

How the Board considers stakeholder interests

(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 a 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 consider our purpose and values in our decision making, as these ultimately steer and guide our business; the needs and interests of our colleagues, members, customers and other stakeholders; ethical, community and environmental impacts; and opportunities alongside commercial and potential reputational impacts for our business and brand.



A decision-making compass was created in 2019, with the Leadership Team using it since this time.

The compass acts as a guide for the Board and management in taking a holistic approach to decision making and embedding our co-operative difference at the heart of this. 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 to enable 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.

Putting Section 172(1) into effect

Our directors have had regard to wider stakeholder needs when performing their duty, and making decisions throughout 2021. The following are considered by the Board to be good examples of the breadth of our decision-making process in practice.

Protecting our People

The Board continues to authorise significant investment in a programme of activity to protect our people. This strategy aims to enhance colleague and customer safety and security, taking into account the increasing impact of violence and crime, particularly on our retail business. A holistic approach was agreed to ensure that alongside practical measures, community activity and political lobbying seek to help to address societal issues which lead to such violence and crime. We cannot do this alone and work in partnership with community partners and experts focused in this area.



The decision to make a significant investment in this programme is an example of how the Board has considered impacts on its colleagues, customers and communities within which it operates. The investment has provided the opportunity for training to frontline, customer facing colleagues in our food retail and end of life services businesses. Within food retail we have focussed on 'securing our assets' and 'creating a safer environment' whilst providing critical incident support. Webinars and virtual workshops were available to help build confidence and knowledge in these important areas. 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".

Protecting our customers and colleagues through the COVID-19 pandemic

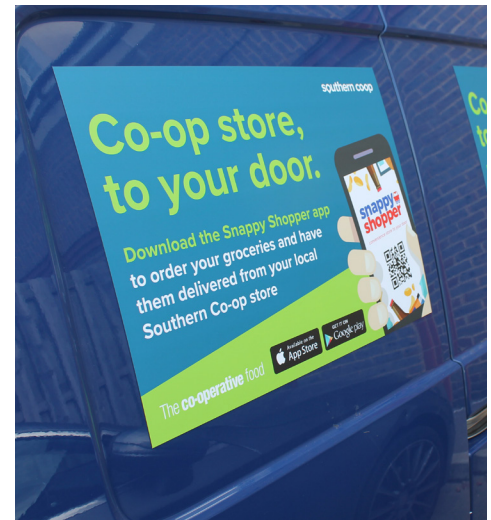
The Board have continued to monitor the COVID-19 protections in place to keep our customers, clients and colleagues safe throughout 2021. As restrictions eased, a decision was made to keep hygiene screens, cleaning regimes and sanitiser stations within our stores. Government guidance on face coverings has been followed. Colleagues have continued to be supported in self isolating when required, which at times has seen some disruption to operating hours for our food retail and Starbucks stores. Our colleagues have been outstanding in supporting our communities throughout 2021 and the Board endorsed further recognition payments to our front-line colleagues to acknowledge this. Our full COVID-19 statement can be found in our Annual Report to members.

COVID-19 restrictions resulted in the majority of our Lakeside office colleagues needing to work from home for parts of 2021. This provided an opportunity to evaluate remote and hybrid working. With a diverse workforce we have sought to evolve the way we work. Based on feedback from colleagues and managers in Lakeside, we established and successfully trialled a framework of choice-based working which gives colleagues, in the majority of roles, the ability to work from home for up to 3 days per week. We believe, however that colleagues benefit from spending time together, whether for social wellbeing, to build relationships, share ideas, problem solving or task completion; therefore this approach ensures that all colleagues spend some of the working week in our Lakeside office. The new flexibility has been welcomed, with improvements in morale, motivation and productivity.



Home Delivery

During the COVID-19 pandemic a large number of customers who are elderly and vulnerable within our communities found it difficult to access food shopping locally. The Board endorsed the trial of a new home delivery service in the Portsmouth and Chichester areas in 2020 which was welcomed and has supported further development of the service during 2021. Home delivery is now also available on the Isle of Wight, and in Southampton. This offers customers in these locations a different way of shopping with us, extending choice for our customers. Members using the 'Snappy Shopper' app are able to earn share of the profits points as they would if visiting our stores.



Store consolidations

In two locations within our trading estate, Denmead and Binfield, Southern Co-op has operated two stores within the same village. During the year, the Board determined that in both locations the two stores would be consolidated with one site closing. In making this decision the Board has considered the impact on the local community and colleagues. The consolidation of our stores will enable our customers to access all of our services within one location and will enable us to ensure that the remaining stores trade effectively. No job loss has been encountered by our colleagues with all continuing to be offered roles in the locality. The Board continue to be committed to the communities in these locations.

Our franchised food store growth

The acquisition of viable new store locations across the south of England continues to be intensely competitive. The Board has continued its strategy to grow our franchise estate in those locations where managed store opportunities are not available during 2021. Welcome opened a further 13 new stores. Of these, seven stores were opened by five new Welcome franchisees, and six from existing franchisees opening new stores. We opened two new to market stores, Hayes and Taunton with the rest converting from other symbol brands. 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. Our Franchise strategy enables us to partner with a number of franchise partners to bring quality co-op branded products to new communities whilst enhancing the benefits of scale within the wider co-operative buying group. Southern Co-op works closely with its franchisee partners to help them develop successful businesses, and the income received from these ventures is used within Southern Co-op to further our own strategic aims, creating profits to share with members and communities in future years.



Sholing Welcome



Upminster Welcome



Wixams, Bedfordshire Welcome



Statford Park Welcome

Growth of our Starbucks coffee estate

The strategy to grow our estate of Starbucks coffee stores has continued to be supported by the Board who approved investment for the acquisition of 12 trading stores sited mainly in the south west, and two drive-thru sites in Bognor Regis and Plymouth through the purchase of Amsric Limited. One store within the portfolio acquired (Torquay) was closed. In addition to this the Board approved investment in 24 additional new coffee store sites during the year. Our extensive new store programme provides employment opportunities for those involved in their construction, fit out and operation.



Oxted



High Wycombe



Coypool



New Malden

Throughout the pandemic we have seen a growth in orders via the Starbucks app with delivery service important to many customers. We have therefore 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 these aggregators increasing the reach of our stores to a wider customer base. The Board continues to consider that growth in our coffee business provides strategic benefits from a diversified income stream for the benefit of the whole co-operative and our members. In our Starbucks franchise we continue to focus on a 50% reduction in waste, water & carbon with strategies in four areas - move away from single use cups, plant based menus, greener stores and regenerative agriculture. We have supported this with a focus on promoting re-usable cups, the launch of 'Too Good To Go' bags to reduce food waste, and more sustainable milk choices at no additional cost.

Growing and improving our end of life services

During 2021, the Board has approved investment in vehicle fleet, crematoria, natural burial grounds and funeral homes to ensure that our clients are able to receive the best level of service when faced with bereavement. This investment saw our expansion into Buckinghamshire with new funeral homes in High Wycombe, Hazelmere, Wendover and Aylesbury. Two funeral homes in Dorset have also been acquired. Seven branches have received a full refurbishment to enhance and modernise the sites for the benefit of our clients.

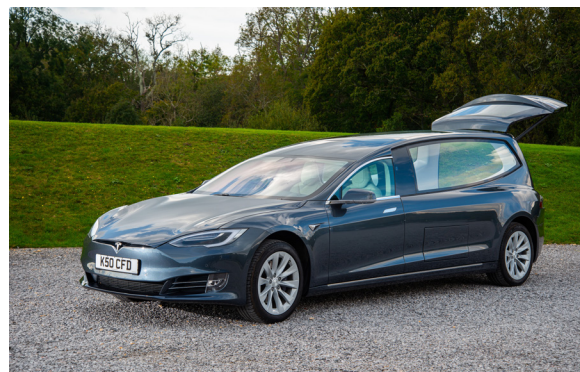
Within our crematoria sites, the Board has approved investment in the form of the acquisition of circa four acres of woodland to the east of The Oaks Crematorium to enhance the biodiversity of this area. Landscaping works have already been completed on the existing site to enlarge the memorial grounds at the front of the entrance and the meadow. At East Devon Crematorium internal and infrastructure works have been completed to further enhance this natural setting.

The Board approved the acquisition of three natural burial grounds during 2021, having previously set a strategy to expand this part of our end of life services offer which aligns with our ambitions to offer more sustainable choices to clients. The woodland burial grounds are located in Hampshire, Dorset and North-West. Our original natural burial ground, Clayton Wood, has also received investment and



improvement including the opening of a new meadow on the southern aspect of the site to improve the client visit experience.

The Board approved the acquisition of new vehicles in the year with an additional Mercedes hybrid hearse and limousine, two mild hybrid ambulances and the first all-electric 'Whisper' Tesla-based hearse joining the fleet. To support the ongoing running of these vehicles, electric vehicle chargers have been installed at our support centres and The Oaks Crematorium. This investment not only reduces our carbon footprint but also offers a more sustainable option to our clients.



HM Treasury concluded its investigation into the pre-paid funeral plan market during 2021 and has formally announced that this market will now move to become fully regulated under the Financial Conduct Authority in 2022, to ensure a robust set of standards and oversight is achieved. We fully support this decision, and our Board has approved investment in our processes and systems to ensure that we can achieve registration under the regulations and therefore be able to continue the sale of funeral plans to our clients, and service those existing clients when the regulations come into effect in July 2022. This action will ensure that our clients are able pre-plan their funeral arrangements through our end of life services with the assurance of our high level of care and attention when the time comes.

Local Suppliers

During 2021, we welcomed 20 new local suppliers across a number of our counties including coffee from the Isle of Wight, 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, our Board endorse the strategy to support local businesses and to help them develop. However, our local suppliers equally support the Society. Given



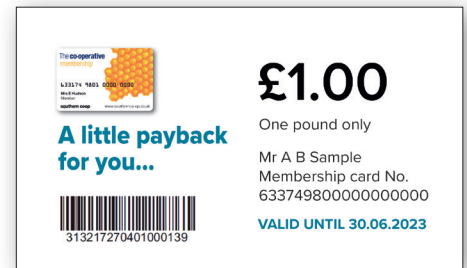
challenges in the broader supply chain network this year, our local suppliers have maintained availability and continuity of supply for our customers. Kent Crisps, Popcorn Kitchen, South Downs Water, Hunt's Food Service and Curry On Wheels were all extremely supportive suppliers when asked to provide 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 increased their supply to more stores. 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.

To promote the products our local suppliers supply under our Local Flavours range we ran an exclusive 25% off promotion for our members during October and November 2021. We will continue to support our valued local suppliers/businesses.

Recognition for our members

When our business does well, so do our members. Each year, once we know what profit the business has made, we share a proportion of it with our members. Unsurprisingly, we call it a 'share of the profits'. The Board were 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 in relation to the 2021-22 year. 1.5p per £1 of eligible spend was paid to members for spend during the first half of the year (February – July 2021). 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.

In the interests of our membership, 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 affinity partner societies. An increase in our 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 society.



Investing in pay

In November 2021, the Board supported the decision to invest in our retail Customer Service Assistant and Duty Manager pay and bring forward the annual pay review to 28 November, which provides colleagues with additional benefit over 5 months. Annual increases were also made in spring 2021 across all roles. 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, with some colleagues receiving a pay increase to align their salary with the revised salary range.

People Systems Programme

In 2021, the Board approved capital investment for a People Systems programme. This programme will implement new technology across all of 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.

Kick Start

The Board has been pleased to support the Society's 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. Our aim was to provide 75 paid work placements opportunities to young people in our communities. By December 2021, we had provided work placements to 51 young people and registered a further 70 placement opportunities with the Department of Work & Pensions, exceeding our original target. Ongoing employment has been offered to 13 of our Kick Starters.

**KICKSTART
SCHEME**

Wellbeing

The Board endorses the work within Southern Co-op to support colleague wellbeing across four priority areas: mental, social, physical and financial. Awareness programmes, self-help tools, and career development through academy training and apprenticeships are just some of the elements which have progressed during 2021.

Southern Co-op has sought to help small to medium size enterprises within our region by transferring unused apprenticeship levy to sponsor apprenticeships in health care support, pre-schools and community charities, demonstrating the action being taken to consider how the Society can make a positive difference to the communities in which we operate.

In January 2022, the Board supported 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 a psychotherapist and life coach. Members also have access to a free personal POWR planner to help improve well-being via our [Member Benefits Portal](#).



Diversity and Inclusion

Our new Diversity & Inclusion (D&I) programme began in April 2021 with colleague Listening Groups, which were followed by the launch of the YouGov/Business in the Community 'Race @ Work Survey'. Colleagues from across the business participated in the survey and the results provide invaluable insight to inform our D&I agenda over the coming years. 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 D&I session with our Board of Directors. Directors have since undertaken a self-assessment against the 'Inclusive Leadership' model and are considering actions which may enhance their inclusivity, both individually and as a Board. A comprehensive education programme for line managers and colleagues will launch in 2022.

The Board is committed to driving changes and appointed Director, Joanne Gray, as Board Ambassador for Diversity and Inclusion, is lending her personal support to driving this agenda. 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 to 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 board opportunities. Following a selection process, Olusoji John was appointed to the Board for an



initial term ending in May 2023. Ratification of this appointment will be sought from members at the AGM in 2022.

Acknowledging that they were at the beginning of their journey and didn't have all the answers, the Board asked members in 2021 to share their views in relation to diversity and inclusion. The Board is 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. They are also keen to make our Board of Directors more accessible to members, and to understand changes that could be made to improve this.

Our commitment as a responsible and sustainable business

The Board has previously endorsed the alignment of our business strategy with the United Nation's Sustainable Development goals, www.sdgs.un.org/ goals and the prioritisation of three goals:



Climate Action (SDG13) - our Climate Action Group oversees work in this area.

In 2020, the Board endorsed specific targets, endorsed by the Science Based Targets Initiative, which define our climate action ambition;

- To reduce absolute (Scope 1 and 2) greenhouse gas emissions from our direct operations by 50% by 2030 from a 2019 base.
- To reduce the absolute Scope 3 emissions associated with our products and wider supply chain, from our managed trading businesses, by 17% by 2030 from a 2019 base year.

During 2021, the Board approved investment in retrospectively fitting ecoblade technology to refrigeration, solar panels, electric and hybrid vehicles and the replacement of obsolete integral refrigeration, demonstrating its commitment to our climate action plans. Southern Co-op has also advanced plans to introduce community fridges, tackle food waste and move to compostable carrier bags.



Sustainable Cities and Communities (SDG11) - our ongoing community programmes help to build strong, resilient and sustainable communities.

The Board continue to endorse our community support both at a local and regional level through our Love Your Neighbourhood programme.



Responsible Consumption and Production (SDG12) - our strategic work includes obtaining value in our contracts but not at any cost; alongside work on creating a more circular approach to waste and packaging.

The Board supports ongoing monitoring and measurement of our responsible business performance through Business in the Community's Responsible Business Tracker, and requires proposals that require Board approval to be presented in line with our decision-making compass to ensure that a wide range of lenses are applied.

The views of our key stakeholders

As a co-operative, our Board is interested in the views of our members. Due to social distancing requirements, as a result of COVID-19, our usual programme of events with members had to be put on hold during 2021; however, our Board ensured that our annual general meeting was held in May 2021 as an online event. Members were able to submit questions to our Board and Leadership ahead of the event and during the event, with the answers to all questions being made available on our website, including those answered on the night. Members voted on proposals 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 chairperson and the reservation of one seat on the Board for co-option to advance the diversity of the Board. Following positive reaction from members surveyed in 2020, 2021 saw the introduction of proxy voting for the first time. More than 5,000 members took the opportunity to instruct the chair of the meeting to cast their specified votes on their behalf, as they were unable, or not inclined to, attend the meeting. The Board was pleased to see more members using their voice to have a say on key governance matters. Our members also voted in our election for the Board of Directors selecting their representatives from within our membership.

The Board continued to communicate with members via their online communication channel 'Talk to us' (www.thesouthernco-operative.co.uk/membership/your-board-of-directors/talk-to-us/) during 2021. This provides members with a way in which they might share their views and ideas throughout the year. A number of members have taken this opportunity in 2021 discussing a range of subjects including; 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.

As mentioned above, the Board sought the views of our members in relation to diversity and inclusion in December 2021. Over 1,400 members responded to this survey. See our Annual Report for more information on the survey and its findings.

The views of our colleagues are always important to the Board and colleagues took the time to share their views on diversity and inclusion through listening groups and the YouGov/BITC 'Race @ Work Survey' during 2021, as well as participating in the Board election and annual general meeting.

Our customers regularly engage with our store and central teams and share feedback which is invaluable as our Board consider the impacts that their decisions may have.

Approval for this Section 172 Statement This statement was approved by the Board of Directors of The Southern Co-operative Limited on 28 April 2022.



Mark Ralf
Chairman