induction designed to develop their knowledge and understanding of Southern Co-op and their role as a Director. Directors receive:

- details of their duties
- details of matters reserved for their decision
- information on the Board and its Committees and details of the powers delegated to those Committees
- corporate governance practices
- operational policies
- financial information

In addition, they meet the business heads to understand different trading activities.

All Directors are required to sign acceptance of, and comply with, a Directors' Code of Conduct that has been endorsed by the Board. This document is based on the model produced by Co-operatives UK Limited but has been adapted to suit Southern Co-op's needs. The Code of Conduct was last reviewed in 2021. Amongst other areas, the Code of Conduct sets out the requirements of Directors in relation to confidentiality, conflicts of interest and behaviour. A Register of Directors' Interests is maintained and regularly updated. In addition, at the beginning of each Board meeting Directors are asked to declare any interests in relation to matters to be discussed and, where appropriate, necessary safeguards are put in place.

The Board of Directors is responsible for maintaining a Board elected by Members that is individually and collectively qualified to lead an organisation of the size and complexity of Southern Co-op. The Board aims to ensure that its Directors have an appropriate balance of skills, experience and knowledge of Southern Co-op and its businesses to enable them to discharge their individual and collective duties and responsibilities effectively. During the year the Board determined the mix of skills and experience that all Directors should possess and those that collectively the Board would need. The Board also carried out a review of their skills and experience to identify where specific individual training and development was required, to determine training priorities for the Board as a whole and to identify skills gaps which were unlikely to be filled by training alone. The skills assessment process has enabled the Board to plan its approach for elections for the Board of Directors, in order to attract candidates with appropriate skills and experience that will enhance current Board skills and experience. Where there is a particular skills gap identified this will be notified to Members during the election process, to both attract Members with those skills as candidates, and to bring such information to the attention of Members for consideration when voting.

Broadly, Directors need integrity and honesty, strategic thinking and analytical skills, good independent judgement and communication skills, a willingness to speak their mind, challenge constructively and seek information where necessary as well as an ability to work in a team. They also need to be committed to operating Southern Co-op successfully as a co-operative. An understanding of core financial principles and business acumen is essential. Previous experience as a board Member, trustee or governor is useful. The life experiences of our Members can put them in a good position to be effective Directors, and the Society is always keen to hear from Members interested in a board role who have a willingness to learn new skills.

Our Board is keen to be representative of our membership and the communities in which we trade, so Members from under-represented groups have been encouraged to contact us, including those with protected characteristics. We value differences between people of different races, ethnicities, genders, ages, religions, sexual orientations and disabilities and recognise the benefits they could bring to the Board as individuals.

Our Board Composition Charter requires all Directors to have a core set of skills and experience on appointment. Members are invited to discuss how they might develop these if they are interested in a Board role. Once in role, this is complemented with a programme of training and development. When health and safety allows, new Directors have the opportunity to work alongside an existing Director on the shop floor in our retail food stores to gain a greater understanding of what is involved in running a store and learn more about our end of life services business, and coffee shops. Directors are allocated Areas of Special Interest to gain insight into the delivery of our strategic programmes.

The current Board of Southern Co-op is comprised of Directors whose backgrounds and/ or qualifications bring experience in marketing and business development, governance, financial accounting and audit, retail operations, people management and training, heritage management and funding, programme management, sales and support, purchasing, property and e-commerce. A number of our Directors also hold professional qualifications. Our Board are always interested in hearing from any Member who believes they have skills and life experience which can add value to our Board. Information on standing as a candidate in directors' elections in future years can be obtained from our website.

### **Board Performance Evaluation**

The Board of Southern Co-op has a desire to continually improve and every year the Board undertakes a Board performance evaluation. This was the case again in 2021. The Co-operative Corporate Governance Code of Best Practice recommends that periodically such a review is undertaken through a third party to provide additional independence to the process. In 2021 the Board engaged the services of Co-operatives UK Limited to facilitate their evaluation. The review aimed to identify any areas which might be improved upon and comprised of completion of questionnaires and interviews with Directors.

In general, the results of the evaluation were satisfactory in all areas, and many of the Directors felt that the Board is co-operative, has sound governance practices in place and Directors have a willingness to lead the Society.

The process identified improvements that could be made to Board papers to provide clearer links to business objectives and strategy. In 2021 the Board had approved a new strategic planning cycle which is embedding into Board processes; this and other measures being taken will give greater visibility of all business strategies and work is planned to set out clearer KPI dashboards to enhance the ability for the Board to monitor progress. It is intended that the Board will define the Society's culture, with methods of monitoring this to be considered.

The Board is already taking steps to advance the diversity of the Board and this was seen to be positive and would be continued. Measures have been taken to extend training and development for Directors, particularly related to Committees and this work will continue. The Board has operated remotely during the COVID-19 pandemic and whilst it was considered that that Directors have been able to undertake their governance role, social interaction between Directors has been impacted. The Board plans to return to physical meetings in Spring 2022.

### **Board Cohesion and Behaviours**

The Board has established a set of behaviours that its Directors collectively seek to demonstrate to ensure that they work cohesively and in line with our values and principles and effectively as a Board for the benefit of Members.

### **Board Meetings and Committees**

The Board meets monthly, with additional Sub-Committee meetings held on a regular scheduled basis. From the end of March 2020, the Board has held its meetings by video-conference, however March 2022 will see a move to hybrid meetings, and it is hoped that Public Health England's guidelines will allow for fully attended physical meetings to take place in Spring 2022.

We intend that a mix of physical, virtual and hybrid meeting formats will be used in the future to make the Board more inclusive for those living a distance from the office, or with other commitments that draw on their time.

The Board utilises a secure digital system for the viewing of meeting papers and this continues to be an effective method of sharing information.

The Board has established a Chair's Committee to consider matters of a very urgent nature in between Board meetings to ensure that the Board can react quickly to issues and opportunities as they arise. Directors are able to participate in the meetings electronically or by telephone, as well as in person with flexibility paramount to ensure agility in decision making. The remit of the Committee covers all areas reserved for the Board, but in particular: capital expenditure; acquisitions; disposals/closures; corporate structure (eg subsidiary formation); Members' meeting business (e.g. approval of motions). This Committee had cause to meet on two occasions in the year to the end of January 2022.

Southern Co-op's Directors attended the following Board and Chair's Committee meetings during the year to the end of January 2022:

	<b>Board Meetings</b>	<b>Chair's Committee Meetings</b>
Mark Ralf	11 (12)	2 (2)
Neil Blanchard	11 (12)	2 (2)
Elizabeth Rogers	11 (12)	2 (2)
Beverly Wyatt	12 (12)	2 (2)
Joanne Gray	10 (12)	2 (2)
Helen Jackson	12 (12)	2 (2)
John Lay	11 (12)	2 (2)
Jessica Danyluk	7 (8)	0 (1)
Anthony Scott	7 (8)	1 (1)

The number in brackets indicates the total number of meetings the Director was eligible to attend during the period. Directors listed are those who were in office as at the year-end date of 30 January 2022.

The Board has established three main permanent Sub-Committees:

- Governance and Membership Committee
- Remuneration and Appointments Committee
- Audit and Risk Committee

These three Sub-Committees ensure proper scrutiny and accountability of Southern Co-op's activities. The Board has the option to form a Nominations Sub-Committee for the specific purpose of searching for a Member for appointment to the Board, if and when necessary, however the Remuneration and Appointments Committee can also undertake this role. There was no requirement for a Nominations Sub-Committee during 2021.

The Board determines the powers delegated to its Sub-Committees and these are set out in Terms of Reference which are reviewed annually to ensure that they remain fit for purpose. A report from each of the main Committees has been included in this report to Members, including details of the purpose and membership of each. The number of times that each Committee has met and the attendance of its Members is reported in each such report.

All new appointees to the Board and Sub-Committees receive an induction in order to prepare them for their role. Detailed Board and Committee papers are distributed in advance of the meetings to provide the opportunity for Directors to fully prepare for meetings.

The minutes of all Board and Sub-Committee meetings are circulated to all Directors with the Chair of each Sub-Committee reporting back to the Board.

Where Directors require clarification and advice outside of the expertise of management there is an agreed procedure by which they may take independent professional advice at Southern Co-op's expense in furtherance of their duties.

### **Group Subsidiary Entities**

The Southern Co-op Group includes a number of subsidiary entities which operate different business areas and hold property interests. In order to ensure effective oversight of subsidiary activities it is generally the case that the Chair, Vice-Chair and one other Director sit on the Board of the active subsidiary companies. Where this is not the case full transparency of operations is available to the Board. All Directors receive the minutes of subsidiary companies on a monthly basis, and the Southern Co-op Board has full prior awareness of significant proposals planned by the subsidiaries.

### **Section 172(1) of the Companies Act 2006**

Whilst Southern Co-op is a Registered Society under the Co-operative and Community Benefit Societies Act 2014, our Directors are required to comply with section 172(1) of the Companies Act 2006. This provides that Directors must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its Members as a whole, and in doing so have regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term
- b. The interests of the company's employees
- c. The need to foster the company's business relationships with suppliers, customers and others
- d. The impact of the company's operations on the community and the environment
- e. The desirability of the company maintaining a reputation for high standards of business conduct, and
- f. The need to act fairly between Members of the company

In our business, we believe it is important to bring a range of considerations to our decision making:

- our purpose, as this ultimately steers and guides our business,
- the needs and interests of our colleagues, Members, customers and other stakeholders
- ethical, community and environmental impacts and opportunities
- the Values and Principles of the International Co-operative Alliance
- commercial and potential reputational impacts for our business and brand.

We have developed a Decision-Making Compass to help guide this approach which has been utilised during the year.



This approach enables us to demonstrate our co-op difference and our commitment to being a responsible and sustainable business. We do this in a transparent, evidence-based way, building trust and enabling our Members, colleagues and others to understand why and what we are doing and how. We do this because we are Southern Co-op and it's who we've been since 1873.

A full report on how our Directors have had regard to our Members and wider stakeholder needs when performing their duty, and making decisions, throughout 2021 can be found in our Directors' Duty to Stakeholders report available on our website.



**Report of the Board's  
Remuneration and Appointments  
Committee**

# THE REMUNERATION AND APPOINTMENTS COMMITTEE

## INTRODUCTION

In line with co-operative corporate governance best practice, the Board of Directors of Southern Co-op has established a number of Sub-Committees to delegate specific aspects of its remit to. The Sub-Committees operate under the delegated power of the Board with the scope and remit of each being set out in clear terms of reference, with mechanisms for reporting back on activities to the Board being in place.

One of those Sub-Committees is the Remuneration and Appointments Committee. The following report aims to provide Members with an overview of the role of the Remuneration and Appointments Committee, together with information on the remuneration policies and practices applicable to the Board and Leadership Team. Details of the remuneration and pension benefits for the year for members of the Leadership Team, the Society Secretary and Directors are provided within the report. The report will be presented at the Annual General Meeting on 26 May 2022 and will be subject to an advisory vote by Members.

This report covers the 52 week period ended 30 January 2022.

## ROLE OF THE COMMITTEE

The Board have set out clear responsibilities for the Committee with Terms of Reference which were last considered and approved by the Board in January 2021.

The Remuneration and Appointments Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of the Leadership Team, senior management and Board members, whilst considering the needs of the future through sound succession planning.

The purpose of the Committee is to:

- Determine and effect the broad policy for the remuneration packages of senior management,
- Approve the actual remuneration and main terms and conditions of employment for the Chief Executive, Secretary, Leadership Team and such other senior managers as the Board determine,
- Recommend to the Board appropriate fees and expenses policies for Directors,
- Consider succession planning for key roles, and oversee the recruitment of the Chief Executive, Secretary and any co-opted Directors, recommending appointments to the Board,
- Consider Board appointments for Sub-Committees, subsidiary entities and other appointments,
- Report regularly to the Board and Members through the annual report and Members' meetings.

## MEMBERSHIP OF THE COMMITTEE

Membership of the Remuneration and Appointments Committee is appointed by and from the Board, following recommendations from the Committee. The terms of reference set out that the Committee will comprise up to four Directors with two of these intended to be the Chair and Vice-Chair. No Directors who are also employees of the Society, or are former employees who have left the Society's employment within the last three years are permitted to sit on the Committee. The members of the Committee have no personal financial interests in the Committee's decisions.

During the year the Board considered the membership of the Committee following one member leaving the Board and a new Vice-Chair of Southern Co-op having been appointed. It was determined that the skill set of the Vice-Chair was more aligned to adding value to another of the Board's Sub-Committees, the Governance and Membership Committee. A decision was therefore made to deviate from the terms of reference with the Vice-Chair not being appointed to this Committee.

At the beginning of the year the Committee was chaired by Mark Ralf (the Southern Co-op Chair), however the decision was taken during the year for Joanne Gray to take over the role for this Committee, drawing on her professional expertise which aligned well with the Committee's remit. This is in line with the Board's desire to create more chairing opportunities for a wider number of Board Directors.

During the year the membership of the Committee was as follows:

Director	Period	Meetings attended	Time on Committee ^
Mark Ralf *	Full Year	4 (4)	3 years 8 months
Elizabeth Rogers	Full Year	4 (4)	3 years 8 months
Joanne Gray #	Full Year	4 (4)	3 years 6 months
Amber Vincent-Prior	Until 27 May 2021	1 (1)	6 years 6 months
Neil Blanchard	From 1 August 2021	2 (2)	6 months

The number in brackets indicates the total number of meetings the Director was eligible to attend during the period.

\* Committee Chair until 31 July 2021.

# Committee Chair from 1 August 2021.

^ The time on the Committee is as at 30 January 2022, or earlier where the appointment has ended.

Appointments to the Committee are initially for a period of up to three years, which may be extended for two further three-year periods. The table above confirms how long members have served on the Committee, as at the end of the year.

Only members of the Committee, and the Secretary (or the person nominated to service the Committee), have the right to attend Committee meetings. It is common however for other individuals to be invited to attend for all or part of any meeting to present and/or advise the Committee. This includes, but is not limited to, the Chief Executive, the Business Transformation and HR Director, the General Counsel and external advisers.

## INDEPENDENT EXTERNAL ADVICE

The Committee are exclusively responsible for selecting and appointing any remuneration consultants to advise the Committee and to provide reliable, up-to-date, information about remuneration in other societies and comparative businesses. The Committee has full authority to commission reports or surveys which it deems necessary to help it fulfil its obligations within the powers and budgets set by the Board.

During the year the Committee sought independent advice on remuneration and other personnel matters from Korn Ferry, this advice was then used to aid decisions made by the Committee. Korn Ferry has also provided services to Southern Co-op's Human Resources function.

Korn Ferry (previously Hay Group Management Limited and Korn Ferry Hay Group Limited) have been advisors to the Committee since January 2011. Whilst Korn Ferry continue to advise the Committee, at the beginning of the year there was a change in their representative (Client Partner). The relationship with Korn Ferry ensures independent advice is available to the Committee and the change in Client Partner has provided fresh views and insight.

## REMUNERATION POLICIES AND PRACTICES

The Board's policy is to remunerate fairly and responsibly.

### BOARD OF DIRECTORS

Directors' fees are recommended taking into account the need to attract suitable candidates, the time commitment of the Board members, comparisons with other co-operative societies' and similar organisations' fees and the responsibilities undertaken by the Board. The Board will make recommendations on fees to our Members at their Annual General Meeting, and ultimately it is for the Members to decide on the level of Board fees to be paid.

The Board of Southern Co-op comprises up to nine Directors elected by the Members of Southern Co-op and in addition the Board may, in accordance with the Rules of Southern Co-op, co-opt independent non-executive Directors to the Board and/or its Sub-Committees. Elected Directors do not have service contracts. These Directors are elected from the membership, by Members, for terms of three years. As at the year-end, Southern Co-op had one co-opted independent Director on the Board, Mark Ralf, who was appointed to the Board as independent Chair, for his second term of three years, following the ratification of Members at the AGM on 27 May 2021. The Board of Directors have also co-opted an independent member to their Audit and Risk Committee, Lucy Knox. During 2021 Ms Knox was appointed Chair of the Committee.

The years of election or appointment and expiry of their current terms, for those holding roles at the end of the year, can be seen in the table below:

Name	Role	First Elected/ Appointed	Current Term Expires	Total Years Served
Mark Ralf	Independent Chair	2017	2024	4
Neil Blanchard	Director	2009	2022	12
Elizabeth Rogers	Director	2016	2022	5
Beverly Wyatt	Director *	2017	2023	4
Joanne Gray	Director	2018	2022	3
Helen Jackson	Vice-Chair	2018	2024	3
John Lay	Director	2020	2023	1
Jessica Danyluk	Director	2021	2024	8 months
Anthony Scott	Director *	2021	2024	8 months
Lucy Knox	Independent Member of Audit and Risk Committee	2019	2024	2

\* Also a colleague of Southern Co-op

Directors' fees are approved by Southern Co-op's Members. The current basis of fees was recommended to the membership and approved by them at their Annual General Meeting on 27 May 2021 following a detailed review which included an assessment of the responsibilities and time involved. Comparisons to fees paid by other co-operative societies and similar Boards were made during the review.

The fee rates approved by the Members in May 2021 for elected Directors are as follows:

Annual base fee:

Vice Chair	£8,000
Director	£6,500

Additional fee per Sub-Committee or similar appointment, held by a Director:

Appointment to Remuneration and Appointments Committee	+ £1,000
Appointment to Governance and Membership Committee	+ £1,250
Appointment to Audit and Risk Committee	+ £1,845
Appointment to Pension Scheme Trust Company	+ £2,750
Appointment to Mutual Associates Limited (excl Directors who are also colleagues attending meetings during working hours)	+ £125

Where a Director acts as the Chair of a Sub-Committee or similar Board, a further annual payment is paid:

Chair of Remuneration and Appointments Committee	+ £500
Chair of Governance and Membership Committee	+ £500
Chair of Audit and Risk Committee	+ £1,125

Board fees were agreed by the Members to increase annually on the date of the Annual General Meeting in each year, at the discretion of the Board, by the general percentage increase applied to the salaries of senior management of the Society in that year.

In addition, at the Annual General Meeting, the Members ratified the reappointment of the co-opted independent Chair of the Board for a further three year term. The fees paid for this role were approved at £21,750 pa, to increase annually on the same basis as increases for elected Directors. The annual fee set for this role includes the core role and participation in all eligible Board Sub-Committees, therefore no additional payments will be made.

Since the Annual General Meeting, the Board have appointed their independent member of the Audit and Risk Committee, Lucy Knox to Chair of that Committee, in line with co-operative corporate governance best practice, and have also created a Vice-Chair of Audit and Risk Committee role, to which Mr Lay has been appointed. Fee structures for these roles have been approved by the Board as follows:

Co-opted Independent Chair of Audit and Risk Committee	£8,000 pa for each of the three years of the term
Vice-Chair of Audit and Risk Committee	£750 pa in addition to the fee for membership of the Committee

Members will be asked to ratify these fee rates at the Annual General Meeting in May 2022.

In addition to their fees, all Directors are able to claim expenses reasonably incurred in carrying out Board business. The actual fees and expenses paid to Directors during the year are reported later in this report.

## **CHIEF EXECUTIVE AND LEADERSHIP TEAM**

In determining the remuneration policy for the Chief Executive, Secretary and Leadership Team, a number of factors are considered, including:

- The importance of attracting, retaining and motivating senior management of the appropriate calibre to further the success of Southern Co-op;
- The linking of reward to both individual and business performance. The current annual bonus incentive scheme is based on one financial measure, Southern Co-op EBITDA. The current Long-Term Retention Plan is based on retention only, although payment does require the individual to 'perform', and not be subject to any disciplinary issues;
- Ensuring that the interests of senior management are aligned with those of Southern Co-op and its Members.

The current policy is to aim to pay remuneration at a level close to the market median, subject always to personal performance, when compared with other businesses of comparable size and complexity, with particular regard to companies in the same business sector. Benchmarking of executive pay is undertaken using insight from the Korn Ferry Hay Group. Where salaries are not within 10% of the market median plans are put in place to address the position. In some instances, where there is a large differential, increases may be phased over time to close the gap.

The Committee adopts the principle of performance-related pay and operated an annual bonus scheme during the year.

As well as considering the individual elements of remuneration as set out below, the Committee consider the total reward position. In 2021 the Committee determined that a review should be undertaken of remuneration policies to assess whether changes were required. This review will be carried out in 2022.

The Remuneration and Appointments Committee determines the remuneration of the Chief Executive, the Secretary and Leadership Team and has oversight of the remuneration of senior managers whose salaries exceed £100,000. The main components of remuneration are discussed below. In accordance with best practice, the actual remuneration paid to senior management falling within the remit of the Committee is disclosed later in the report.

### **Pay**

The Committee reviews the basic salaries of individuals under its remit on an annual basis. It is the Committee's policy to ensure that basic salaries are appropriate and competitive for the responsibilities involved. The Committee will have regard to median salary data for organisations of a similar size within the retail sector, and for roles not related to retail general industry data, and will also consider individual performance and the level of salary increases elsewhere in Southern Co-op.

### **Bonus scheme**

Each member of the Leadership Team is eligible to participate in an annual bonus scheme which is open to all colleagues in Southern Co-op. The structure of the Bonus Scheme aims to ensure that the reward package has sufficient realistic value given current conditions. The variable pay opportunity offered is designed to feel fair for Southern Co-op, balancing affordability while creating an effective tool to incentivise performance. During the year Leadership Team participants could potentially receive on target bonuses of 10% of basic salary and bonuses of up to 50% (or 60% for the Chief Executive) of basic salary where targets are exceeded to the maximum opportunity level.

Performance during the year was measured against profit before interest, tax, depreciation and amortisation and any payments due under this scheme will be paid in May 2022. The financial measures are based upon the results agreed by the external auditors of Southern Co-op and are signed off by the Board's Audit Committee.

Payments for the scheme operating in the year ending January 2021, were made in May 2021, as set out in the table of remuneration paid during the year later in the report.

### **Long-term incentive scheme**

No current long-term incentive schemes are in operation, this approach has been replaced with a long-term retention plan (see below).

A scheme which related to the year 2019/20, with deferred payment conditions, was paid out in Spring 2021. Payments made under that scheme are set out in the table of remuneration paid during the year later in the report and were based on delivery of the EBITDA target in 2019/20. The financial measures were based upon the results agreed by the external auditors of Southern Co-op and were signed off by the Board's Audit Committee.

### **Long-term retention plan**

The Remuneration Committee has determined a different approach from the year 2020/21 and has established a Long-term Retention Plan covering the three financial years 2020/21, 2021/22 and 2022/23, which would make payment in spring 2023 to members of the Leadership Team still in post at this time. The plan requires members to demonstrate that they have conducted their roles and responsibilities in accordance with Southern Co-op's values and behaviours. The Committee has discretion to review payments where there had been a material, exceptional and unplanned deterioration in Southern Co-op's financial performance and outlook that could render the payments otherwise due inappropriate.

### **Pensions**

Southern Co-op closed the defined benefit (DB) pension scheme to future accrual on 31 May 2013 and for ex-members of the scheme, offered the opportunity to join a defined contribution (DC) Group Personal Pension Plan (GPPP). The Stakeholder pension scheme available to colleagues not participating in the DB scheme was also closed and these members were also offered membership of the GPPP. Ex-members of the DB scheme have retained the death in service insurance cover previously provided and in all other respects are now classified as deferred scheme members. The GPPP is managed by Legal and General. Ex-DB members receive a 10% employer contribution for a minimum 3.5% member contribution; other GPPP members receive a matched employer contribution for up to 5% member contributions. All contribution rates are based on basic salary. GPPP members are able to take advantage of pension salary sacrifice arrangements.

A table detailing the pension contributions for the Leadership Team for the 52 weeks ended 30 January 2022 is provided later in the report.

## **SERVICE CONTRACTS**

It is the policy of Southern Co-op for the notice period in service contracts not to exceed one year. The notice period for the Chief Executive is 12 months. Most members of the Leadership Team have notice periods of 6 months, where this is not the case the notice period is 13 weeks. In the event of termination, any payments due to a member of the Leadership Team would be based on the value of these notice periods together with the value of other contractual benefits.

## **NON-EXECUTIVE DIRECTORSHIPS**

### **BOARD**

Mark Ralf is a Director of the West Wittering Estate plc. Neil Blanchard and John Lay are trustee Directors of The Southern Co-operative Pension Trustee Limited, Neil Blanchard is also a Director of Bedales Services Limited. Helen Jackson is a member of The Co-operative Group's Member Council and is also a trustee Director of the National Museum of the Royal Navy and HMS Victory Preservation Company. Elizabeth Rogers is a trustee of The John Hampden Society. Joanne Gray is a Director of The Progress Lab Limited. John Lay is a Director of the Vintage Motorcycle Club Limited. Jessica Danyluk is a Director of The Classic Boat Centre Trust and Blackberry Lane Pre-school. Olusoji John is a trustee of Centric Community Projects Limited and a Director of EMGRA Consulting Limited.

### **LEADERSHIP TEAM**

Mark Smith, the Chief Executive of Southern Co-op, is a non-executive Director of Federal and Retail Trading Services Limited and Director on the Business in the Community South-East Leadership Board. Sarah Kavanagh, Business Transformation and HR Director, is the non-executive Chair of EBP South and Basingstoke Consortium. Gemma Lacey, Director of Sustainability and Communications for Southern Co-op, is a Director of Express FM (Portsmouth) Limited. Steve Pearce is a trustee of St Mary's Portsea Music Foundation.

## **REVIEW OF COMMITTEE'S PERFORMANCE**

In line with co-operative corporate governance best practice the Remuneration and Appointments Committee carry out an annual review of the Committee's performance to determine whether it could operate more effectively. This also includes a review of the Terms of Reference of the Committee. A review was undertaken by the Committee in October 2021. Whilst this did not result in any amendments being proposed to the Terms of Reference the Committee have taken the opportunity to consider alternative ways of reviewing remuneration policies for executive management on the advice of their independent advisor.

The Board more generally carried out a Board performance evaluation during the year utilising the expertise of Co-operatives UK for added independence, which also consider the performance of all its Sub-Committees. Information on this can be found in the report of the Board's Governance and Membership Committee.

## REMUNERATION PAID DURING 52 WEEKS TO 30 JANUARY 2022

The remuneration paid to the Chief Executive and Leadership Team in the year of reporting are set out below:

Name	Position	Commenced in Current Role (Year)	Basic Salary £	Fixed Addition £	Annual Incentive £	Long Term Incentive £	Benefits in kind £ ^	2021/22 Total Emoluments £	2020/21 Total Emoluments £
Mark Smith	Chief Executive	2008	300,767	-	112,313	70,979	14,381	<b>498,440</b>	403,578
Simon Eastwood	Chief Operating Officer – Food Retail	2016	219,565	-	72,486	43,489	10,353	<b>345,893</b>	295,537
Sarah Kavanagh	Business Transformation and HR Director	2018	154,417	-	50,978	30,585	10,606	<b>246,586</b>	209,442
Silena Dominy	Director of Corporate Affairs	2016	139,335	# 6,965	48,792	27,590	16,809	<b>239,491</b>	201,787
Gemma Lacey	Director of Sustainability and Communications	2013	139,295	-	45,986	27,590	11,997	<b>224,868</b>	193,062
Greg Wilkins	Finance Director	2018	139,294	-	45,986	27,590	8,725	<b>221,595</b>	189,810
Stephen Pearce	Chief Operating Officer - End of Life Services	2006	132,249	-	42,203	24,922	14,887	<b>214,261</b>	140,281

^ Includes medical insurance, critical illness cover, health screening, company car or cash payment in lieu including trade up/down of car choice.

# Legal Premium

The pension contributions paid to the Chief Executive and Leadership Team in the year of reporting are set out below:

Name	Position	Year of Joining Society	Deferred Member of DB scheme	Employer contribution paid to GPPP or allowance paid £
Mark Smith	Chief Executive	2005	Yes	30,077 *
Simon Eastwood	Chief Operating Officer – Food Retail	2016	No	10,978 *
Sarah Kavanagh	Business Transformation and HR Director	2013	No	7,721
Silena Dominy	Director of Corporate Affairs	1990	Yes	13,934
Gemma Lacey	Director of Sustainability and Communications	2013	No	6,965
Greg Wilkins	Finance Director	2011	No	6,965
Stephen Pearce	Chief Operating Officer - End of Life Services	1984	Yes	13,225

\* Receives cash allowance in lieu of contribution to pension scheme

The remuneration and expenses paid to Directors, in office as at the end of the year, are set out below:

Name	Total 2021/22 Remuneration £	Total Expenses Claimed 2021/22 £	Total 2020/21 Remuneration £	Total Expenses Claimed 2020/21 £
Mark Ralf	* 22,153	-	* 20,000	-
Neil Blanchard	9,791	-	7,674	16
Elizabeth Rogers	8,625	-	7,845	-
Beverly Wyatt	7,401	-	6,674	-
Joanne Gray	8,459	-	6,916	-
Helen Jackson	8,087	-	6,674	-
John Lay	9,398	-	4,036	-
Jessica Danyluk	5,120	-	-	-
Anthony Scott	4,847	-	-	-

\* Remuneration donated to a Charitable Trust

## FURTHER REPORTING

### GENDER PAY REPORTING

Pay for the largest proportion of our colleagues is determined by the rates set through the National Living Wage (NLW) and the National Minimum Wage (NMW). On its introduction, the government stated an intention to bring the NLW to 60% of UK average earnings by 2020, which has been achieved. In 2019 however, the decision was taken to move the NLW to 66% of UK average earnings, and to reduce the upper age limit for the adult NLW rate over time, and we have built this new approach into our financial plans. We published the Gender Pay Gap Report in November, which can be found on the government website <https://gender-pay-gap.service.gov.uk/> and on the Southern Co-op website.

### ETHNICITY PAY REPORTING

As part of our commitment to responsible business, Southern Co-op supports the Race at Work Charter, which sets out best practice for organisations, one of which is to publish the ethnicity pay gap report. While not a legal requirement, Southern Co-op included its ethnicity pay gap report in the Gender Pay Gap Report that was published November 2021.

### PAY RATIOS

Corporate reporting legislation requires some UK companies to report on the difference between total pay and benefits for the Chief Executive, and those of the three employees who sit at the 25th, 50th and 75th percentile positions in the list of employees. While not required to do so, we have published this information on a voluntary basis, details of which can be found in the Gender Pay Gap Report on our corporate website.



## **Report of the Board's Audit and Risk Committee**

# THE AUDIT AND RISK COMMITTEE

## INTRODUCTION

In line with co-operative corporate governance best practice, the Board of Directors of Southern Co-op has established a number of Sub-Committees to delegate specific aspects of its remit to. The Sub-Committees operate under the delegated power of the Board with the scope and remit of each being set out in clear terms of reference, with mechanisms for reporting back on activities to the Board being in place.

One of those Sub-Committees is the Audit and Risk Committee. The following report aims to provide Members with an overview of the role of the Audit and Risk Committee, together with information on Southern Co-op's risk management framework.

This report covers the 52 week period ended 30 January 2022.

## ROLE OF THE COMMITTEE

The Board have set out clear responsibilities for the Committee with Terms of Reference which were last considered and approved by the Board in January 2021.

The Audit and Risk Committee plays a critical role in providing oversight and serving as a check and balance on Southern Co-op's financial reporting system. The Committee provides independent review and oversight of our financial reporting processes, internal controls and independent auditors. It provides a forum, separate from management, in which auditors can candidly discuss concerns.

The purpose of the Committee is to:

- Monitor the integrity of the financial statements together with any significant financial reporting judgements contained within the statements
- Review the consistency of, and any changes to, accounting policies and methods on a year-on-year basis
- Review the effectiveness of internal controls and risk management systems, recommending the level of risk appetite appropriate to the Board
- Appoint the internal audit function and monitors its effectiveness, in the context of the overall risk management system
- Monitor management's responsiveness to internal audit recommendations
- Consider post investment reviews of capital projects, assessing whether they have achieved expected results whether financial or otherwise
- Monitor significant losses, thefts and fraudulent activity
- Review whistle blowing procedures for reporting in confidence possible wrongdoing in financial reporting or other matters
- Recommend to the Board the appointment, reappointment, and remuneration of the external auditor and monitors their effectiveness
- Determine the basis on which the external auditor can carry out non-audit work to ensure their independence is maintained

## MEMBERSHIP OF THE COMMITTEE

Membership of the Audit and Risk Committee is appointed by and from the Board, following recommendations from the Remuneration and Appointments Committee. The terms of reference set out that the Committee will comprise at least three Directors one of whom shall be the Vice-Chair of the Board, if they are eligible to sit on the Committee. When making appointments to the Committee, the Board consider the specific skills and experience of Directors, and seek to appoint Directors who have recent and relevant financial experience, or other relevant experience to this Committee. In 2021 it was determined that the current Vice-Chair had skills which would benefit another of the Society's Board Committees and, therefore, it was agreed that they would not sit on the Audit and Risk Committee.

In accordance with the Corporate Governance Code of Best Practice, the Chair of Southern Co-op, the Chief Executive, employee Directors and Directors who are recent former employees do not sit on this Committee.

The Board of Directors enhance the strength of its Audit and Risk Committee by co-opting an independent member to the Committee. Lucy Knox was appointed to the Committee for a term of three years from 2019. The Board subsequently appointed Ms Knox to the role of Independent Chair of the Audit and Risk Committee in October 2021 and extended her term to expire on 30 September 2024. Ms Knox brings to the Committee her experience gained during 21 years with the audit firm Deloitte. This adds an extra dimension to the constructive challenge of the Leadership Team that manages the business.

During the year the Board considered the membership of the Committee following one member leaving the Board and the Committee Chair exceeding the recommended tenure for the role.

During the year the membership of the Audit and Risk Committee was as follows:

Director	Period	Meetings attended	Time on Committee ^
Lucy Knox *	Full Year	3 (3)	2 years 4 months
Elizabeth Rogers	Full Year	3 (3)	4 years 6 months
John Lay	Full Year	3 (3)	1 years 6 months
Neil Blanchard	Until 31 July 2021	2 (2)	12 years
Jessica Danyluk	From 1 August 2021	1 (1)	6 months

Directors listed are those who were in office as at the year-end date of 30 January 2022.

The number in brackets indicates the total number of meetings the Director was eligible to attend during the period.

\* Committee Chair from 1 October 2021

^ The time on the Committee is as at 30 January 2022, unless a Director has left the Committee during the year.

Appointments to the Committee are initially for a period of up to three years, which may be extended for two further three-year periods. The table above confirms how long members have served on the Committee, as at the end of the year.

Only members of the Committee, and the Secretary (or the person nominated to service the Committee), have the right to attend Committee meetings. It is common however for other individuals to be invited to attend for all or part of any meeting to present and/or advise the Committee. This includes, but is not limited to the, Chief Executive, Finance Director, Head of Finance, Group Risk and Assurance Manager, other management and external advisers.

## INDEPENDENT EXTERNAL ADVICE

The Committee has full authority to commission reports which it deems necessary to help it fulfil its obligations within the powers and budgets set by the Board. The Committee meets its internal auditor, KPMG, and external auditor, BDO, at each regular meeting and has the opportunity for discussion without management being present. Both the external and internal auditors have direct access to the Independent Chair of the Board, and the Independent Chair of the Audit and Risk Committee, at all times.

## **ENTERPRISE RISK MANAGEMENT**

We recognise that risk is an integral and unavoidable aspect of our business. It can arise in many forms, having both positive and negative impacts on our ability to achieve our objectives. We have a proactive programme of activity to identify and manage our risk. Information on our most significant risks and our risk management approach is set out in this section.

The identification and management of risk reduces the uncertainty associated with Southern Co-op's business strategies and operations and allows Southern Co-op to maximise opportunities that may arise. Southern Co-op is committed to managing risks in a proactive and effective manner to provide assurance to the Board of Directors and stakeholders. It aims to operate effectively and efficiently while meeting the required standards of accountability, compliance and transparency.

To facilitate this commitment, the following principles underpin the risk management objectives:

- Alignment of risk management processes with Southern Co-op's core and main support activities, including strategic and business planning, decision-making, and policy governance
- Identifying risks through a process of reviews at varying levels of the business, with calibrations sessions identifying key risk themes
- Ensuring that risk information is communicated through a clear and robust reporting structure
- Ensuring that in managing risks, Southern Co-op fully complies with all relevant legislation, standards and regulations

## **ROLES AND RESPONSIBILITIES**

The Board has overall responsibility for the oversight of material risks in Southern Co-op's business. Through the Board and its Committees, the Board is responsible for risk management by ensuring that an appropriate risk management policy and framework is effectively implemented by management and by giving directions to ensure that appropriate risk management procedures are in place, through the business planning process and operational policies. They also set the risk appetite for the business to give clear direction to management on the level of risk that they are prepared to accept.

The Board's Audit and Risk Committee assists the Board by having oversight of financial reporting risks and in reviewing the adequacy and effectiveness of the internal control and compliance systems. The Audit and Risk Committee review the actions of the Leadership Team in mitigating risks identified and monitor actions taken to mitigate risks identified from internal audit and external audit work. During 2021, the Board's Audit and Risk Committee, engaged its internal audit partner, KPMG, to undertake a maturity assessment of Southern Co-op's enterprise risk management. Findings from this review will be considered during 2022.

The Chief Executive and the Leadership Team are accountable for ensuring that a risk management system is established, implemented and maintained in accordance with the Board's Risk Management Policy. They are therefore responsible for the effective design and implementation of detailed risk management strategies and processes to facilitate the achievement of business plans and goals. They have responsibility for ensuring legal and regulatory compliance and that appropriate management and accountability responsibilities are assigned throughout the business. The Leadership Team is responsible for the ongoing maintenance and regular reporting on risks and for the implementation of the agreed mitigation strategies and actions. During 2021, the Leadership Team continued its work in ensuring that the strategic objectives and projects planned seek to address the risks that have been identified or capitalise on opportunities that exist or arise.

## RISK APPETITE

The Board has determined its Risk Appetite in order that the Leadership Team can plan its management of the identified risks accordingly. This is reviewed annually to ensure that it remains appropriate.

The Board seek to balance Southern Co-op's risk position between promoting innovation, creativity and investment that may drive growth, enhance our products and service delivery and provide for the future, with the need to remain a stable organisation in the long term. The Board therefore determined its Risk Appetite towards the middle of the risk-taking spectrum, taking an open stance to financial risks, an open/active stance to operational risks and a cautious approach to reputational risks, legal/regulatory (including privacy) risks and governance risks.

Where Southern Co-op applies a 'cautious' approach to risk, our preference is to adopt safe options that have a low degree of residual risk accepting that this may limit opportunities and may create additional cost to the business. Where we are 'open' to risk, we are willing to consider all potential options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.). In some areas of the business there is a need to be innovative and to seek to capitalise on opportunities, despite the fact that there may be a greater inherent risk in doing so. In these instances, we are adopting an 'active' risk position. In all cases, risk is assessed and we seek appropriate measures to mitigate risk within the risk appetite determined by the Board. The Risk Appetite agreed by the Audit and Risk Committee, and Board of Southern Co-op in April 2021 is as follows:

Risk Type	Risk Appetite	Description
Operational	Open/Active	<ul style="list-style-type: none"> <li>• Innovation is supported and pursued. Desire to 'break the mould' and challenge current working practices, with demonstration of commensurate improvements in management control.</li> <li>• Responsibility for non-critical decisions devolved. Management by trust encouraged.</li> <li>• Systems/technology developments are considered key enabler to operational delivery.</li> </ul>
Financial	Open	<ul style="list-style-type: none"> <li>• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level.</li> <li>• Value and benefits are considered.</li> <li>• Resources are allocated in order to capitalise on potential opportunities.</li> </ul>
Reputational	Cautious	<ul style="list-style-type: none"> <li>• Tolerance for risk taking limited to those events where there is little chance of significant repercussions should there be a failure.</li> </ul>
Legal/Regulatory (including Privacy Risk)	Cautious	<ul style="list-style-type: none"> <li>• Risk may only be taken if the gain will outweigh any adverse consequences and there is no infringement of laws and regulations.</li> </ul>
Governance	Cautious	<ul style="list-style-type: none"> <li>• Mandatory governance codes complied with and voluntary codes unless there is reason not to and approved by the Board.</li> <li>• Policies and processes in place to control significant risks.</li> <li>• Reasonable level of audits undertaken.</li> <li>• Evaluation systems in place to monitor Board effectiveness and processes to ensure findings are acted on and necessary changes implemented. Some external monitoring.</li> <li>• Transparent and documented but flexible approach to relationships with external stakeholders, including federal entities.</li> </ul>

## RISK IDENTIFICATION

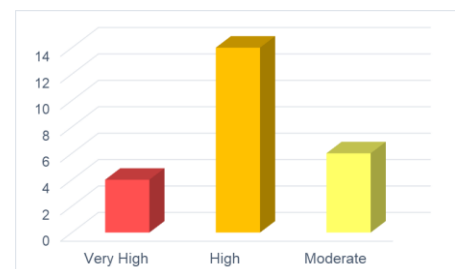
During 2021, Southern Co-op refreshed its approach to enterprise risk management. A new process to identify risks and opportunities was introduced which saw ten Directorates hold workshops to discuss the position for their area. This led to the identification of 126 risks at varying levels of severity ranging from low to very high. The most significant risks identified are discussed at Leadership Team and Board level, with a separate register of these being regularly reviewed throughout the year. Eight risk themes have been identified, from the 24 most significant risks:



The level of each risk is set by considering financial and non-financial consequences and the likelihood of a risk materialising. Consequences are rates insignificant, minor, moderate, major or severe, whilst likelihood is rates as being rare, unlikely, possible, likely or almost certain to occur. Together these ratings determine the level of risk.

Risk ratings and levels are measured in terms of their inherent position (ie. before any management or mitigation is in place), and in terms of their residual position (ie. after existing controls and mitigation has been taken into account). The residual risk rating is the level of risk existing at the time of the review.

As at October 2021, of the twenty four most significant risks, four were deemed to be very high, fourteen high and six moderate. Where appropriate additional controls, management and mitigation are agreed to seek to reduce the level of risk, however, this is not always possible where the cause of the risk arises from external forces.



The risk themes and significant risks within them are set out below:

### DEPENDENCIES

Southern Co-op acquires the majority of its products for resale from one key supplier, The Co-op Group. The failure of this supplier to meet its obligations would have a significant impact on Food Retail operations. The failure of the supplier to meet its obligations is possible and the consequence of this could be severe. Supply chain disruption has been experienced as a consequence of COVID-19 and it anticipated from the geo-political position in Europe and increased costs are being seen. Managing the position reduces the likelihood and severity of the consequence. Robust governance arrangements have been put in place with Southern Co-op being a member of Federal Retail and Trading Services Limited with appropriate voting rights and ongoing senior level review of the arrangements. A buying services agreement governs the supplier relationship and business continuity plans for the supplier are reviewed for assurance. In addition, our business continuity plan takes account of this risk.

Within our Cobra Coffee businesses, we operate under a franchise agreement with Starbucks. This leads to a dependency on them for supplies and certain services. Elements of our cost base (stock, consumables, build design and materials, etc) are impacted by Starbucks decisions. The Global Licensing Framework and Global Cloud Infrastructure are in place and define accountabilities. Regular communication with Starbucks and financial forecasting monitor the position throughout the year. The failure of supply through Starbucks would have a significant impact on our coffee business. Increased costs are almost certain and could have a major effect without management. The failure of the supplier to meet its obligations is possible, but not likely, and the consequence of this could be severe.

Across our range of businesses, we rely on many third parties for our IT systems. Failure of one or more of these third parties could compromise our business. Whilst such instances are rare the impact could be severe. Business continuity and disaster recovery plans are in place. Robust contracts exist and monitoring through a shared services team is in place. We continually review our cyber security, disaster recovery and business continuity arrangements to ensure that they remain fit for purpose.



## LEGISLATION

In recent years, the Government has brought forward, and is considering, legislation across a range of areas. There is a growing burden on business to make changes to help address societal issues, and regulation designed to protect consumers and individuals is being introduced. Southern Co-op will incur additional costs as a result and requires the resource to ensure compliance. In particular, the High Fat, Sugar and Salt (HFSS) legislation which sees changes surrounding the marketing and display of certain products in an attempt to address obesity will see significant changes within our Food Retail stores. The impact of this legislation on future sales within our Food Retail business is as yet unknown. The changes required are certain, and impacts to sales possible. The impact of which are major. Southern Co-op has a clear plan in place to deliver compliance through a strategic programme which is monitored monthly by our Programme Board.

HM Treasury concluded its investigation into the Pre-paid Funeral Plan market during the year and has formally announced this market will now move to become fully regulated under the Financial Conduct Authority (FCA) in 2022 to ensure a robust set of standards and oversight is achieved. We fully support this decision, and have completed the first stage of our application in becoming fully regulated by July 2022. A failure to be approved by the FCA would prevent our sale of future funeral plans, and prevent us from servicing our back book of previously sold plans. A loss of revenue and reputational damage would result, the consequence of which is severe. The likelihood of this occurring is deemed to be unlikely as our subsidiary, Southern Co-operative Funerals, is advanced in its plans to have all appropriate governance, compliance and operational arrangements in place. External subject matter support has been obtained to provide detailed understanding of our ongoing requirements as a regulated business.

Significant new legislation is expected in response to learnings from events such as the Grenfell disaster which may impact the properties that are under the control of Southern Co-op. In addition, changes to the Landlord and Tenant Act and business rates will also impact the Society. These changes are anticipated to occur in the near future with a possible major impact on costs. We continue to monitor legislative change and the adoption of statute controls and codes of best practice. We have a programme of fire safety assessment in place.



## SKILLS SHORTAGE

Throughout 2021, the UK employment market has been unpredictable and heavily influenced by the impacts of the COVID-19 and BREXIT. There exists a high level of job vacancies and unemployment has steadily fallen. Up to 1.3m foreign born workers are reported to have left the UK at the start of the pandemic, with the majority choosing not to return to the UK. This has led to the widely reported national skills shortage, which has created pay inflation as employers compete for talent. Across our trading area, the shortage of labour has been exacerbated by unemployment rates that are lower than the national average. While the impacts have been felt across all business areas, our Food Retail business has been the most severely affected. The skills shortage is predicted to be with us for the next 2 to 3 years. There is therefore a risk of a lack of people resource which could stretch existing colleagues, compromise our delivery of plans and services and affect morale. It is almost certain that there will be some impact which could be major in its severity. We continue to focus on the attraction and retention of key talent and are investing in pay and career development for all our colleagues.



## CHANGE

The pace of technological change and advancement means that there is a risk of being behind current innovation and trends. It is considered that this is possible and that the impact would be moderate. We have an IT Roadmap in place which is monitored by a steering group. Continued work with service providers, leading technology suppliers and partners keep us abreast of developments.

The changing face of retail and consumer demand is seeing a move towards online and on-demand shopping. Without movement at pace there could be a risk of loss of sales to competitors. This is considered to be possible, with a moderate impact if occurring. Our awareness of market conditions is maintained through membership of trade bodies and insight. We have experience in delivering swift change programmes to capitalise on opportunities and minimise this risk.

Due to societal challenges we are seeing an increase in violence and aggression directed at retail colleagues across the industry. Whilst we cannot tackle these issues on our own, we take a collaborative approach with external partners. We have a dedicated steering group (Protecting our People) as well as a range of risk based proactive and reactive strategies in place. The impact of such violence is being seen on our colleagues and without management could be severe.



## COST BASE

Increases in the National Living Wage, pension auto enrolment contributions, apprenticeship levy, non-domestic rates and environmental levies on energy costs continue to have a significant impact on operating costs. In addition, the costs of taking action to address the climate emergency are now an essential element of our cost base. Competitive pressures related to pricing in the Food Retail market require such increases to be absorbed by the business. The increased operating costs are occurring and are almost certain to continue and the impact would be severe without mitigation. Managing the position reduces the severity of the consequence. Southern Co-op continues to review its operating structures to ensure that they are aligned to business needs and to gain maximum efficiencies. We also review our procedures to ensure that we are as efficient as possible, utilising systems technology to enhance delivery. Improvements to our procurement processes also enable us to ensure we pay the right price for the quality of goods and services that we acquire.

There remains uncertainty in markets, in the economy and for businesses as a result of both COVID-19 and the geo-political position in Europe. Commodity prices and supply chain impacts have been seen together with rising energy prices. Consumer confidence, the employment market and investment values are also affected.

It's likely that Southern Co-op will be impacted by these risks and the consequence could be major, however, by managing the risk, the severity of impact can be reduced. We have robust financial planning processes which consider both short and long-term impacts. This includes close monitoring of the general UK economy, wider EU position and the impacts on the markets in which we operate. Southern Co-op has a diverse set of business activities covering Food Retail, Coffee Shops, End of Life Services and property investments which spread the risk of impact. We are working closely with our suppliers to assess the risks and monitor work aimed at mitigating those which are capable of being mitigated.

## BRAND

The reputation of Southern Co-op could be damaged by a significant adverse event under the control of Southern Co-op or one of its business partners or suppliers. It could also be damaged by non-compliance with laws and regulations. This could lead to loss of trust and confidence amongst consumers and financial loss. The likelihood of a significant adverse event is almost certain and the consequence of this could be major. By managing the risk, both the likelihood and severity of impact have been reduced. We continually monitor our corporate reputation and brand standards and remain committed to our sustainability strategy and support for the local communities in which we operate. We have processes and controls to ensure compliance with laws and regulations and to identify new requirements as they become effective. Arrangements are also in place to ensure that our partners and suppliers take an equally robust approach to risk management and compliance. Whilst having adopted 'The Co-operative' national Co-operative brand, Southern Co-op is an independent co-operative operating in southern England with its own governance structure and compliance processes and controls. The relevance of our corporate and trading brands will be reviewed to ensure that they are appropriate to represent our Society going forwards.

## COMPETITION

The markets in which Southern Co-op operates are increasingly competitive from both competitors opening new stores/funeral homes in our operating area and the requirement to keep prices competitive with our rivals. The competitive pressure is almost certain to occur and the impact would be major without mitigation. Managing the position reduces the severity of the consequence. This is closely monitored and is managed by the introduction of new stores, new funeral locations and innovative products and through the refurbishment of existing locations. Southern Co-op has investing in new services, including home delivery, during 2021 and we continue our programme of digital marketing. 2021 has seen significant investment in coffee shops and natural burial grounds in the year to further diversify our business operations. Prices are closely monitored, reviewed and adapted to reflect changing customer demands and expectations and product ranges are constantly reviewed and adapted. Our membership offer provides the opportunity for more immediate reward alongside existing benefits of membership, and our approach to sustainability and community support positions our brand favourably.

## BUSINESS CONTINUITY

A significant incident at key sites of Southern Co-op which impacts multiple trading locations or external factors could adversely affect business operations and bring financial loss. Whilst the likelihood of most significant adverse events is unlikely, the consequence could be severe. By managing the risk, the severity of impact has been reduced.

We have developed business continuity and disaster recovery plans to continue Southern Co-op's critical activities in the event of a disastrous event and to return the business to normal processes thereafter. In addition, we have considered the impacts of climate change as they bring weather related risks.

Whilst generally our business as usual processes are able to react to the effects eg. extreme heat, snow, storm, flooding, our business continuity steering group considers scenarios that could worsen in the future. Elements of the Business Continuity Plan were tested during the year, including in relation to the pandemic and supply chain disruption.

Our Business Continuity Plan ensured that we were able to continue to provide key services during the COVID-19 pandemic. The risk of pandemic was identified as a risk within the Society's business continuity planning. The impact of the loss of colleagues from the business, even temporarily, at a time when the demand for our key services of operating food stores and funeral services is heightened, is one that had been planned for and tested. The likelihood of a pandemic occurring, whilst generally rare, has major consequences, as has been seen from the COVID-19 crisis. Our preparedness for this, and active management, reduced the impact and enabled us to switch to a more flexible way of working that allows decisions to be made without delay. Our structure ensures that decisions continue to be made in line with our legal obligations and considering our values and wider purpose.

## **COVID-19 PANDEMIC**

COVID-19 continued to have an impact on our business throughout the 2021/2022 financial year. Our quarterly Business Continuity Programme (BCP) Steering Group and weekly BCP Sub Group maintained its monitoring of the pandemic and led any required response to Government guidance as this was announced, continuing to ensure we played our part in keeping colleagues, Members, customers and communities protected.

Restrictions at the beginning of the year meant some of our Cobra Coffee shops remained closed initially, but in the main, business trading returned to some form of normality, albeit recruitment challenges and colleague self isolation and sickness, resulted in frequent ad hoc food store and coffee shop reduced trading hours and pressures on the provision of our end of life services. In addition, these challenges had an adverse impact on global supply chains and the resulting supply and distribution of goods into our businesses. Shortages of goods and building materials associated with centrally driven property acquisition and development projects also caused delays or incurred additional cost.

## **Retail**

Social distancing requirements eased during the year, along with the mandatory requirement to wear face masks (although this was reinstated again in December and January), our colleagues continued to prioritise customer safety and store cleaning and hygiene.

Due to an increase in COVID-19 cases in the summer, we took the decision to halt any non-critical project work to allow our outsource partner (E4R) to support stores that were suffering due to colleague absence. This continued through the summer months and into October with, at its peak, 14 stores benefitting from this form of operational support.

Sales, returned to more normal pre-pandemic levels throughout the year with total year end income positive. We continued the expansion of our home delivery service into additional areas on the Isle of Wight and Bristol, alongside Chichester and Portsmouth, providing an alternative route for customers to shop with us.

The Food Retail supply chain was particularly impacted globally this year as a result of driver shortages, Suez Canal blockages, colleague absence due to self-isolation and COVID-19 and we felt these impacts along with other retailers. We worked with our IT partners VME and, Federal Retail Trading Services (FRTS), the buying group for the eight largest retail Co-operatives, to help resolve these issues and manage availability and continuity of supply to our stores. This resulted in additional distribution costs to support the extra measures required.

Our local suppliers were particularly strong and resilient this year maintaining a stable supply of goods into our stores and remaining agile and responsive to short notice requests, enabling us to maintain availability and continuity of supply for our customers throughout the year, often meeting exceptional demand for high volumes of product.

We also continued to work with and support both our landlords and tenants in 2021.

### **End of Life Services (ELS)**

Death rates initially rose then declined during 2021 and our ELS business again had to deal with incremental volumes during the winter periods.

Although our core funeral operation faced challenges in ensuring the bereaved continued to receive the support and care they needed, we were able to remain open and maintain our services throughout the year. Essential maintenance works at The Oaks Crematorium, Havant were completed without detriment to the bereaved and the full service provision was maintained throughout.

Cleaning and hygiene remained a priority in our all parts of our end of life business and colleagues returned to branch with over the phone appointments remaining an option.

Overall, there were no adverse impacts to financial performance and overall funeral volumes remained positive year on year.

### **Starbucks franchise**

The first quarter remained slow with some stores remaining closed as we transitioned out of the winter 2020 lockdown. As the year continued, stores fully reopened with a full café service and sales improved with a good end of year out turn, helped by a supportive government positioning on VAT, business rates and local authority hospitality grants.

As with other business areas, cleaning and hygiene remained a priority to maintain a safe environment for both colleagues and customers. Similarly to retail, actions were put in place with Starbucks, as the master franchisor, to minimise global supply chain disruption and impact.

### **People**

Low unemployment, high vacancy levels and a diminished pool of foreign born workers who chose not to return to the UK after leaving at the start of the pandemic, led to a widely reported skills shortage in 2021, which created particular challenges for our front line businesses.

With the majority of our Lakeside colleagues needing to work from home for parts of the year, and COVID-19 restrictions challenging traditional working patterns, we needed to evolve our way of working at our head office. Following a successful trial in the summer we moved to choice-based working, which now gives colleagues in the majority of roles, the ability to work from home for up to 3 days a week.

Additional labour hours and costs were incurred to pay for additional support, the recruitment of temporary workers and additional overtime worked by existing employees, in both Food Retail and ELS, to cover those employees absent from work through self-isolation or other reasons relating to COVID-19.

In the first half of 2021, our frontline colleagues continued to provide essential services to our Members and customers and maintain COVID-19 safe environments in our Food stores and funeral homes. As restrictions began to lift in July, to recognise their commitment during this period, 3106 frontline colleagues benefited from an additional special award, equivalent to 50% of the annual bonus, which was paid in July. In recognition of front-line colleagues' efforts, and a further 'thank you', all of our colleagues received a Christmas card signed by the Leadership Team, containing £50 of Co-op Food vouchers to spend in store.

## **Financial outlook**

Clearly there continues to be a level of uncertainty with regards to the impact of COVID-19, albeit at a much lower level as the country recovers and adapts to living with the virus.

The Society continues to be in a position to absorb known and expected impacts of further COVID-19 disruption. Two of its business areas (Food Retail and End of Life Services) make up over 95% of the Group and are involved in providing essential services to the public during a time of crisis. Therefore, in these areas, business will continue albeit influenced by any possible future restrictions. The Cobra Coffee business (Starbucks Franchise) would be potentially adversely impacted by any future outbreak, however experience over the last two years have served the business well proving it can be resilient during the most challenging of times.

As at January 2022, the Society had an immediately available cash balance on hand at the bank, the use of which is unrestricted throughout our business areas. In addition to this, we have a bank credit facility of £19.5m which remains fully available until at least August 2025, through the combination of a revolving credit facility and overdraft. There are several financial covenants, linked to our revolving credit facility, that have been adhered to during the year and we forecast this will continue at least for the next 12 months.

Future financial forecast stress testing has been performed, where a number of adverse impacts have been appraised, including the ongoing closure of Starbucks franchise stores; defaults by commercial tenants on properties we are the lessor; additional temporary labour costs to support increased colleague absence; reduced income from our food franchise business; and a reduction in food retail sales from possible supply chain disruption. We are confident that, even with the most cautious view, we will still have sufficient cash reserves to draw upon, as well as significant headroom within our bank credit facility. Potential action that could be taken by the business to alleviate any remote possibility of cash pressures would be to defer expected non-essential capital expenditure to a later date to preserve cash balances. This would include slowing down the pipeline of new food or coffee stores, as well as the deferral of site refurbishments and refits that would naturally occur.

## **Community response**

With the lifting of restrictions, our colleagues have been able to get more involved in our community activity again.

We continued to support local causes and charities responding to the pandemic through our Neighbourly Community Fund which combined with our Member support, saw £61,200 donated to 153 groups across our region. Our Members also donated the odd pence from Southern Co-op's 2020 Share of the Profits and some also chose to donate their vouchers, totalling donated £30,615 which was given to NHS Charities Together in support of their 'Be There For Them'. The campaign provides a range of counselling services, helplines, and intensive psychological support for NHS staff affected by COVID-19.

We also maintained a focus on tackling food poverty through our support for foodbanks, running a campaign throughout December where Members donated 10p to these each time a Southern Co-op Membership card was scanned in one of our stores. A total of c. £30,000 was raised which resulted in 64 food banks receiving £500 each.

## **Impact and opportunities for future trading**

While longer term the need to find a way to live with this virus is recognised, we continue to be faced with an unpredictable and dynamic marketplace as we move into 2022 and customer behaviours remain difficult to predict. We continue to monitor market trends and reflect these in our strategic planning, remaining alert to both the impacts and opportunities these present to ensure we continue to create value for our Members, customers, communities and other partners.

## **PREVENTION OF BRIBERY**

Southern Co-op values its reputation for high legal, ethical and moral behaviour. It recognises that in addition to being a criminal act, any involvement in bribery is also unethical and dishonest and will reflect adversely on our image and reputation. Southern Co-op and its subsidiaries aim therefore to limit their exposure to bribery by:

- Adopting a zero tolerance stance to bribery
- Setting out a clear anti-bribery policy and a clear policy setting out when gifts and hospitality may be given or received, and the basis on which charitable donations may be made
- Risk assessing each business in terms of the risk of bribery therein and establishing proportional measures to address identified areas of risk
- Training colleagues so that they can recognise and avoid the use of bribery by themselves and others
- Requiring our suppliers and third parties, acting on our behalf, to adopt similar anti-bribery policies and to comply with appropriate anti-bribery laws
- Encouraging our colleagues to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Non-compliance by colleagues will amount to gross misconduct leading to disciplinary action up to and including dismissal
- We will end our relationship with any suppliers or third parties acting on our behalf found to be involved in bribery

The Board and management are not aware of any instances of bribery during the year.

## **PREVENTING MONEY LAUNDERING, TERRORIST FINANCING AND FINANCIAL CRIME**

Money laundering is the process whereby criminals attempt to conceal the true origin and ownership of the proceeds of criminal activity. Their objective is to make the proceeds of crime appear legitimate by integrating them into the financial system. Southern Co-op takes seriously its responsibility that it is not used as a conduit for the proceeds of financial crime.

Due to the nature of the businesses operated by Southern Co-op and its subsidiaries the risk of such has been deemed to be low, however to address the low level of risk that exists the following is being established:

- Adopting a zero tolerance stance to money laundering, terrorist financing and financial crime and setting out a clear policy on the position
- Risk assessing each business in terms of the risk therein and establishing proportional measures to address identified areas of risk
- Keeping under review the measures in place to manage any identified risks
- Arranging appropriate training for colleagues, on a risk-based approach, so that they can recognise and report suspicious activity, and encouraging our colleagues to be vigilant
- Providing colleagues with suitable channels of communication and ensuring sensitive information is treated appropriately
- Having clear rationale for business relationships with Southern Co-op and its subsidiaries
- Promptly reporting suspicions of money laundering and financial crime to relevant authorities, and assisting with investigations and prosecutions
- Knowingly assisting, or tipping-off money launderers will amount to gross misconduct leading to disciplinary action up to and including dismissal

- We will end our relationship with any suppliers or third parties acting on our behalf found to be involved in money laundering/terrorist financing

The Board and management are not aware of any instances of money laundering or terrorist financing during the year.

## **INTERNAL CONTROL**

Southern Co-op has had arrangements in place that are consistent with the principles outlined in “Internal Control Guidance for Directors on the Combined Code” (The Turnbull Guidance) for the period under review, and up to the date the Annual Report and Financial Statements were approved. Further specific guidance for co-operative businesses is given in advice provided by Co-operatives UK Limited.

## **CONTROL FRAMEWORK**

In accordance with the Corporate Governance Code of Best Practice published by Co-operatives UK Limited, the Board has conducted a review of Southern Co-op’s system of internal controls. The review covered financial, operational and compliance controls and risk management processes. Southern Co-op’s framework of internal controls consists of the following elements:

- An organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements
- Policies for expenditure, with set authorisation levels resulting in larger capital projects, acquisitions and disposals requiring Board approval
- A comprehensive system of financial reporting where actual results together with budget and forecast comparisons are reported regularly to the Board throughout the period
- Board review and approval of the annual budget and strategic plans
- A code of business conduct covering relations with Members, customers, employees, the community, the environment, suppliers, and competitors
- Outsourced internal audit services with a programme of internal audit reviews linked to the principal risks identified and
- An Audit and Risk Committee that oversees Southern Co-op’s system of internal control and the internal auditor relationship

Having reviewed Southern Co-op’s system of internal controls in the year, the Board consider that they are effective and appropriate for the business.

### **Control procedures**

Southern Co-op has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, review by management, internal audit and external audit. However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Monitoring**

The Audit and Risk Committee receives and reviews the annual internal and external audit work plans. A summary of significant matters raised by internal audit is considered by the Committee at each meeting. The Committee also reviews the annual external audit management letter and the response of management to the auditors’ report. Having completed its work for the period under review, the Audit and Risk Committee considers that there has been no errors or control weaknesses that have resulted in any material losses or contingencies that require disclosure. The Board receives copies of all Audit and Risk Committee minutes, the external audit report and the external audit management letter.

## **STATEMENT OF GOING CONCERN**

Southern Co-op obtains its financial strength from a broad range of customers and suppliers across different geographic areas. We have a solid balance sheet position and significant cash balances. As a consequence, the Directors believe that Southern Co-op is well placed to manage its business risks successfully, despite the current uncertain economic outlook. Southern Co-op will continue with its plan to increase the number of coffee, food retail and funeral outlets. To achieve this growth the Directors will continue to review financial options for obtaining external debt to assist with the expansion. The external debt will be utilised along with internally generated funds to enable the business to achieve its planned growth.

Taking account of Southern Co-op's current position and principal risks that would threaten the business model, future performance, solvency or liquidity of the business, the Directors have a reasonable expectation that Southern Co-op has adequate resources to continue in operational existence and to be able to meet its liabilities as they fall due for the foreseeable future, in excess of twelve months. Financial forecasting is undertaken on a longer-term cycle and risks are assessed over a long-term view however, the business model and future of Southern Co-op is considered to be open ended and the Directors undertake strategic planning with a view for the long-term. The Directors continue to adopt the going concern basis in preparing the annual report and accounts.

## **CREDITOR PAYMENT POLICY**

For trade creditors, it is Southern Co-op's policy to:

- Agree the terms of payment at the start of business with that supplier
- Ensure that suppliers are aware of the terms of payment and
- Pay in accordance with its contractual and other legal obligations

Southern Co-op does not follow a standard or code which deals specifically with the payment of suppliers. Trade creditor days of the Group for the 52 weeks ended 30 January 2022 were 33.6 days (32.1 days for the 53 week period ended 31 January 2021), based on the ratio of trade creditors at the end of the period to the amounts invoiced during the period by trade creditors.

## **DISCLOSURE OF INFORMATION TO AUDITOR**

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which Southern Co-op's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that Southern Co-op's Auditor is aware of that information.

## **AUDITOR**

Pursuant to Section 83 of the Co-operative and Community Benefit Societies Act 2014, BDO LLP are deemed to continue as Auditor, until such time as a resolution may be passed at a General Meeting of Southern Co-op appointing another auditor in their place.

## **STATEMENT OF COMPLIANCE WITH CODE ON WITHDRAWABLE SHARE CAPITAL**

Southern Co-op follows a Code of Practice in relation to its Withdrawable Share Capital. As such it provides a statement to its Members of the nature of their shareholding investment and any changes affecting it. This can be found within the terms and conditions of membership on our website (<https://www.thesouthernCo-operative.co.uk/membership/terms-and-conditions/>).

Members of Southern Co-op are shareholders, and are required to hold just one £1 share. As the shares held by Members are risk capital, Southern Co-op does not encourage its Members to hold more than the minimum amount required under its Rules, although the Rules allow it.

### **BOARD CERTIFICATION**

The Annual Report and Financial Statements and notes on pages 98 to 127 are hereby signed on behalf of the Board of Directors pursuant to Section 80 of the Co-operative and Community Benefit Societies Act 2014.

Mark Ralf (Chair)

Helen Jackson (Vice-Chair)

Silena Dominy (Society Secretary)

28 April 2022



**Financial Statements  
for the 52 weeks ended 30 January 2022**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES THE SOUTHERN CO-OPERATIVE LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom Co-operative and Community Benefit Societies Law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of The Southern Co-operative Limited and its subsidiaries (TSC) at the end of the financial period, and of the income and expenditure of TSC for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that TSC will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of TSC and to enable them to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of TSC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN CO-OPERATIVE LIMITED**

### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 30 January 2022 and of the Group's and the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements of The Southern Co-operative Limited for the period ended 30 January 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the group cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Year in Highlights, Chair's Review, Chief Executive Statement, Trading Report, Sustainability Report, Risk including COVID-19 Report and the Governance Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Society; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Society financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Extent to which the audit was capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Co-operative or Community Benefit Societies Act 2014 and the UK tax legislation. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override and considered that the principal risk was related to the posting of inappropriate journal entries, to improve the result before tax of the year. We designed audit procedures to respond to the risk, recognising that the risk of not detecting material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the group audit team include:

- Enquiries of management regarding the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
- Obtaining an understanding of the legal and regulatory framework in which the Group operates, including the Co-operative or Community Benefit Societies Act 2014, UK tax legislation, the

Modern Slavery Act 2015, health and safety regulations, licensing and food handling regulations and employee-related legislation such as the National Living Wage.

- Enquiry of in-house management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
- Reading the minutes of meetings of those charged with governance.

We have also considered the risk of fraud through management override of controls by;

- Sample testing the appropriateness of journal entries and other adjustments; and
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

As with all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Members of the Society, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society for our audit work, for this report, or for the opinions we have formed.

Arbinder Chatwal (senior statutory auditor)  
For and on behalf of BDO LLP  
Statutory Auditor  
United Kingdom

28 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**THE SOUTHERN CO-OPERATIVE LIMITED**

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 30 January 2022

	Note	52 wks ended 30 January 2022 Total £'000	53 wks ended 31 January 2021 Total £'000
<b>Turnover</b>	3	<b>494,090</b>	490,281
Cost of sales		<u>(341,687)</u>	<u>(344,634)</u>
<b>Gross profit</b>		<b>152,403</b>	145,647
Administrative expenses	4	<b>(149,896)</b>	(142,987)
<b>GROUP TRADING PROFIT</b>		<b>2,507</b>	2,660
Other operating income	31	<b>1,401</b>	1,755
Change in fair value of investments		<u>429</u>	<u>(1,606)</u>
<b>GROUP OPERATING PROFIT</b>	4	<b>4,337</b>	2,809
Investment income and interest receivable (restated)	6	<b>721</b>	2,399
Interest payable and similar charges (restated)	7	<u>(753)</u>	<u>(2,419)</u>
<b>PROFIT FOR THE PERIOD BEFORE DISTRIBUTIONS</b>		<b>4,305</b>	2,789
Distributions	8	<u>(1,018)</u>	<u>(725)</u>
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>3,287</b>	2,064
Taxation charge	9	<u>(1,782)</u>	<u>(1,910)</u>
<b>PROFIT FOR THE PERIOD AFTER TAX TRANSFERRED TO RESERVES</b>		<u><b>1,505</b></u>	<u>154</u>

All results are derived from continuing operations.

The above results have been presented on a historical cost basis, with the exception of the revaluation of investment properties, investments (note 14) and funeral plan assets and liabilities (notes 14 and 17 to 19).

**THE SOUTHERN CO-OPERATIVE LIMITED**

**RESTATED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 30 January 2022**

	Note	52 wks ended 30 January 2022 Total £'000	53 wks ended 31 January 2021 Total £'000
Gain for the financial period		1,505	154
Unrealised gain/(loss) arising from valuation in respect of retirement benefits	25	8,732	(2,592)
Pension fund related deferred tax (charge)/income	25	<u>(2,856)</u>	<u>452</u>
<b>Other comprehensive gain/(loss) for the period</b>		<u>5,876</u>	<u>(2,140)</u>
<b>TOTAL COMPREHENSIVE GAIN/(LOSS)</b>		<u><u>7,381</u></u>	<u><u>(1,986)</u></u>
<b>Total comprehensive gain/(loss) for the financial period attributable to:</b>			
Members of the Society		<u>7,381</u>	<u>(1,986)</u>
<b>Gain for the financial period attributable to:</b>			
Members of the Society		<u><u>1,505</u></u>	<u><u>154</u></u>

The notes on pages 98 to 127 form part of these financial statements

**CONSOLIDATED BALANCE SHEET**  
**At 30 January 2022**

	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	12	26,257	15,931
Tangible assets	13	116,443	104,340
Investments	14	41,657	40,955
		<u>184,357</u>	<u>161,226</u>
<b>Current assets</b>			
Stocks	15	14,570	14,126
Debtors			
- Due within one year	16	12,787	9,759
Investments	17	2,925	3,435
Cash at bank and in hand		16,380	28,982
		<u>46,662</u>	<u>56,302</u>
<b>Creditors</b>			
Amounts falling due within one year	18	(63,436)	(53,401)
<b>Net current (liabilities)/assets</b>			
		(16,774)	2,901
<b>Total assets less current liabilities</b>			
		167,583	164,127
<b>Creditors</b>			
Amounts falling due after more than one year	19	(41,917)	(41,383)
<b>Provisions for liabilities</b>			
Other provisions	22	(2,937)	(3,633)
Deferred tax provision	10	(3,064)	(925)
<b>Net assets excluding pension surplus</b>			
		119,665	118,186
Pension surplus	25	14,344	8,426
<b>Net assets including pension surplus</b>			
		<u>134,009</u>	<u>126,612</u>

The notes on pages 98 to 127 form part of these financial statements.

**THE SOUTHERN CO-OPERATIVE LIMITED**

**CONSOLIDATED BALANCE SHEET**  
**At 30 January 2022**

	Note	2022 £'000	2021 £'000
<b>Capital and reserves</b>			
Called up share capital	27	747	726
Revenue reserves	28	<u>131,815</u>	<u>124,435</u>
<b>Equity attributable to Members of the Society</b>		<b>132,562</b>	125,161
<b>Non-controlling interests</b>	24	<u>1,447</u>	<u>1,451</u>
		<b><u>134,009</u></b>	<b><u>126,612</u></b>

These financial statements of The Southern Co-operative Limited, registered number 1591R, were approved by the Board of Directors and authorised for issue on 28 April 2022.

Signed on behalf of the Board of Directors

M A Ralf  
Chair

The notes on pages 98 to 127 form part of these financial statements.

**THE SOUTHERN CO-OPERATIVE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 January 2022**

	Share capital £'000	Profit and loss account £'000	Equity attributable to owners of the parent undertaking £'000	Non- controlling interests £'000	Total Equity £'000
<b>At 1 February 2021</b>	<b>726</b>	<b>124,435</b>	<b>125,160</b>	<b>1,451</b>	<b>126,612</b>
<b>Comprehensive income for the period</b>					
<b>Profit for the period</b>	-	<b>1,505</b>	<b>1,505</b>	<b>(4)</b>	<b>1,501</b>
Unrealised gain arising from valuation in respect of retirement benefits	-	8,732	8,732	-	8,732
Pension fund related deferred tax charge	-	(2,856)	(2,856)	-	(2,856)
<b>Other comprehensive income for the period</b>	-	<b>5,876</b>	<b>5,876</b>	-	<b>5,876</b>
<b>Total comprehensive income for the period</b>	-	<b>7,381</b>	<b>7,381</b>	<b>(4)</b>	<b>7,377</b>
<b>Contributions by and distributions to Members</b>					
Issue of shares	24	-	24	-	24
The Southern Co-operative (SIP) Trustee Limited	47	-	47	-	47
Share withdrawals	(50)	-	(50)	-	(50)
<b>Total contributions by and distributions to Members</b>	<b>21</b>	-	-	-	<b>21</b>
<b>At 30 January 2022</b>	<b>747</b>	<b>131,815</b>	<b>132,562</b>	<b>1,447</b>	<b>134,009</b>

The notes on pages 98 to 127 form part of these financial statements.

**THE SOUTHERN CO-OPERATIVE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 January 2021**

	Share capital £'000	Profit and loss account £'000	Equity attributable to owners of the parent undertaking £'000	Non- controlling interests £'000	Total Equity £'000
<b>At 26 January 2020</b>	655	126,420	127,075	1,455	128,530
<b>Comprehensive income for the period</b>					
<b>Profit for the period</b>		154	154	(4)	150
Unrealised loss arising from valuation in respect of retirement benefits	-	(2,592)	(2,592)	-	(2,592)
Pension fund related deferred tax income	-	452	452	-	452
<b>Other comprehensive loss for the period</b>	-	(2,140)	(2,140)	-	(2,140)
<b>Total comprehensive loss for the period</b>	-	(1,986)	(1,986)	(4)	(1,990)
<b>Contributions by and distributions to Members</b>					
Issue of shares	33	-	33	-	33
The Southern Co-operative (SIP) Trustee Limited Share withdrawals	124 (86)	- -	124 (86)	- -	124 (86)
<b>Total contributions by and distributions to Members</b>	71	-	71	-	71
<b>At 31 January 2021</b>	726	124,435	125,160	1,451	126,612

The notes on pages 98 to 127 form part of these financial statements.

**GROUP CASH FLOW STATEMENT**  
for the year ended 30 January 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>	26	<b>18,219</b>	26,047
Net taxation paid		(671)	(1,956)
Net interest paid		(103)	(20)
<b>Net cash generated from operating activities</b>		<b>17,445</b>	24,071
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		4,185	1,154
Purchase of tangible fixed assets		(30,404)	(12,494)
Cash paid for business acquisition		(8,938)	(1,899)
Drawn of fixed asset investments		308	252
Increase in funeral plan liabilities		227	1,737
<b>Net cash (used in) investing activities</b>		<b>(34,624)</b>	(11,250)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		21	71
Net loan drawdowns/(repayments)		5,573	(1,247)
Distributions		(1,018)	(725)
<b>Net cash from/(used in) financing activities</b>		<b>4,576</b>	(1,901)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(12,601)</b>	10,920
Cash and cash equivalents at start of period		28,982	18,062
Cash and cash equivalents at end of period		<b>16,381</b>	28,982
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		<b>16,381</b>	28,982

The notes on pages 98 to 127 form part of these financial statements.

**GROUP CASH FLOW STATEMENT  
for the year ended 30 January 2022**

Analysis of changes in net debt

	At 1 February 2021 £000's	Cash Flows £000's	Non Cash £000's	At 30 January 2022 £000's
<b>Cash and Cash Equivalents</b>				
Cash	28,982	(12,601)	-	16,381
	28,982	(12,601)	-	16,381
<b>Borrowings</b>				
Debt due within one year	(1,055)	(5,723)	-	(6,778)
Debt due after one year	(1,372)	150	-	(1,222)
<b>Total</b>	26,555	(18,174)	-	8,381

The notes on pages 98 to 127 form part of these financial statements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES**

The Southern Co-operative Limited (the "Society" or "Southern Co-op") is a Registered Society under the Co-operative and Community Benefit Societies Act 2014. The address of the registered office is given on page 1.

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Society management to exercise judgement in applying Southern Co-op's accounting policies (see note 2).

The following principal accounting policies have been applied:

**Basis of consolidation**

The consolidated financial statements present the results of The Southern Co-operative Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**Going concern**

The Southern Co-operative Limited and its subsidiaries (TSC) obtain their financial strength from a broad range of customers and suppliers across different geographic areas. TSC has a solid balance sheet position and significant cash balances. This is discussed further in the Statement of Going Concern on page 83.

As a consequence, the Directors believe that TSC is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that Southern Co-op has adequate resources to continue in operational existence and to be able to meet its liabilities as they fall due for the foreseeable future. Financial forecasting is undertaken on a longer term cycle and risks are assessed over a long term view however, the business model and future of Southern Co-op is considered to be open ended and the Directors undertake strategic planning with a view for the long term.

**Parental Guarantee**

In accordance with Section 479A of the Companies Act 2006 The Southern Co-operative Limited has provided a statement of guarantee for its 100% owned subsidiaries to enable them to take the audit exemption.

**Accounting date**

The financial statements are made up for the 52 weeks ended 30 January 2022 with comparative figures for the 53 weeks ended 31 January 2021.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Revenue**

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the Group defers recognition of revenue until the right to return has lapsed. However, where high volumes of sales are made to established wholesale customers, revenue is recognised in the period where the goods are delivered less an appropriate provision for returns based on past experience.

Revenue includes cash sales, goods sold on credit, property rental, concession income and franchisee management fees. Property rental income is recognised on a straight line basis over the lease term. Funeral income is recognised on completion of the funeral service (burial or cremation). All revenue is shown net of value added tax.

**Investment properties**

Investment property is carried at fair value determined triennially by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset (see Note 2 C). No depreciation is provided and changes in fair value are recognised in profit or loss. These properties are held for income purposes and will continue to do so for the foreseeable future.

**Valuation of investments**

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets**

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful economic lives based on cost as follows:

**Land and Buildings**

Freehold buildings	2.5% per annum
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**Plant and Fixtures**

Fixtures and fittings	8.3% per annum
Plant and machinery	8.3% per annum
Cremators	6.7% per annum
Computers	20.0% per annum
Systems Development	10.0% per annum

**Vehicles**

Motor vehicles	25.0% per annum
Hearses	16.6% per annum
Second hand hearses	33.3% per annum

Leasehold property is depreciated at 2.5% per annum or over the unexpired period of the lease, if shorter. Burial Land is depreciated based on consumption with no residual value.

Assets in the course of construction are stated at cost and are not depreciated. Assets are capitalised and transferred to their category once completed.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Intangible assets**

*a) Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment charges. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 5 years. Goodwill is being amortised over periods ranging from 3 to 20 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

*(b) Research and development costs*

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it's incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their expected useful economic lives, which range from 3 to 6 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

*(c) Licences*

Post office licences are amortised by equal annual instalments over their estimated useful lives at a rate of 5% per annum.

Coffee trading licences are amortised by equal annual instalments over their estimated useful lives at a rate of between 5% and 20% per annum.

*(d) Software*

Software is initially measured at acquisition costs or costs incurred to develop the asset. Subsequently it is then carried at cost less accumulated amortisation or accumulated impairment losses. It is amortised on a straight line basis at 25% per annum.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGUs) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in profit or loss in the same period as the related expenditure but disclosed separately in other operating income.

**Financial liabilities and equity**

Financial liabilities (funeral plans, loans, overdrafts and creditors) and equity are classified according to the substance of the financial instruments contractual obligations, rather than the financial instrument's legal form.

**Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where Southern Co-op's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Stocks**

Retail stocks are valued at purchase price less provisions for slow moving and obsolete stock. Other stock, including stock not for resale, is valued at the lower of cost or net realisable value.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs. The impairment loss is recognised immediately in profit or loss.

**Onerous leases**

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of obligations under the lease.

**Funeral Plan schemes**

The core purpose of funeral prepayment plans where the Society accepts risk from another party (the policyholder), is to compensate the policyholder in respect of an uncertain future funeral.

Available for sale financial assets are equity investments. They are measured at fair value with movements in the carrying value brought into equity through the income statement.

In addition all receipts are invested in individual whole life insurance policies with the Royal London Insurance Group. Investments of the receipts are held as assets in the balance sheet, apportioned between fixed and current assets on the same basis as the related liabilities. The investments are held at fair value, being the market value of plan at the year end.

**Leased assets: Lessor**

Where assets are leased to a third party that give rights approximating to ownership (finance leases), the assets are treated as if they have been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

Incentive payments to new tenants to occupy the group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Leased assets: Lessee**

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

For leases entered into on or after 1 January 2012, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

**Sale and leaseback**

When a sale and leaseback transaction results in a finance lease no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**1. ACCOUNTING POLICIES (continued)**

**Pension costs**

For defined benefit schemes the amounts charged to the trading surplus are the current service costs and gains and losses on settlements and are included as part of staff costs. Past service costs are recognised immediately in the revenue account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Following consultation with active members, the final salary scheme was closed to future benefit accrual with effect from 1 May 2013. See note 25 for further details.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of TSC, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the employer costs are charged to the revenue account in the period in which they are incurred.

**Distributions**

Distributions to and on behalf of Members, including colleague and Member share of profits, grants and donations, are recognised when approved by Members in General Meetings and are treated as an application of profits in line with Southern Co-op's rules. Where payments to employee Members in their capacity as employees are non-contractual and distinguishable from the operating activities of the business and payment is dependent on, and subject to, Member approval in a general meeting, these payments are termed 'Distributions'

**Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

**Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**2. JUDGEMENTS IN APPLYING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing these financial statements, the Directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

**A. Leases**

Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

The Society occupies a number of properties under full tenant repairing leases. As required by Section 21 of FRS 102, provision is made for the costs of repairs and terminal dilapidations but only for those properties where there is a known exit. The provision is estimated with reference to previous costs for similar sites and specific analysis by the Society's property team on likely costs to be incurred.

**B. Impairment of tangible and intangible fixed assets**

Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

**C. Investment property valuation**

Investment properties, both residential and commercial have been valued using external agents to provide a market value.

**D. Pension scheme assets**

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The Directors recognise that small changes in the assumptions could have a significant impact on the liabilities in the scheme. Note 25 includes details of the impact of changes in both the discount rate and RPI inflation, with a 0.1% increase in either of these having a 1.8% and 1.2% impact on pension obligations, respectively.

**E. Funeral Plan scheme**

The Southern Co-operative consider the nature of the funeral scheme contracts to be that of providing funds for the provision of the cost of funerals, due to customers being able to redeem the service through a different provider if they so wish. Only when a customer decides to redeem the funeral plan scheme with The Southern Co-operative will revenue be recognised, ie. in management's judgement it is only at that point that the obligation to deliver funds for the cost of the funeral turns into an obligation to deliver the funeral service.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**2. JUDGEMENTS IN APPLYING POLICIES (continued)**

Funeral Plan Investments are revalued to fair value based on the carrying investment value received from the investment manager Royal London as at each balance sheet date. The carrying investment value represents the cash value if the investment was redeemed on the balance sheet date. Changes in fair value are recognised in the income statement and presented as part of Investment income and interest receivable.

The Southern Co-operative Liability to plan holders is also measured at the fair value of the Funeral Plan Investments as this represents the amount that The Southern Co-operative could be required to transfer to other potential providers of funeral services. Changes in fair value are recognised in the income statement and presented as part of Interest payable and other charges.

**F. Cashflow forecasts**

Southern Co-op prepares cash flow forecasts derived from the most recent financial budgets approved by. The rate used to discount the forecast cash flows is 8.27% (2021: 7.6%).

**G. Stock provision**

At each stock count, stock loss at cost is compared with the sales value of the cash generating unit for the same period of time expressed as a percentage. The provision made in the accounts on a monthly basis is the average percentage loss from the last 3 stock counts carried out, multiplied by the sales made since the last stock count result. All new stores are given a 1.5% stock provision (company average) until they receive their first stock count results.

**H. Onerous lease provisions**

This provision primarily relates to properties that are no longer used for trading. The provision is estimated on the basis of the minimum amount which could be paid to landlords to exit the lease agreements. This is based on an underlying calculation on a property by property basis by reference to the head lease cost and term, including property holding costs such as business rates, estimated rental income from subletting the properties and assuming that rental streams terminate at the next most likely break point.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 January 2022

**3. ANALYSIS OF TURNOVER**

Results for the period are attributable to retail and concession agreements, funeral services, coffee outlets and property rental. The origin and destination of the revenue is wholly within the United Kingdom.

Analysis by class of business:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Retail	<b>442,624</b>	457,344
Funeral services	<b>18,286</b>	18,346
Coffee Outlets	<b>26,325</b>	8,702
Property rental	<b>3,276</b>	3,188
Franchise	<b>3,579</b>	2,701
	<b>494,090</b>	490,281

Revenue consists entirely from within the United Kingdom. No disclosure of the trading profit or net assets by each segment has been made as the Directors' consider this would be detrimental to the business.

**4. OPERATING PROFIT**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
This is arrived at after charging/(crediting):		
Personnel expenses	<b>75,756</b>	73,847
Occupancy costs	<b>13,633</b>	11,797
Depreciation		
- tangible assets	<b>11,948</b>	10,018
- amortisation of goodwill and software	<b>2,129</b>	2,042
(Profit)/loss on disposal of fixed assets	<b>(2,113)</b>	1,141
Impairment charge		
- on goodwill and software	<b>(700)</b>	989
- on tangible assets	<b>1,812</b>	1,118
Operating leases:		
- land and buildings	<b>15,838</b>	14,986
- plant and machinery	<b>1,166</b>	1,371
Onerous property charge/(credit)	<b>75</b>	(127)
Auditors' remuneration:		
- fees payable to the Society's auditors for the audit of the Society's annual financial statements	<b>84</b>	70
- fees payable to the Society's auditors for non-audit services	<b>104</b>	-

Personnel expenses per the above exclude the costs of operational staff in our funeral business. This cost is recognised in the Financial Statements within cost of sales as this better represents the driver of these costs. The value of this movement from operating costs to cost of sales is £3,794,000 (2021: £4,151,000).

During the year, the Society received £1.8m of Business Rates Relief (2021: £4.8m), as part of Covid-19 Government Assistance. The rates relief is reflected within Occupancy costs and forms part of the overall administration expenses in the Income statement.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**5. EMPLOYEES (including Directors)**

	2022	2021
The average number employed by The Southern Co-operative and its subsidiaries was:		
Head office	231	216
Retail	3,451	3,621
Funeral	156	236
Cobra Coffee	498	297
	<u>4,336</u>	<u>4,370</u>
	<b>£'000</b>	<b>£'000</b>
<b>The costs incurred in respect of these employees were:</b>		
Wages and salaries	73,503	72,323
Social security costs	4,493	4,255
Cost of defined contribution scheme	1,553	1,419
	<u>79,549</u>	<u>77,997</u>

Of the above salaries £3,794,000 (2021: £4,151,000) is included in cost of sales, relating to operational staff within the funeral business.

There was no current service pension cost incurred in respect of defined benefit schemes during the period.

A defined contribution pension scheme is operated by the Group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £1,553,000 (2021: £1,419,000).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**6. INVESTMENT INCOME AND INTEREST RECEIVABLE**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Share Interest receivable	<b>31</b>	47
Interest on net defined benefit pension surplus	<b>166</b>	218
Gain from changes in fair value of Funeral Scheme assets*	<b>499</b>	2,099
Other interest receivable	<b>25</b>	35
	<b>721</b>	2,399

\*See note 29 for details of restatement.

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Bank overdraft, other interest and commission	<b>106</b>	172
Loss from changes in fair value of Funeral Scheme liabilities*	<b>499</b>	2,099
Onerous contract interest	<b>148</b>	148
	<b>753</b>	2,419

\*See note 29 for details of restatement.

**8. DISTRIBUTIONS**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Share interest	<b>5</b>	2
Customer Members share of profits paid out	<b>602</b>	374
Donations	<b>121</b>	142
Pensioners' welfare	<b>16</b>	18
Corporate partnerships	<b>14</b>	29
Volunteering	<b>-</b>	-
Work hours donated to community projects	<b>92</b>	14
Community investment	<b>162</b>	128
Fundraising Support	<b>6</b>	18
	<b>1,018</b>	725

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 January 2022**

**9. TAXATION**

Current tax	<b>2022</b> £'000	2021 £'000
UK corporation tax: 2021: 19.00% (2021: 19.00%)	-	1,914
Adjustments in respect of prior period	<b>(165)</b>	<b>(45)</b>
Total current taxation charge	<b>(165)</b>	1,869
 Deferred tax		
Timing differences, origination and reversal	<b>227</b>	(683)
Adjustments in respect of prior period	<b>1,058</b>	990
Losses carried forward at 19%	<b>(129)</b>	-
Deferred tax remeasured to 25%	<b>712</b>	-
Defined benefit pension scheme	<b>23</b>	40
Revaluation of investment properties	<b>56</b>	(306)
	<b>1,947</b>	41
 Total tax charge for the period	<b>1,782</b>	1,910

The tax assessed for the period is higher (2021: higher) than that resulting from applying the standard rate of corporation tax in the UK: 2021: 19.00% (2021: 19.00%).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**9. TAXATION (continued)**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Profit on ordinary activities before tax	<u>3,287</u>	<u>2,064</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	<b>640</b>	392
Effects of:		
Expenses not deductible for taxable purposes	<b>8</b>	232
Fixed asset differences	<b>(471)</b>	341
Deferred tax remeasured to 25%	<b>712</b>	-
Adjustment in respect of prior period- current tax	<b>(165)</b>	(45)
Adjustment in respect of prior period- deferred tax	<u>1,058</u>	<u>990</u>
Total tax charge for period	<u><b>1,782</b></u>	<u>1,910</u>

The Group's tax charge is higher than the UK headline rate of 19% primarily due to:

- a. **Prior Period Adjustment** – adjustments to tax charges in earlier years arise because the tax charge in the financial statements is an estimate that is prepared before the detailed tax calculations are required to be submitted to HMRC, which is 12 months after the year end. Also, HMRC may not agree with a tax return some time after the year end and differences for a prior period may arise as a result.
- b. **Expenses not deductible for tax** – some expenses incurred by the Group may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction/ provide relief against taxable income when calculating the Group's tax liability. Examples of these include Entertaining, Abortive transaction costs, Property Disposals and Fines.

In the Spring Budget 2021, the Government announced that from April 2023, the main rate of corporation tax will increase to 25%. All balance sheet deferred tax as at 30 January 2022 has been remeasured to a 25% future tax rate to be imposed from 1 April 2023 in conjunction with the Finance Act 2022.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**10. DEFERRED TAX PROVISION**

	<b>Accelerated capital allowances £'000</b>	<b>Pension contribution timing differences £'000</b>	<b>Tax loss to carry forward £'000</b>	<b>Investment property revaluations £'000</b>	<b>Total £'000</b>
Provision as at 1 February 2021	554	40	-	331	925
Charged/(utilised) to profit or loss	<b>1,872</b>	<b>(40)</b>	<b>129</b>	<b>178</b>	<b>2,139</b>
Provision as at 30 January 2022	<b>2,426</b>	<b>-</b>	<b>129</b>	<b>509</b>	<b>3,064</b>

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

- a. **Accelerated Capital allowances** – capital expenditure is “pooled” into categories and relevant capital allowances relief rates are applied e.g. General, Special Rate and Enhanced Capital Allowances. This future tax relief will be recognised in annual instalments over the estimated useful economic lives of the assets. The future tax relief of each asset is estimated to be fully realised between 1 and 20 years.
- b. **Pension Contribution timing** – Deferred tax on the difference between the cash contributions and the profit and loss account income/charge of the scheme. This will be unwound as the scheme matures and is expected to be more than 5 years after the balance sheet date.
- c. **Investment Property** – deferred tax for investment property revaluations compared with its original cost for tax purposes will be unwound as properties are disposed of and this is expected to be more than 5 years after the balance sheet date.

**11. PARENT UNDERTAKING PROFIT FOR THE PERIOD**

The Southern Co-operative Limited has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent for the period was £2,106,000 (2021 profit: £2,675,000).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**12. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £'000</b>	<b>Licences and lease premiums £'000</b>	<b>Computer software £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
As at 1 February 2021	31,588	6,082	8,725	46,395
Transfers in year from assets in construction	-	-	59	59
Additions	6,643	5,061	-	11,704
Disposals	(130)	-	(11)	(141)
As at 30 January 2022	<b>38,101</b>	<b>11,143</b>	<b>8,773</b>	<b>58,017</b>
<b>Accumulated Amortisation</b>				
As at 1 February 2021	20,766	1,437	8,261	30,464
Provided this year	1,553	296	280	2,129
Impairment movement	(660)	-	(40)	(700)
Disposals	(126)	-	(7)	(133)
As at 30 January 2022	<b>21,533</b>	<b>1,733</b>	<b>8,494</b>	<b>31,760</b>
<b>Net book value at 30 January 2022</b>	<b>16,568</b>	<b>9,410</b>	<b>279</b>	<b>26,257</b>
Net book value at 31 January 2021	10,822	4,645	464	15,931

Goodwill is being amortised over periods ranging from 3 to 20 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Licences are being amortised over periods ranging from 5 to 20 years. This estimate is based on a variety of factors such as the expected useful life of the cash generating units, any legal, regulatory, or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

An impairment adjustment of (£700,000) was made in the period, following an impairment review of trading sites (2021: impairment adjustment of (£989,000)).

During the year, one of the Group's subsidiaries (Cobra Coffee Limited) acquired certain trade and assets in relation to additional retail stores for consideration of £2.4m. The fair value of assets acquired, including licences of £5.1m (see note 32).

On 30th December 2021 one of the Group's subsidiaries (South of England Funeral Partners Limited) acquired certain trade and assets in relation to additional natural burial grounds and funeral homes for consideration of £6.5m with net assets of £35k, the fair valuation exercise for this is on-going; thus leading to provisional goodwill of £6.5m being recognised (see note 32).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**13. TANGIBLE FIXED ASSETS**

	Investment properties £'000	Land and buildings £'000	Plant and fixtures £'000	Vehicles £,000	Assets in course of construction £,000	Total £'000
<b>Cost or valuation</b>						
At 1 February 2021	21,326	32,838	132,387	3,175	11,002	200,728
Additions	308	820	2,092	-	24,867	28,088
Transfers in year	415	7,062	13,210	877	(21,617)	(53)
Revaluation	429	-	-	-	-	429
Disposals	(1,398)	(1,015)	(2,098)	(294)	-	(4,806)
As at 30 January 2022	<b>21,080</b>	<b>39,705</b>	<b>145,591</b>	<b>3,758</b>	<b>14,252</b>	<b>224,386</b>
<b>Accumulated Depreciation</b>						
At 1 February 2021	-	5,332	88,928	2,128	-	96,388
Transfers in year	-	-	-	-	-	-
Provided this year	-	1,291	10,318	339	-	11,948
Impairment movement	-	8	1,264	-	540	1,812
Disposals	-	(582)	(1,335)	(288)	-	(2,205)
As at 30 January 2022	-	<b>6,049</b>	<b>99,175</b>	<b>2,179</b>	<b>540</b>	<b>107,943</b>
<b>Net book value at 30 January 2022</b>	<b>21,080</b>	<b>33,656</b>	<b>46,416</b>	<b>1,579</b>	<b>13,712</b>	<b>116,443</b>
Net book value at 31 January 2021	21,326	27,506	43,459	1,047	11,002	104,340

The depreciation, impairment charge and impairment reversals are recognised in administrative expenses in the profit and loss account.

Included within fixed assets are assets with a net book value of £1,861,868 (2021: £1,952,660) which are provided as security for the asset backed bank loans.

An impairment charge of £1,812,000 was made in the period, following an impairment review of trading sites (2021: impairment charge of £1,118,000).

Assets in the course of construction carried forward are projects which have not been completed at the period end and include assets which belong to all of the classes shown above. Once the projects are completed, the assets are then transferred out to their respective classes. In addition, assets that are purchased in the year as part of a cross category project are included as additions within the "assets in course of the construction" asset class and are then transferred out to their respective classes during the period.

Included within fixed assets are assets which have a nil net book value but are currently used within the business. The original cost of these assets is £49,048,000.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**13. TANGIBLE FIXED ASSETS (continued)**

**Investment properties**

The valuations in 2021 of residential properties, investment commercial properties and the subsidiary Mutual Associates Limited were performed independently by Chapplins, Primmer Olds and Vail Williams respectively, based on open market values.

**Land and buildings**

The net book value of land and buildings comprises:

	<b>2022</b> <b>£'000</b>	2021 £'000
Land	5,255	5,014
Freehold buildings	26,593	21,783
Long leasehold buildings	1,808	709
Net book value	<u>33,656</u>	<u>27,506</u>

The leases of land and buildings are subject to rent reviews.

**Capital Commitments**

There are capital commitments contracted for, amounting to £4,256,055 (2021: £4,910,635), which have not been provided for in these accounts.

**14. FIXED ASSET INVESTMENTS**

	<b>Funeral plans £'000</b>	<b>Other investments £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 February 2021	40,165	790	40,955
Drawn at cost	(308)	-	(308)
Increase in fair value	499	-	499
Transfer from current asset investments	511	-	511
As at 30 January 2022	<u>40,867</u>	<u>790</u>	<u>41,657</u>
<b>Net book value at 30 January 2022</b>	<u>40,867</u>	<u>790</u>	<u>41,657</u>
Net book value at 31 January 2021	<u>40,165</u>	<u>790</u>	<u>40,955</u>

Investments held within the Funeral Plan Scheme have been measured at fair value. The increase in value recognised on those investments in the period was £499,000 increase (2021: £2,099,000 decrease). The core purpose of funeral prepayment plans where the Society accepts risk from another party (the policyholder), is to compensate the policyholder in respect of an uncertain future funeral.

Investments of the receipts are held as assets in the balance sheet, apportioned between fixed and current assets on the same basis as the related liabilities. The investments are held at fair value.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**15. STOCKS**

	<b>2022</b> <b>£'000</b>	2021 £'000
Finished goods and goods for resale	<b>14,570</b>	14,126
	<u><b>14,570</b></u>	<u>14,126</u>

**16. DEBTORS**

	<b>2022</b> <b>£'000</b>	2021 £'000
<b>Falling due within one year:</b>		
Trade debtors	<b>5,637</b>	4,599
Other debtors	<b>1,275</b>	1,060
Prepayments and accrued income	<b>5,875</b>	4,100
	<u><b>12,787</b></u>	<u>9,759</u>

**17. CURRENT ASSET INVESTMENTS**

	<b>2022</b> <b>£'000</b>	2021 £'000
Royal London Funeral Plan Scheme – at fair value	<u><b>2,925</b></u>	<u>3,435</u>

Amounts are held with third party investment managers which are readily available but not accessible within twenty four hours.

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b> <b>£'000</b>	2021 £'000
Bank loans and overdrafts	<b>6,778</b>	1,055
Trade creditors	<b>23,922</b>	24,322
Taxation and social security	<b>1,430</b>	2,436
Corporation tax	<b>(626)</b>	469
Funeral plan scheme liability	<b>3,078</b>	3,534
Accruals and deferred income	<b>27,395</b>	20,593
Other creditors	<b>1,459</b>	992
	<u><b>63,436</b></u>	<u>53,401</u>

The bank loans and overdraft represent the amount drawn down from a facility with Barclays Bank and HSBC Bank as well as asset backed loan agreements. The sums drawn from the facility have various maturity dates some of which are within twelve months from the period end. The monies are secured on a number of freehold properties or a debenture of a subsidiary (Cobra Coffee Limited.) assets. The asset backed loan agreements are repayable on a quarterly instalment basis over five years and are secured on specific tangible fixed assets. Interest is payable based on the LIBOR interest rates.

Funeral Plan scheme payments in advance are recorded as a liability, apportioned between amounts due within one year and after more than one year, based upon past periods' experience of redemptions.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2022</b> <b>£'000</b>	2021 £'000
Bank loans and overdrafts	<b>1,222</b>	1,372
Funeral Plan scheme liability	<b>40,695</b>	40,011
	<b>41,917</b>	41,383

**20. DEBT FINANCE**

The maturity of sources of debt finance are as follows:

	<b>2022</b> <b>£'000</b>	2021 £'000
<b>Loans and overdrafts:</b>		
In one year or less, or on demand	<b>6,778</b>	1,055
In more than one year, but not more than five years	<b>1,222</b>	1,372
	<b>8,000</b>	2,427

**21. FINANCIAL INSTRUMENTS**

The Group's financial instruments may be analysed as follows:

	<b>2022</b> <b>£'000</b>	2021 £'000
<b>Financial assets</b>		
Financial assets measured at fair value through the income statement	<b>43,792</b>	43,601
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through the income statement	<b>43,773</b>	43,546

Financial assets measured at fair value comprise of funeral plan scheme fixed assets and other investments.

Financial liabilities measured at fair value comprise funeral plan scheme liabilities.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**22. OTHER PROVISIONS**

	<b>Onerous leases £'000</b>	<b>Dilapidation Provision £'000</b>	<b>Total £'000</b>
As at 1 February 2021	1,929	1,704	3,633
Charged/(credited) to profit or loss	225	(921)	(696)
As at 30 January 2022	<u>2,154</u>	<u>783</u>	<u>2,937</u>

**23. COMMITMENTS UNDER OPERATING LEASES**

The group had minimum lease payments under non-cancellable operating leases as set out below:

	<b>2022 £'000</b>	<b>2021 £'000</b>
Not later than 1 year	16,195	14,659
Later than 1 year, but not later than 5 years	56,998	62,960
Later than 5 years	48,466	43,848
	<u>121,659</u>	<u>121,467</u>

**24. MINORITY INTEREST**

	<b>2022 £'000</b>	<b>2021 £'000</b>
As at beginning of year	1,451	1,455
Transfer from profit and loss reserve	(4)	(4)
As at end of year	<u>1,447</u>	<u>1,451</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**25. PENSION SCHEME**

Southern Co-op sponsors a funded defined benefit pension plan, The Southern Co-operative Limited Group Pension Scheme (the "Scheme"). The disclosures below are in respect of the whole Scheme.

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme. The Scheme was closed to new members on 1 December 2002 and closed to future benefit accrual on 31 May 2013.

The last funding valuation of the scheme was carried out by a qualifying actuary as at 30 January 2021 and contributions of £250,000 are expected to be paid by Southern Co-op to the Scheme during the year ending on 29 January 2023.

The results of the latest funding valuation at 30 January 2021 have been adjusted to the balance sheet date taking account of experience over the period since 30 January 2021, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS102 are set out below:

	<b>2022</b>	2021	2020	2019	2018
	%	%	%	%	%
Discount rate	<b>2.20</b>	1.60	1.70	2.70	2.60
Rate of increase in salaries	<b>N/A</b>	N/A	N/A	N/A	N/A
Rate of increase in deferred pensions - RPI	<b>3.30</b>	2.80	2.60	3.20	3.30
Rate of increase in deferred pensions - CPI	<b>2.70</b>	2.20	2.10	2.10	2.20
Rate of increase in pensions in payment accrued from 6 April 1997 to 5 April 2005	<b>3.20</b>	2.80	2.60	3.10	3.20
Rate of increase in pensions in payment accrued before 6 April 1997 and after 5 April 2005	<b>2.20</b>	2.10	2.00	2.20	2.20

**Main demographic assumptions**

	<b>2022</b>	2021
Life expectancy for male currently aged 65	<b>21.1</b>	21.7
Life expectancy for female currently aged 65	<b>23.1</b>	23.1
Life expectancy at 65 for male currently aged 45	<b>22.2</b>	22.8
Life expectancy at 65 for female currently aged 45	<b>24.3</b>	24.4

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**25. PENSION SCHEME (continued)**

Mortality assumption 116% males/123% females of the tables with improvements in line with the CMI 2020 projections and a long-term rate of improvement of 1.0% pa (2021 - 105% males/113 % females of the S2PxA tables with improvements in line with the CMI 2019 projections and a long-term rate of improvement of 1.0% pa).

Cash commutation – on average members exchange 20% of their pension for a cash sum at retirement (2021: on average members exchange 20% of their pension for a cash sum at retirement).

**Scheme asset allocation**

	<b>2022</b>		2021	
	<b>£'000</b>	%	£'000	%
Growth funds	<b>29,838</b>	20	43,607	29
Matching funds	<b>114,464</b>	77	104,074	68
Property	<b>4,003</b>	3	4,422	3
Other	<b>538</b>	0	351	0
<b>Total</b>	<b>148,843</b>	100	152,454	100

None of the Scheme assets are invested in Southern Co-op's financial instruments or in property occupied by, or other assets used by, Southern Co-op.

Southern Co-op's contributions for the period ended 30 January 2022 amounted to £250,000 (2021: £250,000).

**Impact of forward looking assumptions made on Pension Scheme Liabilities**

The calculation of the scheme's financial obligations is affected by the choice of discount rate. As a broad indication, reducing the discount rate by around 0.1% p.a. would increase pension obligations by about 1.8%.

As a broad indication, increasing the RPI inflation assumption by around 0.1% p.a. will increase pension obligations by about 1.2%.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**25. PENSION SCHEME (continued)**

The assets in the scheme were:

	<b>2022</b>	2021	2020
	<b>£'000</b>	£'000	£'000
Equities and property	<b>33,841</b>	48,029	52,607
Gilts and bonds	<b>114,464</b>	104,074	97,532
Other	<b>538</b>	351	613
	<hr/>	<hr/>	<hr/>
Total market value of assets	<b>148,843</b>	152,454	150,752
Present value of scheme liabilities	<b>(129,595)</b>	(142,051)	(137,969)
	<hr/>	<hr/>	<hr/>
Surplus in scheme	<b>19,248</b>	10,403	12,783
Related deferred tax (liability)	<b>(4,904)</b>	(1,977)	(2,429)
	<hr/>	<hr/>	<hr/>
Net pension surplus	<b>14,344</b>	8,426	10,354

The scheme surplus at 30 January 2022 after deferred tax was identified of £14,344,000. This surplus has been recognised as an asset (2021: £8,426,000 was recognised as an asset).

**Analysis of amount recognised in Income Statement**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Administration expenses	<b>303</b>	256
Interest receivable on net defined benefit surplus	<b>(166)</b>	(218)
<b>Pension expense recognised in the income statement</b>	<b>137</b>	38
	<hr/>	<hr/>

**Analysis of amount recognised in Other Comprehensive Gain/Loss**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Actual return less expected return on pension scheme assets	<b>246</b>	4,119
Gain/(loss) arising from changes in assumptions underlying the scheme liabilities	<b>8,486</b>	(6,711)
<b>Total amount recognised in Other Comprehensive Gain/(Loss)</b>	<b>8,732</b>	(2,592)
	<hr/>	<hr/>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**25. PENSION SCHEME (continued)**

**Reconciliation of the present value of the defined benefit obligation**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Present value of the defined benefit obligation at the beginning of the year	<b>142,051</b>	137,969
Movement in year:		
Interest cost	<b>2,223</b>	2,304
Benefits paid	<b>(6,193)</b>	(4,933)
Actuarial (Loss)/gain on scheme liabilities	<b>(8,486)</b>	6,711
	<b><u>129,595</u></b>	<u>142,051</u>

**Reconciliation of the fair value of scheme assets**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Fair value of scheme assets at the start of the year	<b>152,454</b>	150,752
Movement in year:		
Expected return on scheme assets and admin costs	<b>2,086</b>	2,266
Actuarial gain on scheme assets	<b>246</b>	4,119
Employer contributions	<b>250</b>	250
Benefits paid	<b>(6,193)</b>	(4,933)
	<b><u>148,843</u></b>	<u>152,454</u>

**Defined contribution scheme**

For new employees, Southern Co-op provides a Group Personal Pension Plan to which it contributes. The cost to Southern Co-op in the period ended 30 January 2022 was £615,788 (2021: £467,338). The amount payable to the scheme at the end of the period was £Nil (2021: £Nil).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**26. CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Net profit after tax	1,505	154
Distributions	1,018	725
Depreciation of tangible fixed assets	11,948	10,018
Amortisation of intangible fixed assets	2,129	2,042
Impairment (reversal)/charge on goodwill and software	(700)	989
Impairment charge on owned assets	1,812	1,118
Net fair value (gain)/loss of investment properties recognised	(430)	1,606
Difference between net pension expense and cash contribution	(113)	(212)
Other provision movement	(702)	980
Net interest payable	103	20
Taxation	1,782	1,910
(Profit)/loss on sale of fixed assets	(2,030)	1,141
(Increase)/decrease in stocks	(444)	528
Increase in trade and other debtors	(3,029)	(1,914)
Increase in trade and other creditors	5,370	6,942
	<b>18,219</b>	<b>26,047</b>

**27. SHARE CAPITAL**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Allotted, called up and fully paid</b>		
£746,664 ordinary shares at £1 each	747	726
	<b>747</b>	<b>726</b>

23,000 ordinary shares were issued during the year (2021:33,000).

All the ordinary shares carry equal participation in assets, rights to dividends and voting power.

**28. RESERVES**

The companies capital reserves are as follows:

**Called up share capital**

Called up share capital represents the nominal the nominal value of shares issued.

**Profit and Loss account**

The profit and loss account represents cumulative profit and losses, net of dividends paid and other adjustments.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**29. PRIOR PERIOD RESTATEMENT – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

In the previous period, the Consolidated Statement of Comprehensive Income showed a loss from changes in fair value of the funeral scheme asset of £2,099k, as well as a gain from changes in fair value of funeral scheme liabilities of £2,099k. These revaluations should have gone through the Consolidated Income Statement. This has been corrected retrospectively and no longer appear on the Consolidated Statement of Comprehensive Income. They are separately disclosed on the face of the Consolidated Income Statement as detailed in note 6 and 7.

**30. RELATED PARTY DISCLOSURE**

**Controlling parties**

The Directors do not consider there to be an ultimate controlling party. The Southern Co-operative Limited has taken advantage of the exemption conferred by FRS 102 Section 33 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries.

Key management personnel include all Directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group can be found on pages 67 to 68.

**Related party transactions**

At the year end, there is an amount owing by the Society to its 91% subsidiary Society, Southern Co-operative Dairies Limited of £14,832,121 (2021: £14,879,949). Southern Co-op has charged a Management Fee to Southern Co-operative Dairies Limited of £15,000 (2021: £15,000).

**31. OTHER OPERATING INCOME**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Funeral Plan Income	<b>194</b>	231
Government Grants	<b>1,207</b>	1,524
	<b>1,401</b>	1,755

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued**  
**For the year ended 30 January 2022**

**32. ACQUISITIONS**

Cobra Coffee acquired 100% of the share capital of Amsric Limited on 12th July 2021, with a subsequent name change of the acquired entity to Cobra Coffee South West Limited. The entity consists of 13 Starbucks licenced business units in the South West of England, extending the presence of Cobra Coffee into this region, enabling further growth thereafter.

Consideration of £2.388m was paid in cash for negative net assets on acquisition of £1.913m. Fair valuation adjustments of £4.209m provide a net asset fair valuation of £2.388m. The fair value calculation includes an intangible Licence Fee re-valuation from £0.1m on acquisition to a fair value of £5.1m. Each site is subject to a 10 year Starbucks licence, with an average term remaining of 4.5 years, and a further renewal right of 10 years. This term plus the renewal right is being used as the lifetime measure of the valuation, as this is a reasonable life of the right to trade.

	Note	Carrying Value £'000	Adjustmen t £'000	Fair Value £'000
Trident Goodwill	1	315	(315)	0
Licence Fees	2	103	4,958	5,061
Tangible Fixed Assets	3	2,011	(122)	1,890
Cash at bank and in hand		(308)	-	(308)
Debtors	4	411	(16)	395
Stocks		51	-	51
Taxation and Social Security	5	(305)	30	(275)
Trade and other payables	6	(859)	(28)	(887)
Company Loan		(3,259)	-	(3,259)
Unrecorded Liabilities	7	0	(302)	(302)
Rent Free Period	8	(66)	3	(64)
<b>Total Identifiable Net Assets</b>		<b>(1,907)</b>	<b>4,209</b>	<b>2,301</b>
Deferred Tax		(6)	-	(6)
		<b>(1,913)</b>	<b>4,209</b>	<b>2,295</b>
Goodwill				93
<b>Total</b>				<b>2,388</b>

**Adjustments on acquisition made in respect of the follows:**

- 1 Recognition goodwill from former company acquisition from Starbucks superseded by this acquisition
- 2 Recognition of the future value of the Starbucks licence held
- 3 Recognition of the fair value of tangible assets held
- 4 Prepayment reduction in obsolete services
- 5 Recognition of lower Corporation tax liability and payroll costs  
Recognition of higher
- 6 payables
- 7 Recognition of Covid grants re-payable due to acquisition, dilapidations and rent reviews outstanding
- 8 Recalculation of the rent free liability for three sites

On 30 December 2021, South of England Funeral Partners Limited (SEFP) (a wholly owned subsidiary of Southern Co-operatives Limited) acquired 100% of the share capital of Project Arlington Limited, with a subsequent name change to Natural Burial Grounds Limited. This entity consists of three natural burial grounds and two funeral branch operations. Cash consideration of £6.5m plus deal fees of £0.2m was paid for the acquisition of net assets of £35k. The fair value exercise for this is on-going; thus leading to provisional goodwill of £6.5m being recognised.

## SOUTHERN CO-OPERATIVE LIMITED

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued For the year ended 30 January 2022

#### 33. SUBSEQUENT EVENTS

On 22 February 2022, proceeds of £6.1m were received for the going concern sale of a retail food store and freehold property at Freshwater, Isle of Wight.

#### 34. SUBSIDIARIES

The financial statements consolidate the results of Southern Co-op and the following subsidiaries, all of which are incorporated in Great Britain and have a year end of 30 January 2022.

Subsidiary	Registered No.	Type of registration	Activity	Percentage of shares held %	Net profit £'000
Southern Co-operative Dairies Ltd	24986R	Registered Society	Property Management	91	(59)
Mutual Associates Ltd *	02207748	Limited Company	Property investment	100	(256)
Mutual Services (Portsmouth) Ltd *	05904980	Limited Company	Funeral furnishing	100	(71)
Southern Co-operative Retailers Ltd *	02301593	Limited Company	Property investment and management	100	(48)
SCL (Members) Trustee Ltd	3397456	Limited Company	Trustee	100	-
East Devon Crematorium Ltd	07158852	Limited Company	Crematorium	99	(117)
J Edwards and Son (Funeral Directors) Ltd	1256971	Limited Company	Non-trading	100	-
Southern Co-operative Funerals Ltd *	00382640	Limited Company	Funeral furnishing	100	(202)
Southern Co-operative Properties Ltd *	05016485	Limited Company	Property management	100	(2,043)
Co-operative Franchising Ltd*	06492138	Limited Company	Grocery retail licensing agent	100	(227)
Co-operative Independent Living Ltd *	06538560	Limited Company	Non-trading	100	-
Caring Ladies Funeral Directors Ltd	03102001	Limited Company	Non-trading	100	-
Caring Lady Funeral Directors Ltd	08159436	Limited Company	Non-trading	100	-
South of England Funeral Partners Ltd *	06961496	Limited Company	Investment	100	(184)
South of England Natural Burials Ltd	08322729	Limited Company	Non-trading	100	-
Sussex Woodlands Ltd*	06542570	Limited Company	Natural Burial Ground	100	169
Cobra Coffee Ltd*	08549511	Limited Company	Coffee Retailer	100	980
Crossco (1442) Ltd*	11758613	Limited Company	Non-Trading	100	-
Cobra Coffee South West Ltd*	8576967	Limited Company	Coffee Retailer	100	201
Natural Burial Grounds Ltd*	13689312	Limited Company	Natural Burial Ground and Funeral Furnishing	100	-

\*Subsidiaries taking advantage of the exemption from the requirement to have their own accounts audited in accordance with s479A of the Companies Act 2006. Copies of financial statements of The Southern Co-operative Limited can be obtained from the Society Secretary at 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE.

**THE SOUTHERN CO-OPERATIVE LIMITED**

**FIVE PERIOD COMPARATIVE STATEMENT**  
**Year ended 30 January 2022**

<b>Year ending January</b>	<b>2022 52 weeks</b>	<b>2021 53 weeks</b>	<b>2020 52 weeks</b>	<b>2019 52 weeks</b>	<b>2018 53 weeks</b>
Membership ('000)	139	132	145	144	158
£'000					
Turnover	494,090	490,282	466,835	450,851	431,190
Depreciation and amortisation	15,189	14,238	13,442	16,600	12,661
Group Operating Profit	4,337	2,809	1,463	2,566	5,593
Retained profit/(deficit)	1,505	154	606	(869)	2,806
Fixed assets	184,357	161,226	162,651	170,877	165,394
Net current assets/(liabilities)	(16,774)	2,901	(89)	(9,552)	(9,388)
Total assets less current liabilities	167,583	164,127	162,562	161,325	156,006
Long term liabilities including pension liabilities	41,917	41,383	40,848	40,507	34,771
Net assets including pension liabilities	134,009	126,612	128,530	125,566	121,591
Share capital	747	726	655	632	589
Reserves	131,815	124,435	126,420	123,474	119,542
Minority interest	1,447	1,451	1,455	1,460	1,460
Total retail sales area (sq. ft. '000)	519	518	515	527	556