



Directors' Annual Report and Financial Statements for the 52 week period ended 28 January 2024



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

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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Chair	Mark Ralf	
Vice-Chair	Anthony Scott	
	Joanne Gray	
	Helen Jackson	
	Jessica Danyluk	
	Olusoji John	
	Judith Feeney	
	John Harrington	
	Dominique Opperman	(Appointed 25 May 2023)
	Alison Hesselberth	(Appointed 25 May 2023)
	Beverly Wyatt	(Resigned 24 May 2023)
	John Lay	(Resigned 24 May 2023)

INDEPENDENT CHAIR OF AUDIT AND RISK COMMITTEE

Lucy Knox

CHIEF EXECUTIVE AND LEADERSHIP TEAM

Mark Smith	Chief Executive
Simon Eastwood	Chief Operating Officer Food Retail
Silena Dominy	Director of Corporate Affairs
Gemma Lacey	People and Sustainability Director
Greg Wilkins	Finance Director
Stephen Pearce	Chief Operating Officer End of Life Services (until 12 May 2023)
Sarah Kavanagh	Business Transformation and HR Director (until 26 January 2024)

SOCIETY SECRETARY

Silena Dominy (until 30 September 2023)
Tessa Briggs (from 1 October 2023)

BANKERS

Barclays Bank Plc, Barclays House, Oceans Way, Ocean Village, Southampton, SO14 2ZP
HSBC UK Bank Plc, 94 Terminus Road, Eastbourne, BN21 3ND

INDEPENDENT AUDITOR

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

CHAIR'S STATEMENT

In times of economic and political uncertainty such as we have seen in the last two years, we are strengthened in our belief in the importance of our longstanding responsible business model and our purpose led approach as a co-operative. In these conditions particularly, we have clearly needed to focus closely on securing the best possible commercial performance from our trading businesses to enable the wider objectives we want to deliver over time.

This approach will ensure that we continue to create the means by which we can continue to invest into the future. This will enable us to both keep growing our trading base, and to deliver on our public commitments on carbon reduction. I am pleased to say we are well ahead of our plan on cumulative carbon reduction so far, and we continue to allocate capital expenditure to this crucial project.

In 2023 there were multiple well documented headwinds facing all retailers that are adversely impacting our current profitability. These external factors, and some of the action we have had to take to deal with them, have impacted our published profit figures this year.

The action we have taken during 2023 in response to these exceptional external conditions have maintained a meaningful underlying cash profit (EBITDA), both for this year, and as a platform for future growth.

Our long-term investment approach looks to deliver sustainable profit growth over time, but the world around us will periodically mean that we have to accept some short-term setbacks in our aim of growing profits year on year. Whilst 2023 was such a year, we have a clear line of sight to increasing profits over the next two years through our strategic plan through to 2026.

I want to address the issue of retail crime which remains a major and increasing challenge to all retailers. It is now well known that there has been another unwelcome increase in the scale and seriousness of retail crime in the last twelve months. We are treating this as a top corporate priority through our well established Protecting Our People programme. This approach secures ongoing investment for measures to increase security and protects and supports our front-line colleagues, particularly in retail.

It is also the framework through which we lobby externally alongside others to secure greater awareness of the issue and improvements in areas such as police response to crime and strengthening the criminal law. We welcome the Government's intentions to make assaulting a retail worker a standalone criminal offence and remain committed to continue campaigning alongside others in our industry for further widescale changes.

On a more positive note, I am delighted to report great results from the work we have been doing to increase our membership and the amount our members spend with their co-op. This year has seen a 51,000 increase in member numbers which now exceed 200,000 and a 5.6% improvement in the number of members actively transacting with us.

This reflects the development of member offers and other retail pricing opportunities for people to benefit instantly from their membership. We are continuing to evolve our approach so that it remains highly relevant to our members and will ensure that our recent progress continues.

One of the enduring strengths of Southern Co-op is our success in working closely with others to mutual advantage. This year has seen further progress in deepening our relationships with organisations that share our values such as Neighbourly, and local Wildlife Trusts.

As I come to the end of my term of service as Chair, I would like to say that I have enjoyed my time serving on the board enormously. It has been a joy to work with the senior Leadership

Team, the Board and colleagues at Southern Co-op over the years.

I would particularly like to thank Silena Dominy, who has just left the Society, for her wonderful support to Southern Co-op over her long service and especially to me, the Board and members, during my time as Chair.

Our Society has grown in size and is now considerably more robust for the future with its three business areas - food retail, end of life services and coffee. Over the last five years, we have grown our coffee business to a substantial size and it is now a significant contributor to our results. This has been a deliberate strategy to reduce our business risk and diversify our income streams.

I am very proud of our environmental goals and achievements which culminated in the Queen's Award for Sustainable Development in 2022 and our determination to drive forward this agenda in every part of the life of our Society.

Following our 150th year, we have more members, who spend more in our businesses and are more engaged through our member activities such as voting and taking part in our AGM compared to six years ago. And with our members, I am proud that our Co-op has supported a wide range of community and charity activities with millions of pounds.

I am confident that our new Chair Designate, Janet, along with the Board and senior Leadership Team will ensure our Society is fit and strong and will thrive in the years ahead. I remain a passionate supporter of our Co-op and look forward to watching the Society flourish in the years ahead.

Mark Ralf
Chair

CHIEF EXECUTIVE'S REVIEW

TRADING BACKGROUND

The last 12 months has seen the full year impact on both consumers and business operating costs from the rapid rise in general inflation that began in 2022. The headline rate of the annual inflation index is now easing albeit this will only reduce the inflation burden on consumers, not remove it. Disposable incomes in total have grown in real terms most recently, but many household budgets remain extremely challenged. Looking ahead this is likely to continue to adversely impact consumer spending generally.

OUR BUSINESS THIS YEAR

Our businesses in retail and hospitality have a particular exposure to the cost pressures that arise from significant ongoing annual increases in National Living Wage along with higher business rates, which remain unreformed at a time of lower consumer footfall on the High Street.

We are working hard to manage these impacts, but they inevitably effect profitability and the returns achieved on our investment in assets such as new stores. However, we are committed to continuing to invest in profitable growth for the long-term success of our businesses, whilst acknowledging that reported losses have increased this year.

We are focused on a clear plan to improve profitability over the next two years, even with the additional cost challenges. This will include managing the major cost of increasing levels of retail crime across the industry.

We are seeing the benefit of our investment in business growth in recent years with both our Starbucks and Welcome store estates now having grown to over 70 stores each. We have plans in place to grow both chains further in the next two years.

I would like to recognise the ongoing business commitment of our independent franchise owners who now work with our team to deliver in excess of £100m pa of retail sales from our Welcome estate.

In our managed convenience food business, we have focused on consolidation of earlier investments, and successfully updated store resourcing models. 2023 also saw the completion of our cross-year programme of strategic IT system investment. As part of this, we successfully deployed a new end to end People Systems and a supporting intelligent Workforce Management system into our food stores.

The final element of the Food IT programme is a generational change in the software that optimises use of store space, and the creation of curated ranges for our stores. This new AI enhanced package was live from March 2024.

Within our End of Life business, I am pleased to say that 2023 saw us complete the final integration of the natural burial and funeral home businesses we brought into our operation from the start of 2022. We have also further embedded our centralised funeral planning operation. This now offers face to face, telephone and digital channels to deliver a quality pre-paid funeral planning experience to our clients. Both developments will be a platform for significant growth over the next few years.

Total Capital Investment spend on these and other projects during the year remained significant at £20m in 2023 (LY £21m). This was primarily funded from our own resources and revolving credit facility. As a result, we end the year with another strong balance sheet.

BEATING OUR CLIMATE CHANGE TARGETS

I am very pleased to say that we also end 2023 on track with our medium-term Climate Pathway. This plan sets out how we intend to meet the challenging carbon reduction targets for 2030 that we publicly committed to in 2020. We will be publishing a new further improved emissions target later this year.

SOME ONE-OFF COSTS OF CHANGE THIS YEAR

During 2023 we re-set the ratio of our central overhead costs to the profits being made by our trading businesses. A thoughtful and careful reorganisation exercise to realise the necessary savings was completed in the autumn. This was delivered efficiently and in a way that was consistent with our values.

The one-off costs of making those changes have impacted our published profit results for 2023. To help understanding of the in-year impact of that, we have made reference to the underlying profit position before these one off costs of change.

This underlying cash profit, expressed in this Annual Review as EBITDA, has remained relatively stable around £15m pa over recent years. This is despite the significant cost increases in energy, living wage, and business rates over that time and reflects the mitigating actions we have taken, including the in year restructuring costs incurred at the Head Office.

A FORWARD VIEW

This level of positive cash generation, with our very modest level of debt, means we are well placed to deliver future growth through our capital investment programme. To further enable this, we remain committed to taking a positive long-term view on the investment opportunities open to us. The further investment is part of a clear plan for 2024 & 25 that will see us remove the loss from 2023 as part of a planned return to growing profitability year on year over the medium term.

The forward financial view is part of an updated strategic plan through to the middle of this decade. To deliver this, we will remain a purpose led business and will continue our drive 'to work together for the benefit of our communities'. The strategic plan period to 2026 has the following key objectives as we focus on our twin core priorities of volume led trading profit growth and climate pathway delivery.

1. Growing volumes in our convenience food business
2. Achieving our target to reach 100 Starbucks stores by the end of 2025
3. Driving market share in natural burial, cremation and pre paid funeral plans.

We will be publishing further details of our enhanced forward targets on carbon emission reduction later in 2024.

THANK YOU

I would like to thank all my colleagues across our Southern Co-op owned businesses whose talents and commitment enabled us to deliver further sales growth this year as total income reached a new record of £546m. I also need to thank them for their part in helping us to manage and contain the profit impact from the many external headwinds we have faced together this year.

Mark Ralf has completed the maximum permitted seven years as our Chair and has been an outstanding support to the business during his time leading the Board. In this role, Mark has successfully steered the governance of our business through the many extraordinary external events since 2016, and has made a huge personal contribution to Southern Co-op. We wish him and his family well for the future.

OUR LONG TERM PLAN

We remain committed to delivering our long-standing purpose to ‘work together for the benefit of our communities’. As a purpose led business, our vision is to play our full part in building a fairer society and more sustainable world.

We continuously review our long-term plans in the context of an evolving market and economic conditions. We want to grow all parts of our business, but we recognise that market conditions may mean that different parts of our operation will grow in different ways and at different paces. We also believe it is beneficial overall to gradually adjust the mix of our businesses over the medium to long term, whereby we are less concentrated on a single business area (currently convenience food) to build a more balanced portfolio of businesses.

We aim to achieve this by growing our non-food businesses faster than our core convenience business, which will also see continued growth, through enhancing customer value and experience in our existing store estate. This approach leads us to invest in systems to drive core sales in food. It also allows us to identify routes to achieve significant growth in new locations for both our Starbucks franchise and in End of Life, particularly with natural burial, building on our successful crematoria business. We believe this approach will bring enhanced returns for members over time, along with a better spread of market risk over the long term.

OUR PLAN 2024 - 2026

To help us deliver these aims, we recently updated our existing medium-term strategy, which we refer to as ‘Our Plan’. This extends the period covered by the existing plan to 2026. Within this, we have two overarching objectives for the next two years which can be summarised as follows:

1. To increase profits and efficiency in our business and;
2. To deliver on our climate ambition

To achieve this, Our Plan has component strategies for each of our trading businesses and for our central functions that support all our operations.



The top priorities for our trading operations for the next two years are:

1. **Retail:** Deliver growth in the volume of products sold in our convenience store estate by serving more customers and enabling each customer to meet their top up food shopping needs on every visit to one of our stores.
2. **Coffee:** Open at least 20 new stores in line with our long-term growth ambition to achieve a Starbucks franchise store network of 100 stores by the end of 2025, alongside building the necessary back office support for a successful 100 store business.
3. **End Of Life:** Achieve further growth and diversification by developing our recent investments in new burial grounds and building our share of the pre-paid planning market as an FCA authorised provider of these products.

Our strategy also includes a clear objective for a central operation that fully enables us to maximise our trading business opportunities and deliver on our climate pledge through our Climate Action Pathway.

To achieve this, the primary focus for our central teams through to 2026 will be on ensuring we have highly effective systems, processes and business information, enabling us to work smarter together with our frontline colleagues.

All of our business strategies are built on comprehensive people plans to ensure each colleague within Southern Co-op is in a position to contribute fully to our collective success, whilst individually having every possible opportunity to develop and achieve their professional goals.



Trading Report

FOOD RETAIL

This year's backdrop continued to be tough with a volatile economy, a deepening cost of living crisis, challenging labour market and rising inflation. Sales and volume have been significantly challenged against changing consumer behaviours and markets. However, we have remained focused on our plans to invest in pricing, product ranging and the store offer while working to support our colleagues who are dealing with unacceptable increasing levels of violence and crime in our stores.

PRICING

The period of sustained food cost inflation that marked the whole of 2022 accelerated over the winter of 2022-2023 and by April 2023, all national measures of inflation were reporting an annual rate of 19%.

We continued to invest in prices both for member deals and through category pricing. We activated ten member offer campaigns in 2023 resulting in special offers and prices for all Southern Co-op members. This was promoted at the shelf edge and processed at the checkout on presentation of a valid Southern Co-op membership card. This move delivers more regular and instant member value and was in response to members feedback from a survey carried out in January 2023. The action also supports the rising cost of living challenges and competitor activity on pricing and value.

HOME DELIVERY

We experienced another year of growth for our home delivery service as we moved to two home delivery partners. After an initial 18 store trial with Just Eat, we made the decision to continue a roll out across the estate to accompany UberEATS.

We finished the roll out of stores onto the UberEats platform, ending the year with a total of 115 live stores. The Just Eat trial initially launched across Southampton in April 2023 before a full roll out to 173 stores in August 2023. This means that 194 stores now offer one of these aggregators with over 100,000 transactions completed in the year.

LOCAL FLAVOURS

Following our 15-year anniversary celebrations in 2022, our Local Flavours range continued to perform positively. We added over 100 new products from both new and existing suppliers and continued to enhance the relationships we hold with our suppliers ensuring the range is fit for purpose for our members and customers, and also helps to support the local economies in which we and our suppliers operate.

REFITTED STORE

Following a fire at our Denmead store, a full refit was completed in under 12 weeks, including a full strip out of the building and deep clean to eliminate smoke damage.

Our Development and Proposition Delivery teams worked with our contractor partners to get the store open and trading in time for Christmas for our customers and members. The look and feel of the store has been modernised with new flooring, lighting, layout and customer service area.

PROTECTING OUR PEOPLE

Across 2023, a total of 32,922 incidents of theft (all types) were reported by our stores. This represents a 46% year on year increase. In addition, our stores reported a 29% increase in Colleague Impact Incidents (harassment/threats/verbal abuse) totalling 9,537 incidents.

This unprecedented and shocking increase is reflected across the convenience and wider retail sector and is evidenced by ACS (Association of Convenience Stores) and BRC (British Retail

Consortium) reports. The business has provided additional funding to ensure prolific offenders are identified and brought before the courts, and this unique and collaborative approach has delivered great success.

The partnership work undertaken throughout the year with police, Local Authorities and other organisations has produced positive results for our store colleagues and communities. This work will continue through 2024 supported in many instances by the opportunities driven by our Safer Neighbourhood Fund – more details of which can be found in our community section.

Investment in equipment solutions continued with the installation of 'one way entrance/exit barriers' and the deployment of Body Worn Video cameras to a number of trial stores across our estate.

PREVENTING BAKERY WASTE

As part of our ongoing drive to reduce food waste in our stores we launched a new type of bag – 'the Bakery Bag'. Since starting, we have sold 20,565 bags with each containing approximately £6 retail value of bakery product. More information about measures we've taken to tackle waste more generally can be found in our sustainability section.

WELCOME FRANCHISE

It has been another year of growth for our food franchise estate. Working with our franchise partners, we have added 7 new stores this year in Westhoughton, Dewsbury, Bournemouth, Ripon, Wakefield, Tower Bridge and Wirral. The total number of Welcome stores at the end of the year was 72.

We continue to support our franchisees with refits and updates to their stores, along with the latest technology (such as electronic shelf edge labels) to improve the overall store experience.

We are proud to have been reaccredited by the British Franchise Association for another three years and pleased to have been rated in the top three of all newcomer surveys completed for 2023.

COBRA COFFEE FRANCHISE

Cobra Coffee, our Starbucks franchise, grew from 63 to 71 stores this year with a team of around 850 partners (employees).

Highlights this year include a record gross sales week of £1.2m and celebrating the 10-year anniversary of our partnership with Starbucks. We also merged our two operating companies into one, joining us all together in one company – Cobra Coffee Limited.

PARTNER DEVELOPMENT

We increased the size of our operational team by one to seven District Managers, two Hub District Managers and one New Store Opening Manager.

This year, we continued to embed our people systems (I-Trent and e-Arcu) whilst also bringing our payroll in-house further improving our people systems and processes. We also further developed 'Connect' (our internal communication platform) for stores.

We worked hard to stabilise our team turnover, working closely with our recruitment team to conduct recruitment events and reduce the average time to hire. We developed our people plans with some good internal progression into Store Manager roles whilst supporting our growth with more experienced external hires.

Listening to our teams continued to be a focus throughout the year with four Store Manager Brunch Clubs taking place in addition to our own culture survey and a Starbucks partner survey. We celebrated our partners of the month and quarter, reinforcing our company values of pride, passion and care.

OPENING STARBUCKS STORES

We continue to develop a balanced store portfolio having opened stores in Egham, Wimbledon, Brighton, Lewes, Alton, Ferndown, Bournemouth and Rustington. This includes one Drive-thru store, two Retail Park Stores, one Roadside Store, two High St Stores and two Sainsbury's concession stores. Drive-thru stores have continued to trade well outperforming other types of store location during the financial year.

Our financial year end position is 71 stores. Our store mix now contains 11 Drive-Thru stores, 36 High Street stores, seven Sainsbury's stores, three Shopping Centre Locations, five Commuter/Travel locations, eight Retail Park stores and one University location. This provides an overall more resilient business mix.

In addition, we have invested back into our stores with nine refurbishments, plus a significant investment into digital menu boards and new Mastrena 2 coffee machines for all stores.

COFFEE KNOWLEDGE & SKILLS

Throughout the year we set a Coffee Challenge to develop knowledge and skills across all roles in the business and further grow the number of Coffee Masters. This was supported with many coffee tastings on "Coffee Tuesday" with partners and customers in stores.

Our Barista Championship was won by Ana from Clifton Down who went on to be in the top three in the UK final. We have reached the UK final for the last 3 years having won it in 2021 and been in the top three in 2023.

SUSTAINABILITY AND COMMUNITY

Within our Cobra Coffee stores, "Too Good To Go" was launched in 2021 and completed its second full year anniversary with 49,641 bags sold during 2023. Since its launch we have sold over 100,000 bags providing a significant saving on waste and a CO₂^e saving equivalent to 1,100 flights between London & Berlin. In addition to this, £140,179 has recently been donated to Hubbub from our takeaway cup sales - this is a Starbucks led programme to support wider environmental initiatives.

In our stores we provide a re-usable cup to all our partners on their first shift with Starbucks incentivising customers using a re-usable cup with a 10% discount and 25 Stars for Reward Members on their app.

We continue to work with NHS Charities Together giving NHS workers free coffee at various times throughout the year. In December, we provided 6,675 free tall drinks to NHS workers with a retail sales value of £29,000.

END OF LIFE SERVICES

ELS performed very well in another difficult and challenging year. We have continued to invest in our colleagues, vehicle fleet, crematoria, natural burial grounds, funeral homes, and funeral planning to ensure we offer our clients the best level of service.

FUNERAL SERVICES

At the end of the financial year, we had 59 funeral homes. We took the decision to close one funeral home this year, our private named A Monger funeral home just outside Basingstoke. This branch had been operating by appointment only for several years with no colleagues directly impacted by the closure.

Our focus this year has been on increasing our resilience to cope with an increasing death rate, with that trend expected to continue for the foreseeable future. Four temporary mortuary units and improved in branch facilities have enabled us to increase our capacity by 30% to support rising demand and more families.

We continue to invest in our fleet with three new ambulances being delivered this year, two of which were fully electric. An order has been placed for a fourth, a plug-in Hybrid ambulance, due for delivery later in 2024.

CREMATORIA & NATURAL BURIAL GROUNDS

The Oaks, Havant Crematorium and East Devon Crematorium (EDC) have had a stable year. Our natural burial ground, Clayton Wood in East Sussex, along with three burial grounds, 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 northwest, have become well established since our acquisition of the sites in December 2021.

We have continued to enhance the customer experience at the sites by refreshing service halls and installing music and visual tribute systems and screens. We've also developed the memorial proposition whilst engaging with the local community.

We have continued our sustainability focus installing Electric Vehicle charging points at both The Oaks and East Devon Crematorium. We have also extended this focus into state-of-the-art equipment to provide a cleaner and more efficient cremation service. You can read more about how we've supported nature at our natural burial grounds and crematoria in our sustainability section.

AWARDS

The Oaks celebrated its 10th anniversary at the end of 2023 and was also a finalist in the Hampshire and Isle of Wight Wildlife Trust, Wilder Business Awards.

Mayfields was awarded a silver award for their vegetable patch and work with the local community through the BRAMM (British Register of Accredited Memorial Masons).

FUNERAL PLANNING

2023 was a challenging year following the regulation of the pre-paid funeral market. We have overcome several challenges ensuring we remain compliant with the new regulations. Having successfully onboarded our funeral plans on to a new funeral management system, we are now starting to look at how we deliver increased sales whilst maintaining compliance and delivering positive outcomes to our clients.

We have trained up the first cohort of field-based colleagues to begin offering in person appointments in our funeral homes. We will also look to increase our instalment terms from 24 months back to a pre-regulation option of up to 10 years.

DIGITAL DEVELOPMENT

To promote our services, we have been working on new websites for both our funeral homes & funeral planning businesses.

We have implemented a new funeral management system that will manage both pre-need and at-need funeral services. Phase one of this project is now complete and live within our funeral planning department. We are now working on delivering the system in our funeral homes. This will bring immediate and longer-term improvements to further enhance the service to our families and provide operational and commercial benefits.

We continue to receive excellent client feedback on Trustpilot with all our funeral homes, crematoria and burial grounds achieving a grade of excellent or great. Our Co-operative Funeralcare sites have received over 1,100 reviews with a 4.9/5 excellent rating which is testament to the exceptional service that all our teams provide to the bereaved in our communities.

COLLEAGUE TRAINING

We have developed and delivered new starter training for our end-of-life services colleagues in conjunction with the Academy team.

Following investment in people systems across the business, we have access to new software allowing us to review and update our e-learning modules, making them more relevant and engaging to our colleagues.

Our focus for 2024 will be on refreshing our existing courses, supporting the launch of the new funeral management system and providing training and development opportunities for our existing colleagues.

BEREAVEMENT CARE

Our Bereavement Care team offer support, education and networking for the bereaved, professionals and organisations across our trading area. The team supported over 1,400 people through 1-2-1 counselling and support groups during the year, a 40% increase on 2022-23.

The team have delivered their 'After a Person Dies' study day along with eight other educational sessions to professionals and organisations across the south, helping them to prepare families for what to expect when someone dies, dispelling myths and providing reassurance. They continue to work with Portsmouth Hospitals NHS Trust and Hampshire Libraries to spread awareness of the support they offer to communities across the south.

In July, they hosted their second memorial service in recognition of National Bereaved Parents Month at The Oaks Crematorium. This was led by a local celebrant who worked closely with the Bereavement Care team to ensure a unique and respectful service that honoured children that had passed. Several groups were also set up over the course of the week to ensure we were able to help participants who required further support.



People Report

PEOPLE

RECRUITMENT & ATTRACTION

The challenges faced last year have remained throughout 2023 with candidates having the advantage in an employee-led market. The skills shortage and hard to fill vacancies are the two biggest challenges recruitment faced this year. Processes, attraction methods and ways of working were reviewed to react to these challenges, enabling a more proactive & planned approach to recruitment & attraction.

Peak recruitment

To better manage recruitment for the busy summer trading period, this year we introduced a process to manage the high volume of vacancies we receive between May and September. Proactive planning, regular stakeholder meetings and market insight provided greater visibility of resource requirements. We ran refresher training sessions with store managers and introduced recruitment events as an additional method which not only increased applications but improved the time to offer.

This approach enabled improvements in workflow management and a reduction in time to offer by 7 days. In total we managed 53,520 applications, 3,680 vacancies, made 2,848 offers and recruited 2,755 new colleagues into our organisation.

Cobra Coffee

After centralising recruitment for our Cobra Coffee Starbucks stores last year, we spent this year embedding the process. We reviewed and refined the experience for both hiring managers and candidates by re-writing and improving processes, introduced recruitment events to increase applications and new functionality to enable candidates to provide right to work documentation earlier in the process and online.

We also conducted external research to understand how other organisations manage the end-to-end recruitment process, specifically focussing on the retail & hospitality industries. We identified that our recruitment process matched other organisations, and in some instances is more efficient.

Attraction

Given the skills shortage and fierce competition we introduced new methods of attraction such as recruitment campaigns through social media, sponsored advertising to increase visibility of job adverts, recruitment events in store as well as partnering with job centres to advertise vacancies and hold interview days within branches. These methods have proven successful and had a big impact on us being able to fill roles in challenging locations or where there are limited applications due to skill shortages.

Our focus next year is to embed the new processes and systems introduced this year and continue to drive a more planned and proactive approach to recruitment. With the fierce competition for skilled candidates, we will be enhancing how we attract to proactively engage candidates in career opportunities, working alongside managers to create and manage talent pipelines through a more structured approach. We will continue to partner with local job centres day to day and implement programmes to support people back into the workplace.

APPRENTICESHIPS

Investing in colleague development is part of our social wellbeing programme, encouraging colleagues to learn new skills and facilitate career development. Building on the success of previous years, our Apprenticeship programme continues to grow. In 2023, 39 colleagues began an apprenticeship, while 29 colleagues who started their programme in the previous year successfully completed the apprenticeship.

To date we have pledged a £191,500 of unspent funds from the Southern Co-op apprenticeship levy account to fund apprenticeships in SMEs in the Bristol and Hampshire areas and have funded 41 apprenticeships, primarily within the care sector.

We were delighted that our investment in people development was recognised by Havant & South Downs College, winning the Outstanding Investment in Employee Development award for the second consecutive year.



DIVERSITY & INCLUSION

Our Commitment: To create an environment where all colleagues can be themselves; where different perspectives are encouraged and valued; where colleagues can feel comfortable with and understand the value of difference; where everyone is afforded the opportunity to grow and be the best they can be.

Bridge to Work

Underrepresented individuals face barriers to opportunities due to a variety of reasons, which led to the development and introduction of the Bridge to Work programme. This new and exciting initiative allows Southern Co-op to support individuals to develop their work-based skills by offering both voluntary and paid work for a period of time and focuses on 3 specific groups.

1. Individuals who are Neurodivergent - Work Trials and Supported Internships

During this financial year we have supported 25 individuals who are neurodiverse by offering work trials and work placements. A placement could be a few hours a week and last anything up to 6-16 weeks. The placement provides the individual with the opportunity to experience working in a retail environment and helps build their confidence.

2. Refugees

In partnership with Business in The Community (BITC) and their Ready to Work programme we offered 4 work placements to refugees in the Bristol area and are hoping to extend this further in 2024. Our work was recognised by BITC and in November, Sarah Kavanagh, Business Transformation and HR Director, attended a Humanitarian reception at Buckingham Palace hosted by HRH King Charles III.

3. Prisoners currently in custody

This year we developed a close relationship with Timpson who have a wealth of experience in providing work to serving and ex-prisoners. Thanks to their advice and guidance we were delighted to be able to run a pilot 'Release on Temporary License (ROTL)' programme for prisoners from HMP Ford, who are working as Barista's in Cobra Coffee stores.

Typically, prisoners can access ROTL in the last 2 years of their sentence, to prepare them for resettlement within the community, which can be an effective way to integrate slowly and safely back into society, rebuilding links with their families, and helping to reduce reoffending. Those on the ROTL programme are paid the relevant wage for the role however in accordance with the Prisoners Earnings Act (PEA) 1996, the prison governor has authority to impose a levy of 40% on earnings, which is paid to victim support charities.

Early careers: Work Experience & T levels

Supporting young people as they leave education and move into work continues to be a priority. Building on the success of the 2022, we continued to expand the Work Experience programme; In the academic year, we provided 138 placements across retail and Lakeside for Year 10 students.

T Levels are two-year courses that can be studied by 16 to 18 year olds after finishing their GCSEs, with 20% of the study week being spent on work placements. We are pleased to have been able to support 5 students during this year.

Gender

Another priority this year has been to continue our work to support female colleagues, and those who identify as female to develop their self-esteem and confidence. We hope that this will lead to greater numbers of females applying for and being appointed to more senior roles.

The 'Believe in U' programme launched in October 2022. It encourages participants to assess and recognise their strengths, to develop self-esteem and prepare them to advance their careers should they wish to do so. This programme has continued to grow and to date we have had 40 colleagues from across the business areas enrol on the programme.

Gender-based targets

To reinforce our gender-based goals, in 2022 we set 2 targets:

1. To increase the number of female Food Store Managers from 38% to 50% by January 2025. At the end of January 2024 females represent 40% of the Store Manager population.
2. To increase the number of female Area Managers from 20% to 30% in the same period. We are delighted to report significant progress with this group, with females representing 33%, which exceeds our target.

PAY

This year we took a 'pyramid approach' to pay, investing more at the bottom of the pyramid and less at the top.

We invested in pay for our Food Retail Area and Store Managers by bringing forward the annual pay review for these colleagues by two months to February 2023; Area managers received a minimum of 10.4% increase, while store manager pay was increased by 9%.

In April 2023 the National Living Wage increased to £10.42 for workers aged 23 years and above, an increase of 9.7%. At Southern Co-op we took the decision to remove age differentials for all CSA's aged 18 years and over, which meant that our CSA's received an increase of between 9.7% and 13.2%. To ensure we were able to maintain the pay differential between CSA and Duty Manager, our Duty Managers received increases of between 7.1% and 9.2%.

In April 2024 the National Living Wage will increase by almost 10% to £11.44.

Our End-of-Life Services and Lakeside colleagues received a 6% increase, while Heads of Function pay was increased by 5% and the Leadership team pay increase was 4.4%.

We continually review pay against the market, and this year we completed a benchmark exercise of our retail management pay and with a view to developing proposals in 2024 that ensure we remain competitive to attract and retain talent.

We also completed the retail pay zones project, which aims to provide an objective methodology for putting stores into different pay zones recognising and addressing operational challenges due to location, demographics and local competition.

Using this data, in 2024 we will be able to sense check our current pay zones and where appropriate make changes to better reflect the different challenges faced by stores across our trading region.

Wellbeing and reward

Our priority during 2023 was to raise awareness of the benefits we offer colleagues and how to access them, with particular focus on the cycle to work scheme and financial wellbeing benefits such as Credit Union and MyEva a digital platform that allows colleagues to access free financial advice and information. We also introduced a new dental plan benefit and gym discounts. Our Wellbeing Portal was refreshed providing a one-stop shop where colleagues can find out about all benefits available to them.

In 2024 we plan to run a Benefits survey to continue to raise awareness of the benefits package and to understand what our colleagues value. We will continue to explore ways to enhance the benefit package by introducing low or no cost benefits where possible. Additionally, we will focus on Pensions with a communication campaign to develop colleague understanding of their pension.

Wellbeing – Critical Incident Support (CIS)

Sadly, we continue to see an increase in the number and seriousness of Critical Incidents across our retail estate, with our colleagues facing verbal abuse, threats, and physical violence.

Our team of internal CIS practitioners provide specialist intervention for our colleagues who are exposed to threats and violence within the workplace, and throughout 2023 we have offered and provided support to over 100 colleagues.

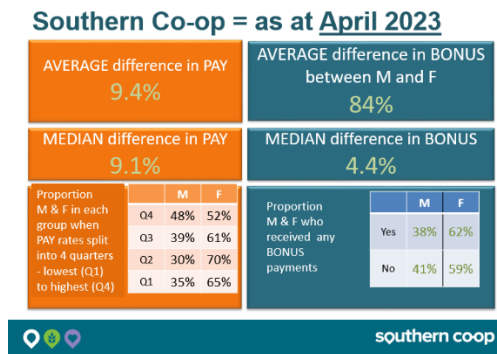
In 2024 we will expand our pool of practitioners, to ensure we can continue to support our colleagues when needed.

Company Cars

Despite a particularly difficult market in the automotive industry due to supply challenges and extended lead times, we worked with our provider LEX to improve car choice and availability of cars. Next year we will carry out a review of the market to ensure value for money and to support our Climate Action goals while providing an attractive benefit for company car drivers.

Gender Pay Gap Report

We again published our Gender Pay Gap data in December 2023, ahead of the April 2024 deadline, full details of which can be found on both the Government and our corporate website.



Gender Pay Gap 2022, published December 2023

HR/PAYROLL AND WORKFORCE MANAGEMENT

The People Systems Programme (PSP) began in 2021 to deliver a modern HR/Payroll platform and a Workforce Management solution. The platform needed to support the delivery of our strategic goals of growth and efficiency, helping to manage changes in ways of working postCOVID-19 and improving management controls and reporting of our people costs.

Our dedicated in-house project team has been working closely with our chosen software providers, MHR (iTrent) and Reflexis to develop a fully integrated solution.

We reported in 2022 that we had successfully rolled out our new HR/Payroll system to Cobra Coffee and in 2023 we rolled this out across the remainder of Southern Co-op. We are no longer running dual systems and the new system is in use in both parts of the business, although some elements remain in hypercare.

In summer 2023, we successfully deployed our new Workforce Management and scheduling solution in food retail. This solution has not just given us the ability to schedule our colleagues in the right place at the right time to meet customer demand, but accurately captures the hours that colleagues have worked through clocking in/out and, as it is fully integrated with the payroll systems, it ensures colleagues are paid accurately on a timely basis with reduced manual intervention.

The deployment of both systems has been a combination of face-to-face training, webinars, video, and reference guides. We delivered 50 sessions across all business areas with 1,000 colleagues in attendance. We created 38 videos across both platforms that were used as eLearning for the remaining colleagues and these, alongside the reference guides, are available on our learning and communication platforms for refresh training and training of new starters.

Changes were also made within the HR department to align the organisation structure to make full use of the benefits of the new system and a dedicated people systems support team has been created to provide ongoing support and maintenance of the system. A new resource planning team was also created within the retail productivity and improvement team at Lakeside to support stores with the new Workforce Management platform.

LEARNING MANAGEMENT SYSTEM

The final phase of the People System Program was the launch of our new Learning Management System (LMS) for colleagues. Working with subject matter experts from across the business, the Academy team created bespoke eLearning modules, tailored to an individual's job role, which colleagues will be able to access at a time and place that suits them.

In 2024 we will extend the system functionality with specific focus on moving away from paper processes to put our Performance Management online.

LAKESIDE HEAD OFFICE RESTRUCTURE

We undertook a review of our head office function during the second half of 2023 as a response to changing market conditions and shifts in how consumers are shopping.

Concluding at the end of November 2023, the review led to some new or expanded roles but also included some unavoidable job losses. A total of 30 redundancies were made out of 240 head office roles. The changes, along with continued investment in our trading businesses, has helped to position us for long term success supporting business growth and greater efficiencies. Further details can be referenced at note 8 in the Financial Statements.



Sustainability Report

SUSTAINABILITY REPORT

Our vision is to build a successful independent business that supports the creation of a fairer society and more sustainable world.

As a co-operative we seek to achieve this by working together with others for the benefit of communities across our trading region, tackling the social and environmental issues that are most important to our members.

We also remain committed to playing our part in delivering the global sustainable development goals that seek to create a world where there is an end to poverty, our planet is protected, and everyone can enjoy peace and prosperity.

2023 has remained a difficult year for many considering continuing cost-of-living pressures with the vulnerable in our communities most impacted. We have also felt the effects of a changing climate globally and at home, and we remain concerned about our threatened natural world and the impacts on our wildlife. We continually review our sustainability goals and priorities in light of these challenges, as well as opportunities they present, adjusting our focus and approach where necessary. In 2023 we remained on track with our interim climate goals and continued to support nature recovery within in our business and communities.

As a business supported by our colleagues, members, customers, suppliers, and community partners we have come together to do what we can to make a positive difference, delivering our business 'Our Plan' goals to:

- Act on climate and nature – urgently cutting greenhouse gas emissions and supporting nature recovery
- Create a healthy and engaging workplace where our colleagues can develop and thrive
- Help people to live better by working towards a waste free future
- Help people to help themselves by building greener, safer, healthier communities that are more inclusive

This report details the progress we have made in 2023.

GOVERNANCE

Our Leadership Team and Board have received updates throughout the year on our sustainability plans, endorsed our sustainability commitments and overseen delivery and progress.

Our Climate Action Group, chaired by our Chief Executive, has continued to steer our business environmental response and activities. The Group ensures we stay on track with our climate targets, pathway, and wider environmental aspirations as well as any climate-related risks and opportunities for our business.

Our Board Climate Action Ambassador, Helen Jackson, has helped give this agenda the prominence and consideration it deserves and has used her ambassador's influence to drive the agenda both internally and externally, which has included responding to members suggestions and questions through our Board 'talk to us' channel. Helen also represents the business on the Co-op National Member's Council, who hold the Co-op Group Board to account and act as the guardian of the co-operative Values and Principles. Members of the Co-op, its employees, and representatives of the 'independent co-op societies' make up the Members' Council.

We have supported Business in the Community's (BITC) National Business Response Network which relaunched to tackle the cost-of-living crisis. Member businesses are linked with local charities and good causes who require volunteers, funding, or specific items.

Our Chief Executive after 8 years on BITC's South East Advisory Board, stepped down from this role to pursue other commitments. Our People & Sustainability Director is a member of BITC's [Cost of Living Taskforce](#), and we have provided £10k funding this year to support the taskforce work with raising awareness and starting the conversation about financial stigma in the workplace.

Our Southern Co-op Compass helped ensure sustainability impacts and opportunities informed our strategic, investment and procurement decisions throughout 2023. As part of our enterprise risk management approach, we have ensured that material sustainability issues are appropriately reflected, and mitigation plans identified.

AWARDS & RECOGNITION

Highly Commended – Wilder Business of the Year

The team at The Oaks Havant Crematorium were proud to receive the Wilder Business of the Year Highly Commended award. The awards hosted by Hampshire & Isle of Wight Wildlife Trust, recognised the work of the grounds team to enhance wildlife on the site, as well as funds donated to the trust earlier this year, thanks to family's metal donations following a loved one's cremation.

Awarded Freedom of the City

Southern Co-op was presented with a Freedom of the City certificate and plaque on behalf of retail and care workers across the city. This was awarded by Portsmouth City Council in recognition of the work undertaken to support communities during the pandemic.

Shortlisted for Business Crime Prevention Award

Gareth Lewis, Southern Co-op's Loss Prevention & Security Manager, was shortlisted for a Business Crime Prevention Award in Hampshire and Isle of Wight Police and Crime Commissioner's Awards 2023.

Integral to a range of crime prevention initiatives, Gareth last year spearheaded a new partnership approach in Portsmouth where a new post holder, called a Navigator, is working with police, probation, the council, and prison service to identify the most prolific shoplifters and business crime offenders. The Navigator has been spending time with those who are at a point in their life where they are receptive to treatment and support to break free from a cycle of offending.

Honorary Fellowship

Gemma Lacey Director of People & Sustainability was awarded an Honorary Fellowship from Solent University, Southampton in recognition of her role in leading the development of Southern Co-op's ambitious science-based climate targets and delivery plan, along with the Society's wider sustainability strategy and her support for the University's department of Business & Law over the years.

CLIMATE ACTION

Climate change is a reality. Our world is warming, and we must act now to protect our planet for those whose home it is today, and for future generations. In 2020 we redefined our climate ambition, setting new ambitious targets to deliver urgent reductions in the greenhouse gas emissions from our business operations and supply chain. This supports the action required to limit global warming to no more than 1.5°C above pre-industrial levels, the limits needed to avoid the most severe impacts of climate change. This is supported by our Climate Action Pathway which sets out the plans and actions we will take to achieve these goals.

This Pathway is supported by the following principles:

- The decisions and actions we take are informed by the latest science
- Our plans support what is required to deliver a just transition for people and planet (i.e., solving the climate crises doesn't come at the expense of those that can least afford it)
- We will co-operate and collaborate with others to achieve our goals

- We will use our individual and collective co-operative voice to champion the need for action.

We closely follow the guidance and recommendations of the Science Based Targets Initiative (SBTi) and our current carbon reduction targets have been approved by this coalition of leading NGOs.

We are committed to refreshing these targets regularly in line with the latest science and the publication of new SBTi standards such as the updated Net Zero Standard. With the support of our climate consultancy, EcoAct, we review our target pathway annually and the progress being made, and we are planning a more in-depth review of our target pathway in 2024 as part of the SBTi reaccreditation process.

OUR CLIMATE ACTION COMMITMENTS

Our interim climate action targets are to:

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).

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.

Work was undertaken in 2023 based on reductions to date, programmed and future activity, to understand a realistic timeframe for Southern Co-op to achieve net zero in Scope 1 & 2 emissions. A target will be announced later this year.

PERFORMANCE – DIRECT EMISSIONS

To date, we have delivered a 35% reduction since 2019 (our baseline year). Operational emissions were 12,283 tonnes in 2023, an increase of 3% compared with 2022. This increase has mainly been driven by an electricity conversion factor increase of 7% on 2022, due to a lower proportion of electricity generated from renewable sources in the year on which the emissions factor is based. This has been accounted for in our emissions modelling, and with plans to accelerate grid decarbonisation we expect the conversion factor to decrease again in the coming year.

We have continued to grow our Cobra Coffee estate in 2023 with the addition of 8 stores. We closed 1 retail store and 1 End of Life Service sites. Despite the overall growth and changes to our estate, total energy consumption across all our business areas remained flat year on year at 38,775,949 kWh. Compared to our 2019 baseline, total energy consumption has decreased by 8%.

Total fuel consumption was 1.09 million kWh, a decrease of 13% on 2022 (1.26 million kWh). Compared to our 2019 baseline (1.19 million kWh), total fuel consumption has decreased by 8%. This includes vehicle fleets in Central Operations, Retail and End of Life Services. Our move away from directly owned home delivery vehicles has driven this decrease.

The following energy, refrigeration and transport programmes and activities, have supported the positive progress we've made.

- A further 6 sites were fitted with refrigeration Ecoblades, which clip onto shelving units where we don't have doors to keep cool air in and hot air out. These provide up to a 26% energy saving.
- We've continued to deliver energy efficiencies in our retail business linked to Building Management System monitoring and optimisation, lowering lux lighting levels in stores, and establishing carbon checklists to help identify further energy saving opportunities.
- We've installed photovoltaics on the roof at our Shanklin and Bishops Waltham stores. On average per site, we expect these to generate in the region of 20,000 kWh per year.
- Thermal night-blind installations were completed in 48 stores (these are manually operated by colleagues but enable us to save energy overnight). These have the potential to deliver a 7% saving in energy where we don't have doors.
- The project has been slightly delayed, but we will be installing a remote data management software upgrade to aid visibility of equipment use and performance, consumption trends and live equipment monitoring to identify issues and energy efficiency opportunities.
- In our End of Life business, we have been installing energy efficiency devices e.g. light sensors, time clocks, Building Management Systems in our two hubs. We have reviewed crematoria energy consumption following sub metering and will be installing two new cremators at The Oaks Crematorium in 2024 which will deliver improved energy efficiency and carbon reduction benefits.
- We are in discussion with Starbucks regarding Greener Store Programme opportunities within our Cobra Coffee estate.
- We will continue to explore further opportunities to transition to hybrid or fully electric vehicles within our End of Life Services fleet, more information of which can be found in our ELS section.

In 2024, our Climate Action Pathway projects will continue prioritising retail energy efficiency and refrigeration programmes and identifying and addressing further energy reduction opportunities in our End of Life Services and Cobra Coffee businesses. Awareness raising and behaviour change will equally remain a focus to support the achievement of our climate goals.

CLIMATE CHANGE DATA

Performance direct emissions

Target	Performance	KPIs	2019	2020	2021	2022	2023	SDGs
Reduce absolute greenhouse gas emissions 50% by 2030 compared to 2019	On track	Scope 1 GHG emissions Energy Fuel (tCO ₂ e)	843	786	772	742	786	7,12,13
		Scope 1 GHG emissions Refrigeration (tCO ₂ e)	7,832	5,399	4,727	4,042	3,924	
		Scope 1 GHG emissions Transport (tCO ₂ e)	540	359	396	452	396	
		Scope 2 GHG emissions Electricity location-based accounting (tCO ₂ e)	9,552	7,940	7,290	6,694	7,176	
		Total Scope 1 & 2 emissions	18,767	14,484	13,185	11,931	12,283	
		Carbon intensity (tCO ₂ e per £m sales)	40	30	32	29	29	
		Total energy consumption (kWh)	37,372,321	34,054,665	34,331,523	38,503,484	38,775,949	
		% electricity from renewable sources	100	100	100	100-0%*	0	
		Scope 2 emissions accounting for renewables Energy Electricity Market based accounting (tCO ₂ e)	0	0	0	0	0	

NB: Data assumptions:

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 2023, 2022, 2021, 2020 and 2019 to calculate our carbon footprint.

We refer to 'carbon' and 'carbon reduction'. In all cases we are referring to our total greenhouse gas emissions expressed as their carbon dioxide equivalent. We are not excluding greenhouse gases from our targets. When we refer to 'direct' emissions we are describing Scope 1 and 2 greenhouse gas emissions under GHG Protocol categorisation, which is emissions from running our business and within our operational control. 'Indirect' emissions refer to Scope 3 greenhouse gas emissions, meaning those emissions from the wider value chain not under our operational control

* In the early part of 2022, 99% of our electricity was sourced from renewable sources. We purchased 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). However, at the beginning of August 2022 we had to take the difficult decision to move away from the purchase of renewable energy due to rising costs.

Performance indirect emissions

We have carried out research and assessments to understand our end-to-end carbon footprint. This includes the products we sell and use within our business and the emissions associated with our supply chain, as well as our customers use of those products. Our indirect footprint is approximately 19 times greater than the direct emissions associated with the operation of our business and are a greater challenge to address as we don't have direct control over these and can only seek to influence them.

We will be providing a full report on our progress later this year.

Circa 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. Direct steps taken to address this area of impact have included:

- Installing customer electric vehicle charging points at our Hawthorn Road, Bognor Regis food store.
- Driving forward waste programmes through Too Good To Go (magic bags), reducing our footprint (selling food past its 'Best Before' date) and our 'Share to Care' food surplus donation programme in partnership with Neighbourly.
- Using our 'All Together' email newsletters to promote the steps our members can take to tread more lightly on our planet.

ENGAGING MEMBERS, CUSTOMERS AND COMMUNITIES

To deliver our climate ambition, we need the support of our members, customers, and colleagues. This year we've continued to raise awareness of our ambitions using social media and press coverage.

We have promoted the steps we are taking to create a greener business and communities; as well as how our members can get involved through our [All Together member email newsletters](#).

At a community level we are directly supporting climate and biodiversity initiatives, see our Greener Neighbourhoods section for more information.

In 2023, Greener Local Funding supported good causes including environmental charities, schools and community groups wishing to improve their local habitats. Focusing on Global Goals 3, 4 and 15; 31.25% focused on Conservation and Sustainability, 25% on Wildlife and 12.5% improving recycling.

All our Cobra Coffee 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.

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

Climate change poses risks, as well as opportunities for our business which could have a material impact on the value of our business and assets. These risks could be physical, arising from a changing climate and higher temperatures, such as the increased frequency and severity of extreme weather events; or transition risks, resulting from changes in technology, markets, government policy and regulation or customer sentiments and behaviour.

The Taskforce on Climate-related Financial Disclosures (TCFD) provides businesses with a framework for identifying and reporting how climate-related risks and opportunities are measured, monitored, and managed by companies and others.

To support our understanding of these requirements our climate consultants, EcoAct, supported us with a TCFD preparedness review in 2022. Their recommendations have informed further work this year to align our disclosures with these requirements helping us to go further in reporting our climate-related risk exposure.

CLIMATE STRATEGY, TARGETS, AND METRICS

While Southern Co-op has been working for many years to reduce its carbon footprint, in 2020, we redefined our climate ambition and set ambitious science-based interim targets to reduce the

greenhouse gas emissions associated with our direct operations and our wider value chain (i.e., products, suppliers and customers). These targets have been validated by the Science-Based Targets initiative (SBTi).

Our supporting Climate Action Pathway sets out the steps we are taking to reduce these emissions. This forms part of our approach to managing climate-related risks and longer-term climate resilience.

Ultimately, our goal is to reach a net zero position where within a clearly defined boundary, our residual emissions are reduced and the remainder are balanced by removal of those emissions e.g., through natural processes like reforestation, or technological processes that capture and store carbon. Work is currently underway to crystallise our longer-term goal, considering the pathway beyond the current timeframes that will be required to achieve net zero.

Climate risks are currently under assessment and where relevant risk and opportunity metrics and targets to manage principal climate risks will be established. The Climate Action section of this report sets out our targets and outlines the steps taken to date and the progress we have made towards these interim targets.

RISK MANAGEMENT

All 'Directorate' risk registers consider direct environmental-related risks, as well as assessing the environmental consequence of all 'other' risks identified in line with the matrix within our Enterprise Risk Management 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. More details on our approach to risk management can be found in the risk section of this report. A workshop will be held in early 2024 to better understand the transitional and physical risks and opportunities we face as a business relative to possible climate scenarios.

GOVERNANCE

Our Board has ultimate responsibility for both risk management and sustainability (Environmental, Social, and corporate Governance – ESG) matters, including the risks and opportunities associated with climate change. Responsibilities in relation to risk management are discharged to the Audit & Risk Committee. The CEO and Leadership Team are collectively responsible for the delivery of the Society's sustainability, which includes climate change, and the delivery of our climate action targets and pathway.

A Climate Action Group (CAG), chaired by our CEO, has been established to own and ensure direction and delivery of our Climate Action Pathway, in support, our 'Our Plan' carbon and broader environmental goals. The Group discusses environmental issues including carbon and energy reduction and efficiency; sustainable procurement and consumption of resources including the prevention of waste; protection and restoration of wildlife and habitats, in our own business entities and the cities and the communities where we trade.

Members of the Climate Action Group are the People & Sustainability Director, Finance Director, Facilities Management Manager, Head of Finance, Development Manager and Climate Analyst. Other Southern Co-op individuals and advisers are invited to attend all or part of any meeting as and when appropriate.

The CAG:

- Consider the outputs of and issues arising from supporting working groups, resolving any issues that arise from Climate Action Pathway workstreams
- Monitor cost, resource requirements and necessary process change required to deliver our climate targets and objectives and ensure legal compliance
- Ensure that progress is achieved, and the overall pathway remains on track
- Sign off new or amendments to relevant policy

- Identify risks and opportunities relevant to the project as a whole and ensure actions are in place to mitigate risk and optimise opportunities
- Ensure pathway progress is communicated to relevant internal and external stakeholders in a way that is targeted to level of individual and collective roles and relevance
- Act as an advocate for climate action within the Society

We plan to review the role of our Climate Action Group in relation to climate related risk and opportunity management, in line with TCFD requirements in 2024.

The People & Sustainability Director, on behalf of the Climate Action Group, provides an annual report to the Leadership Team and Board on progress with our climate action targets and pathway. Climate action and broader sustainability considerations inform Leadership Team strategic discussions, in line with Southern Co-op's strategic planning cycle. The Leadership Retention Plan and associated remuneration requires Leadership Team members to demonstrate progress on Southern Co-op's Climate Action goals, as set out in our Climate Action Pathway.

SUPPORTING NATURE RECOVERY

We recognise that we have an important role to play in creating a wilder future with nature recovery being one of our key goals.

The 93 acres we have across our crematoria, woodland and natural burial grounds are managed to ensure we enhance habitats for the benefit of wildlife, as well as the people who visit. In 2023, we continued our efforts to improve biodiversity and carry out surveys in partnership with the Wildlife Trusts in these locations to understand the positive impact on wildlife.

THE OAKS CREMATORIUM, HAVANT

In 2023, new annual and perennial wildflower strips were sown. We are also creating new glades and habitats in the woodland area along with a wildlife pond and installing further bird and bat boxes in this area.

No ecological monitoring was undertaken in 2023 as we concentrated on implementing recommendations in the management plan. We will resume surveys in 2024 to review whether the enhancement projects have improved biodiversity.

CLAYTON WOOD NATURAL BURIAL GROUND, WEST SUSSEX

2023 ecological activity has included:

- 600 trees and shrubs planted Dec 2022 - Jan 2023 as part of the national Queens Green Canopy tree planting initiative
- Additional new bat boxes installed during the Oak Hall refurbishment and extension works
- Additional sowing of yellow rattle in the grassland areas to help improve species diversity along with wildflower seed sowing on all settled burial plots
- Seasonal wildflower meadow cuts with 10% left uncut to support wildlife foraging

Biodiversity improvements have included:

- Good species diversity in the southern meadow with 50 species of grasses and herbaceous plants
- 85 botanical species in and around all water bodies
- Orchid species spotted for the first time
- A single pair of Nightingales (IUCN Red List of Threatened Species) observed on site

- 2023 saw the highest total of great crested newts recorded with 21 adults observed, in the ditch and within new ponds. In addition, breeding was confirmed within the new ponds and the main pond with both eggs and immature great crested newts observed.

EAST DEVON CREMATORIUM

2023 activity included:

- Removal of excess pond weed in the ponds to improve the open water/ vegetation balance and improved habitat for invertebrates and amphibians
- Seasonal wildflower meadow cuts
- Great crested newts were observed still present and breeding
- Smooth newts, common frog and common toad also found
- Small mammals like wood mouse and common shrew present and one dormouse nest found.

POOLE & WIMBORNE WOODLAND BURIAL GROUND

The site has over 12 acres of undeveloped semi-improved grassland habitat which we have managed this year as traditional meadow by cutting and collecting the sward. 10% has been left uncut to support wildlife foraging. We will continue this management approach with the aim of improving species diversity therefore improving overall biodiversity.

MAYFIELDS WOODLAND BURIAL GROUND, THE WIRRAL

The site provides a good diversity of habitats with lots of opportunity for improvement. There are some great pockets of wildflower diversity around the site.

HINTON PARK WOODLAND BURIAL GROUND

In April 2022 Hampshire & Isle of Wight Wildlife Trust undertook an extended Phase 1 Habitat Survey at Hinton Park. The survey results provided some interesting findings and offered a host of recommendations to enhance biodiversity across the site, including improving connectivity to help wildlife move more freely, and increasing sheltering, hibernating, and foraging opportunities for insects, birds, and small mammals throughout the seasons. In 2023 we have allowed certain areas of the site to grow longer during the spring and early summer to increase habitat for pollinator species.

FOOD STORES

We continue to look for opportunities to enhance green spaces around or near our food stores, building on initiatives like Titchfield and Bishops Waltham where we have installed bat boxes and tiles; Alresford which provides nesting boxes for visiting house martins and Fawcett Road in Portsmouth which is a Wild Street and part of Hampshire & Isle of Wights Wilder Portsmouth initiative.

BUILDING GREENER, SAFER, HEALTHIER AND MORE INCLUSIVE COMMUNITIES

We want everyone to love and feel a part of the neighbourhood in which they live. In collaboration with local charities, good causes and other partners, we're working every day to make our neighbourhoods greener, safer, and healthier as part of our Love Your Neighbourhood programme.

In 2023, we contributed £1.807m through our Love Your Neighbourhood community programme to local charities and good causes across our region. Donations and funds raised included £158,581 for 2023 retail Local Partners, £52,199 in goods and gift cards and £47,600 in unrestricted donations went to 84 charities and good causes via our four Local Funding campaigns on Neighbourly.

NEIGHBOURLY

Our successful partnership with Neighbourly has allowed us to continue making unrestricted financial donations to local charities and good causes via our 2023 Local Partner, Food Bank, Winter Fund and Local Funding campaigns. More than 300 good causes focusing on the provision of food and accommodation and individual poverty across the south supported members of our communities.

Neighbourly not only allows Southern Co-op to redistribute our carrier bag funding via focused campaigns on a secure digital platform, but distributes funds raised by our colleagues and members through our retail stores and Member Swipe campaign. The platform also enables colleagues 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 and use of paper; as we move to digital applications which Neighbourly process, whilst completing our due diligence and helping us build clear data and social impact reports.

END OF LIFE SERVICES

Throughout 2023 there were significant national and local awareness and memorial activities which allowed our End of Life Service colleagues, and the families they care for, an opportunity to remember loved ones and raise awareness. These included:

Much Loved

Much Loved is the UK's leading in-memory platform. Personalised memorial pages are available for all our clients, where you can remember someone special and fundraise in their memory.

Our colleagues were proud to create more than 3000 tribute pages in 2023, and thanks to the family and friends making donations in a loved ones name, more than £750,000 was raised for 447 charities including; British Heart Foundation, Battersea Dogs & Cats Home, and Diabetes UK.

Dying Matters

An annual activity hosted by Hospice UK, Dying Matters encourages conversation amongst family, friends and colleagues around death, grief, and the importance of having your wishes known. Southern Co-op had a sunflower displayed on Hospice UK's 'Tree of Life' to remember End of Life colleagues who have passed away.

National Bereaved Parents Day

Child of Mine supports bereaved parents and their families across the UK after the death of a child, regardless of their age. Supporting their National Bereaved Parents Day, now in its 10th year, our crematoria and burial grounds hosted memorial services open to anyone who had been affected by the loss of a child. All End of Life Service sites lit a candle at 7pm on 3 July to remember the children who had lost their lives and a donation was made to the charity allowing them to create 100 Butterfly Boxes, which are given to newly bereaved parents. The boxes include a calming candle, healing crystals, mindfulness book, bereavement book relevant to that family's loss, and a bereaved parent's pin badge.

Baby Loss Awareness Week

Baby Loss Awareness week is an opportunity for anyone affected by the loss of a baby or pregnancy to come together to remember and commemorate their loved one. The charity, SANDS, supports anyone affected by pregnancy loss or the death of a baby, working to improve maternity safety through research, and reducing inequalities in healthcare to save babies' lives. A memorial service was hosted for those affected at The Oaks Crematorium. As well as donating

to SANDS, all End of Life Service sites joined the 'Wave of Light' and lit a candle to remember all babies' lives lost too soon.

In 2023 Southern Co-op were proud to become supporters of the Baby Loss Awareness Alliance

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 2023/2024 and the prior three years.

	2023	2022	2021	2020
Charity and community donations (£)	278,239	452,806	321,473	380,116*
Support for co-operatives (£)	59,210	49,833	59,889	50,157
Time (£)	1,890	2,655	1,755	1,193
Management time (£)	59,130	76,974	79,417	95,439
Total community investment (£)	398,469	582,268	462,534	526,905*
Community investment as % of pre-tax, pre-dividend profit	N/A**	N/A**	12%	22%
Leverage – carrier bag fund (£)	343,848	467,956	281,031	300,336
Leverage – other (£)	1,064,814	1,076,008	945,239	653,541
Total leverage (£)	1,408,662	1,543,964	1,226,270	953,877
Total community contribution	1,807,131	2,126,232	1,688,804	1,480,782*

* restated figures as anomaly identified in prior year calculations.

** profit not made in 2022 or 2023

HEALTHIER NEIGHBOURHOODS

Our stores and End of Life Services teams are based in the heart of their local communities which means they come face to face with the extreme challenges facing people every day. This helps us to understand community priorities and where best, we can give our support to local charities and good causes. This support has been even more critical with families and individuals who have continued to be impacted by the 'Cost of Living' crisis, particularly over the winter months.

This year we have continued to bolster support for small charities working to keep communities warm, fed, and happy.

- Members and customers donated 11,411Kg of goods equating to approximately 27,169 meals through the food collection points across our estate. In 2023, 141 retail stores/End of life Service sites were partnered with a food bank.
- Our Member Swipe campaign, which sees 2p donated to our food bank partners each time a member swipes their card during an eligible transaction, has proved successful. In

2023 there were more than 4.5million eligible member swipes, raising £100,129 for food bank partners.

- Southern Co-op's Winter Fund campaign provided 50 x £1500 grants to charities and good causes who were providing warmth and food to others through December, January, and February. The unrestricted funding will be made available to charities, community groups and not for profits across the south, who provided a warm space, food packages and/or prepared meals to members of their local community or required additional equipment and resources to build on their current food provision.
- Working alongside Hubbub, Southern Co-op provided funding to good causes in 2022, allowing them to expand or begin a Community Fridge. Following a positive first year, Southern Co-op were pleased to provide additional funding in December 2023 as Community Fridges experienced increased demand for their service.
- We continue to support Business in the Community to identify opportunities to support their National Business Response Network to help provide vital items and skills support to community organisations in need as we navigate these uncertain times.
- 2023 saw the NHS reach their 75th birthday. Throughout March Starbucks' across the UK, including our own Cobra Coffee sites were selling Blue Heart Badges to support NHS Charities Together, an independent charity who work with a network of over 230 NHS Charities across the UK, to help the NHS go further for staff and patients.

SAFER NEIGHBOURHOODS

Given the increasing number of incidents, we continue to tackle business crime from every angle to protect our colleagues and customers enabling us to continue to serve local communities across the south.

Safer Neighbourhoods Fund

In 2022 we launched a second round of funding to support UK charities working with local communities to reduce crime, support ex-offenders and those at risk of reoffending, concentrating on the communities most impacted by crime across our region: Portsmouth, Southampton, Bristol, Bournemouth, and South London.

Following a contribution of more than £135k, 18 charities have been able to support 1,545 people. 55.56% of the support given focused on those experiencing individual poverty, 27.78% gaining or keeping accommodation and 16.67% helped build skills and confidence encouraging people to prepare from employment.

Recovery Film Festival

We were proud to support the Public Health Principal at Portsmouth City Council and the Portsmouth Film Society who ran film making workshops for service users and colleagues at Society of St James as part of the Recovery Film Festival in the Autumn.

In its 5th year, the short films 'I'm Only Human' focused on people's journeys to seek support for mental health issues, trauma, and recovery from addiction; and celebrated their ability to recognise their problems, have the bravery to come forward and seek help.

Lobbying for Change

The 2023 BRC Crime Survey showed that incidents of violence and abuse towards retail colleagues had almost doubled on pre-pandemic levels to 867 incidents every day in 2021/22. It also put the scale of retail theft at £953m, despite over £700m in crime prevention spending by retailers. This meant the total cost of retail crime stood at a whopping £1.76bn for the 12-month period to April.

Southern Co-op and its fellow co-operatives and retailers have been lobbying long and hard for the greater protection for shopworkers. Southern Co-op welcomes the Government intention to make assaulting a retail worker will be made a standalone criminal offence. We will continue our campaigning alongside others to press for widescale change to make our communities safer places to live and work.

GREENER NEIGHBOURHOODS

Green spaces in our neighbourhoods help wildlife thrive, support climate action and a clean 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.

The UK is one of the most nature depleted countries in the world, and Portsmouth, is one of the most nature depleted cities in the UK. We are seeing more wildlife populations decrease than increase and 15% of our species are threatened with extinction.

Working with the Wildlife Trusts and the South Downs National Park we are supporting nature recovery, making more space for wildlife, and helping people benefit from a healthy natural environment.

Hampshire & Isle of Wight Wildlife Trust

Wilder Portsmouth

We entered the fifth year of our partnership with Hampshire & Isle of Wight Wildlife Trust's, Wilder Portsmouth programme, which encourages communities to create and enhance wild spaces across the city. The initiative, which has been a success, has expanded to the Isle of Wight and the Wilder Communities theme is being adopted by other Wildlife Trusts.

Highlights of 2023 included: 30+ volunteers attending a community tree planting day at Milton Locks; 40 families taking part in a Wilder Paulsgrove day; attendance at two events in the city focusing on mental health and the link with nature and wellbeing. hiwwt.org.uk/wilder-portsmouth

Wilder Wight

In its third year, Wilder Wight is focusing on 5 key areas, Freshwater, Ventnor, East Cowes, Binstead and Pan.

Tina and Jo, the Wilder Communities Officers have supported several groups to take action for nature including the Vectis Road Allotments in East Cowes who formed a wildlife group and nominated a wildlife champion, a bulb planting session at The Riverside Centre to reinvigorate and brighten up old, raised beds in the car park and provide an early nectar source for pollinators - 450 bulbs were planted in 2 hours and they attended a family event at Pan Community Orchard, raising awareness of Wilder Wight Communities and encouraged people to join them making an apple bird feeder. [Wilder Wight 2023 Highlights](#)

Dorset Wildlife Trust, Natural Choices

March 2023 brought the end of our involvement with Natural Choices, a programme we joined in 2018 which enables people from all backgrounds and abilities across Dorset, to experience the health and wellbeing benefits of regular contact with nature through a programme of events and activities.

Throughout our five years of support, 240 people were engaged, 3,600 volunteer hours were given and 85% of participants reported a positive impact on their health. Activities were supported by Explore West Dorset, Gillingham Royal Forest, Urban Green (ended in May 2022), Wild Brownsea (ended May 2023) and Health and Nature Dorset (HAND) projects.

Devon Wildlife Trust, Wild Lives

In early 2023 Southern Co-op were proud to partner with Devon Wildlife Trust and fund the Wild Lives youth programme' pilot with a £25,000 donation. The programme is specifically aimed at young people ages 13 to 25 and builds on the Wildlife Champions programme predominantly adopted by primary schools. It encourages young people to take part in monthly practical voluntary conservation work and a series of nature-based sessions are hosted within secondary school grounds to support young people's wellbeing.

The first 6 months of the project has enabled Devon Wildlife Trust to engage with a wider range of diverse young people, some who already have a keen interest in nature, and are looking to take the next steps as a Youth Ranger. 19 young people have signed up as a Youth Ranger and taken part in 8 Youth Ranger sessions which included planting 120 trees, more than 1000 bulbs and litter picking across Riverside, Ludwell and Mincinglake Valley Park.

Since April 2023, two schools have enrolled for the wellbeing programme and 50 students have attended sessions. Visits to various schools are providing an opportunity to engage those who may not have had much connection with nature before.

Somerset Wildlife Trust, Big Count

Southern Co-op was proud to be a key contributor to Somerset Wildlife Trusts Big Count. The Big Count is the key activity in the Trust's annual programme of citizen science species counts across the county. Trust members, alongside Southern Co-op members, customers and colleagues were encouraged to count 10 different species including Dragonfly/Damselfly, Bullfinch and Speckled wood, small tortoiseshell, common blue, marbled white butterflies, which will inform action for nature's recovery.

2023s Count was extremely successful with 1,452 pack downloads - an overall growth of 133%, 1,183 observations on iNaturalist - a growth of 21% and 178 observers on iNaturalist - a growth of 16%; when compared to 2022s results.

630 (53%) observations proved to be research grade, meaning the record is viable to be included in academic studies and research.

SOUTH DOWNS NATIONAL PARK

Following our contribution to the South Downs National Parks ReNature programme in 2021, 2023 presented an opportunity to support their project to restore dew ponds and their Beelines initiative.

Dew ponds were historically dug by farmers as a watering hole for livestock but provide an oasis for wildlife, providing drinking and bathing water for birds and aquatic insects, as well as breeding sites for frogs, toads, and newts. Beeline grants help create wildflower meadows, areas in schools, as well as pollinator friendly wildlife corridors connecting pockets of species-rich chalk grassland, ensuring we have a good diversity of plant species across the landscape.

DISASTER RELIEF

In February devastating earthquakes hit Turkey and Syria affecting killing more than 55,000 people. Buildings and infrastructure were destroyed leaving survivors facing freezing conditions without and limited access to clean water brought the risk of cholera and other diseases. Southern Co-op donated £10,000 to the Disasters Emergency Committee, who alongside their local partners, worked with locally led relief efforts.

WORKING TOWARDS A WASTE FREE FUTURE

Tackling Food Waste

Our partnership with Too Good To Go continued with the app in use across all food and coffee stores, allowing customers to rescue magic bags of surplus unsold food. Since its launch in our food business, we've rescued over 86,000 magic bags in our food stores and over 100,000 in our coffee stores.

We continue to sell food past its best before date, for a nominal price in 108 of our food stores with a total of 456,330 items saved from waste, with over 60% of this being fruit and vegetables. In 20 stores, we are redistributing surplus food to local good causes in partnership with Neighbourly. At the end of each day, the store notifies a local connected good cause through Neighbourly about which food and drink items are available to collect. If the charity is unable to pick up, then it is offered to a second linked local cause. Since the partnership launched 60 organisations have been supported with over 19,000 meals donated saving 8.3 tonnes of waste.

Compostable Bags

We continue to use compostable bags in place of single use plastic bags, which are suitable for local authority food waste collections and home compost bins. Bags have been removed from our self-service checkouts to deter people from taking them unnecessarily. They can be requested from any of our colleagues in store and we hope this change will encourage customers to give more consideration to their bag consumption. We also offer a small range of durable reusable bags to encourage customers to reuse them instead of treating them as single use. We continue to encourage our customers to reuse bags and bring them from home, thereby saving themselves cost and helping the environment.

Soft Plastics

Following successful trials and in response to customer demand, soft plastics, such as cling film, biscuit and crisp wrappers, and carrier bags can now be recycled in 165 stores enabling more customers to safely recycle materials that can't be recycled at home. Once collected, the recyclable material is sent to a company called Jayplas which will turn it into post-consumer plastic granules. These are then made into secondary products such as bin liners, buckets, and construction industry materials.

Through our relationship with Federal Retail Trading Services (FRTS) work has continued to keep plastics and packaging out of the oceans by using less and making it easier to recycle Coop packaging. For further information on progress made please visit [Packaging and recycling - Co-op \(coop.co.uk\)](https://www.coop.co.uk/packaging-and-recycling)

End of Life Services Recycling

Recycling continues to go well across our End of Life Services estate with waste segregated into general waste and recyclables, with recyclables being collected on demand. Larger sites have a dedicated receptacle for the recyclable materials.

The Oaks crematorium and East Devon crematorium continue to recycle, thanks to the generosity of families who agree for any metals which remain after cremation to be recycled. In 2023 £20,000 was donated to Young Lives vs Cancer, £6,000 each to Target Ovarian Cancer and Hampshire & Isle of Wight Wildlife Trust, £12,000 to The Bastion Baton Trust, and £7,000 each to Stop Domestic Abuse Hannah's Holiday Homes.

Cobra Coffee

Starbucks continues to focus on a 50% reduction in waste, and we employ their 'seven ways to waste' which sees coffee grounds, paper cups, mixed plastics, aluminium cream canisters, leftover food and organic waste, espresso capsules and cardboard recycled.

The priority remains the move away from single use cups and Starbucks is exploring and trialling various routes to achieve this goal.

5p Cup Charge

Starbucks alongside Hubbub, trialled a 5p charge on any hot drink bought in a single-use cup in their stores, encouraging customers to bring a reusable cup instead. This charge is now nationwide, and Hubbub are pleased to be using the funds to run campaigns with social and environmental benefits that focus on three main areas:

- **Reducing the environmental impact of cups on our communities (including increasing reuse and recycling of cups)**
Boosting reuse through 6 Bring It Back Fund projects, which are trialling reusable options for food and drink packaging.
- **Making the most of the food we have**
Help the existing Community Fridge Network evolve beyond food redistribution into Food Hubs that run activities linked to developing cooking skills, learning about healthy living, and supporting community growing.
- **Improving access and connection to nature**
Hubbub launched the £1.2m Greener Communities Fund in partnership with NHS Charities Together that's enabling 10 NHS charities to increase access to green space near healthcare settings.

Working co-operatively

Southern Co-op is proud to have joined a new network led by the national charity Plunkett Foundation, who are bringing together co-operative retail societies to boost the resource and expertise needed to help the growth and resilience of the rural community business sector.

Local communities may choose to use a co-operative entity model as an effective way of working together to save local businesses such as a village shop or pub. Plunkett helps by giving them access to expertise and support to help them achieve their aims.

FAIR & 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 here](#).

We also want to ensure our direct suppliers for goods sourced independently of FRTS for sale by our businesses or those good 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 we continued our local supplier audit programme.

TACKLING MODERN SLAVERY

This year we have continued to make progress with our refocused anti-modern slavery strategy designed to ensure human trafficking and slavery have no part in the production and manufacturing of the products we sell and use, and to generally raise awareness about modern slavery throughout our business. This strategy continued to be supported by our Board who monitor its implementation and progress.

Our work focuses on the following five areas:



Our Modern Slavery Working Group remains responsible for overseeing the implementation and efficacy of these processes in protecting the business and its supply chains from modern slavery and reports on progress to the Board.

Our [modern slavery statement](#) outlines the steps we are taking to ensure no one in our business or supply chain is subject to such practices.

In 2023, we launched our new whistleblowing process. Colleagues' awareness of the existence of this means reporting potential incidences of modern slavery has increased but we're pleased that when investigated we have found no evidence of modern slavery within our business or supply chains, whether through our whistleblowing process or otherwise.

We also published our internal policy in relation to our anti modern slavery position and processes to help further increase colleague awareness of our zero tolerance on this abhorrent practice.

During Modern Slavery Awareness week in October 2023, we shared information with our colleagues about the types of modern slavery, the signs to look out for and what they should do if they think someone is under control.

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, all Co-op Fairtrade products customers buy change 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.

Fair Tax

Southern Co-op has secured another year of Fair Tax Mark certification and joins the growing movement of progressive businesses who are proud to say what they pay. The Fair Tax Mark is an independent certification scheme, which recognises organisations that demonstrate they are paying the right amount of corporation tax in the right place, at the right time.



**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 Committees to which it delegates specific aspects of its remit. The Committees operate under the delegated power of the Board with the scope and responsibilities of each being set out in their respective Terms of Reference. There are mechanisms for reporting back on activities to the Board 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 28 January 2024.

ROLE OF THE COMMITTEE

The Board has set out clear responsibilities for the Committee in its Terms of Reference which were last considered and approved by the Board in January 2021. The Governance and Membership Committee last reviewed the Terms of Reference in November 2023, and considered that no amendments were required at that time.

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 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 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. At present the Board have agreed that the membership of the Committee may be extended by one due to specific experience of an additional director.

During the year the Board considered the membership of the Committee following the resignation of one member, Beverly Wyatt. It was agreed that Dominique Opperman, who was elected to the Board in May 2023, and who is a colleague of Southern Co-op, should join the Committee. 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. The Committee is chaired by Director, Helen Jackson.

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

Director	Period	Meetings attended	Time on Committee
Helen Jackson *	Full Year	5 (5)	5 years 6 months
Mark Ralf	Full Year	4 (5)	5 years 6 months
Joanne Gray	Full Year	4 (5)	3 year 5 months
Anthony Scott	Full Year	5 (5)	2 year 6 months
Olusoji John	Full Year	5 (5)	1 year 6 months
Dominique Opperman	From 27 July 2023	3 (3)	6 months

Directors listed are those who were in office as at the year-end date of 28 January 2024 and time on Committee is to this date.

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

* Committee Chair

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 Head of Legal and Governance, 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.

OUR MEMBERS

Southern Co-op is owned by its Members and there were 204,577 at the end of January 2024.

51,562 new Members joined Southern Co-op during 2023-24 (33,632 in 2022-23)

During 2023, Southern Co-op has continued to promote its enhanced membership offer and has proactively sought to attract new Members to its membership and it's All Yours programme. This has resulted in an increased level of new Members during the year.

During the year 365 accounts were closed upon request. 20,006 accounts were forfeited as set out within Southern Co-op's Rules as part of our ongoing data cleansing programme. 761 previously forfeited accounts were re-opened upon request by the Member.

MEMBERSHIP OFFER

Having a Co-op membership means members are part-owners of our business. By trading with us our members save more, support our thriving regional business, shape its success allowing us to support local communities and causes.



In 2023, we extended our range of member-only offers which provide exclusive discounts in store to help our members save a little extra every day. Members can now benefit from member pricing on a wide range of co-op branded products in addition to some branded products. The latest offers are regularly featured on our website.

Our Members can also take advantage of a little extra peace of mind with an exclusive selection of offers and discounts available to them when making funeral arrangements for themselves and for loved ones.

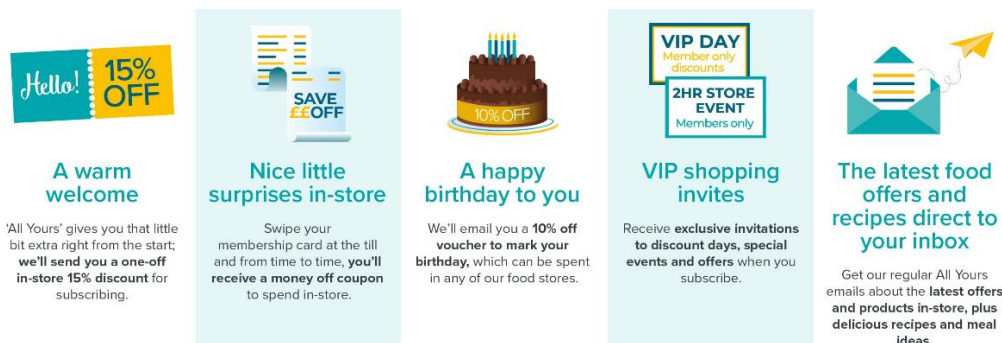
Our Bereavement Centre has also helped Members to cope with losses they have encountered during the year.



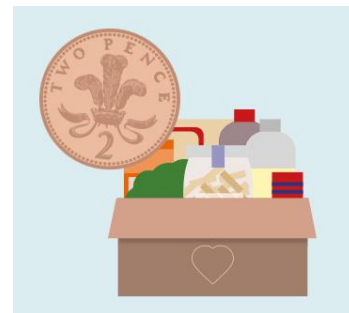
Our Member Benefits Portal provides our Members with free access to exclusive discounts from selected third party partners, tailored well-being plans, on demand fitness classes, and learning resources.

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 gain more value, by opting in to our All Yours additional benefits package to 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 also receive surprise money off coupons at times from our tills.



Southern Co-op Members can help us to make a difference when they shop – because we'll donate 2p to our local food bank partners when our Members buy food, drink and groceries in our food stores and swipe their membership card. Food poverty remains a critical issue faced by millions in the UK, and food banks provide vital support to communities. We work with over 70 local community food banks across our trading area. Our member donations from this community reward scheme are distributed every six months, and split equally between the local food banks we work with. Our Members have also helped by donating goods at our food bank collection points which are sited in 141 of our retail stores, or selected Co-operative Funeralcare branches.



Our Members have a say in shaping our future through our Member meetings and elections. In 2023 in addition to our formal online Annual General Meeting in May, two events were also held for members interested in the role of a Southern Co-op Director. One event was held for members wishing to meet members of our Board in person at our head office in Portsmouth, and another was held as an online session for those finding remote attendance more convenient. Both sessions were hosted by several of our current Board Directors and members had the chance to learn about their roles and to ask questions related to Southern Co-op and its Board. Members also shared their views with a number of our Board Directors on the subject of diversity and inclusion at an event hosted at the Renegade Brewery. This event also introduced a number of our Local Flavours suppliers to our members, with an opportunity for them to sample products and provide feedback to help our suppliers develop their ranges.

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 member events.

Member Share of the Profits

Our members benefit when our business does well. 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'. Whilst a Share of the Profits was paid out in 2022, our Board of Directors assessed that there would not be sufficient surplus profit to pay out Share of the Profits to members in 2023 in relation to the financial year 2022-23. Chief Executive, Mark Smith, explains the reasons for this decision in a video message on our website (<https://southern.coop/membership/your-membership/share-of-the-profits-2022-23>).

The percentage of trade recorded against our members in the year has increased.

The percentage of our Members actively transacting with us **2023-24: 62.7%*** 2022-23: 57.1%*

The amount of our trade with Members as a % of our total turnover **2023-24: 8.19%*** 2022-23: 8.31%*

The amount of our trade with Members as a % of retail turnover **2023-24: 9.78%*** 2022-23: 9.6%*

* 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 Southern Co-op 2023-24 highlights film 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 our 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 the 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 Society 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 resolutions or motions at 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, taking into account other relevant stakeholders' interests 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.

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 they can join in with us to bolster that support. As well as sharing the action Southern Co-op is taking, Members are invited to participate in a range of ways.

The Board of Directors is 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 and their wider communities.

Members can earn a Share of the Profits through their trade with our food stores when a dividend is paid, and receive member offers in our food stores and discounts on our end of life services and products. Members also have the opportunity to opt in to our All Yours additional benefits package and have free access to exclusive discounts, tailored wellbeing plans, on-demand fitness classes, and learning resources via our Member Benefits Portal.

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 focus 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 online AGM was held on 24 May 2023. 111 Members logged into the live event (105 eligible to vote). Once again in 2023, 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 were once more pleased to see a large number of members take the opportunity to use their Member voice. 5,054 Members took up this opportunity in addition to those attending the meeting. In total 5,165 participated in the AGM either by voting for the motions and/or by attending the meeting, of these 5,159 voted either at the AGM 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, community support, the appointment of a Director to help advance the diversity and inclusion of our Board, the intent to appoint an Independent Chair of

the Board in 2024 and Rule amendments. Votes were cast as below. A simple majority of 50% was required to pass all of the motions with the exception of the Rule amendments which required a three quarters majority (75%)

	Voted For	Voted Against	Abstained/ Did not vote
Adoption of Directors' Annual Report and Financial Statements	4,814 (98.47%)	75 (1.53%)	270
Advisory vote to approve Board's Remuneration Report	4,535 (95.29%)	224 (4.71%)	400
Approval of continuation of community investment leveraging external resources to maximise benefit for our communities	4,915 (98.66%)	67 (1.34%)	177
Ratification of Board's appointment of Olusoji John as Director for a further term of three years from 25 May 2023	4,340 (93.45%)	304 (6.55%)	515
Ratification of Board's decision to appoint an Independent Chair of the Board in May 2024	4,826 (98.15%)	91 (1.85%)	242
Approval of amendments to the Society's Rules	4,714 (97.86%)	103 (2.14%)	342

At the AGM Members also received updates from our Chair, Mark Ralf, and Chief Executive, Mark Smith. Members heard from a number of Directors in relation to their roles on the Southern Co-op Board and received a Board update on their work related to diversity and inclusion. The Chair of our Audit and Risk Committee, Lucy Knox, and Finance Director, Greg Wilkins, presented a report in relation to the prior year's financial position. As is usual at our AGMs, Members took the opportunity to ask questions in relation to the contents of our Annual Report and raised matters which they care about. Society Secretary, Silena Dominy, announced the results of the Board election which had taken place prior to the event, and provided an update in relation to Board fee payments.

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 and introducing proxy voting has 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
2023-24: 5,165 (2.52%) 2022-23: 7,192 (4.17%)

To give Members across our whole trading area the opportunity to attend, the Board has determined that the AGM in 2024 will once again be an online event.

Member Trips and Listening Groups

In 2023, in addition to our formal online Annual General Meeting in May, two events were held for members interested in the role of a Southern Co-op Director. One event was held for members wishing to meet members of our Board in person at our head office in Portsmouth, and another was held as an online session for those finding remote attendance more convenient. Both sessions were hosted by several of our current Board Directors and members had the chance to learn about their roles and to ask questions related to Southern Co-op and its Board.

Members came together at an event hosted at the Renegade Brewery in April 2023 where they shared their views with a number of our Board Directors on the subject of diversity and inclusion. The event also gave an opportunity for our Members to meet a number of our Local Flavours suppliers and to sample and share feedback on their products to help our suppliers develop their ranges.

Our Board are considering how best to engage with Members in 2024, and more will be announced once plans are agreed.

Talk to Us

Our Board wants to hear the views of our Members and the '[Talk to Us](http://www.thesouthernco-operative.co.uk/membership/your-Board-of-Directors/talk-to-us/)' communication channel (www.thesouthernco-operative.co.uk/membership/your-Board-of-Directors/talk-to-us/) has therefore been in operation since 2020. Since then Members have shared their views and asked questions in relation to our funeral business acquisitions, 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, the diversity of the Board, action to tackle theft and violence towards our colleagues and our approach to the installation of electric vehicle charging units.

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 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 and information on our Board elections during the year.

Our 'All Together' Member updates 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. During 2023, our Members have received the following communications:

- **'All Together we've raised £100,000 for great causes'** updating on how together our membership have supported community causes;
- **'All Together for everyone'** providing an update on initiatives to ensure Southern Co-op is diverse and inclusive;
- **'All Together celebrating our 150th Birthday!'** which invited Members to share their memories of Southern Co-op over the years;
- **'All Together protecting our future'** providing information on the Society's climate action; and
- **'All Together helping communities this winter'** discussing food waste and the Society's support for food banks.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE BEST PRACTICE

As a co-operative, Southern Co-op is not required to adhere to the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. 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. In 2021 we reported that there were two provisions out of 75 where the Board did not fully or partially comply. Since then, the Board has taken steps 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 have improved the information available to our Members through this report, and our website, in relation to their role, rights, decisions reserved for Members and information available to Members.

The Board continues to focus on continual improvement against areas of the Code for which there is currently partial compliance. These relate to 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. 205,000 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 (Chair)



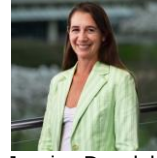
Tony Scott (Vice-Chair)



Joanne Gray



Helen Jackson



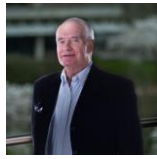
Jessica Danyluk



Olusoji John



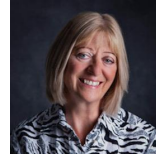
Judith Feeney



John Harrington



Dominique Opperman



Alison Hesselberth

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.



Mark Smith
Chief Executive



Sarah Kavanagh
Business
Transformation &
HR Director
(until 26/01/24)



Simon Eastwood
COO – Retail



Silena Dominy
Director of
Corporate Affairs
(until 15/03/24)



Steve Pearce
COO – End of
Life Services
(until 12/05/23)

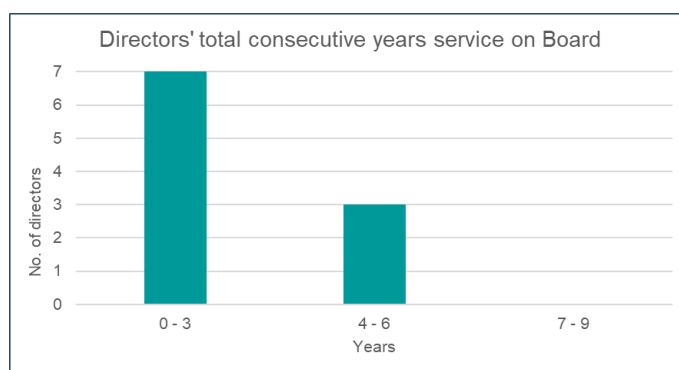


Gemma Lacey
People and
Sustainability
Director



Greg Wilkins
Finance Director

According to our Rules, the Board may also co-opt up to two directors. 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 cumulative years. The chart below shows the length of total uninterrupted service on the Board for our current Directors since their initial election. One Director has held office on the Board in three separate periods of service and has cumulative service of 11 years 8 months. Under Rules agreed by Members in May 2023, he will be required to retire at the end of his current term of office. The Board currently has eight elected Directors and two co-opted directors.



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 co-opted two Directors.

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 mid 2024 he will retire from the position.

Under its succession planning arrangements, the Board carried out a search process in 2023, with the agreement of Members gained at the 2023 AGM, to identify and appoint a Chair Designate who would thereafter take the Chair in mid 2024. The search was conducted from within the Society's own membership and a number of applications were received, shortlisted and interviewed during the process which was overseen by the Remuneration and Appointments Committee on behalf of the Board. In October 2023 the Board resolved to appoint Janet Paraskeva to the role of Chair Designate, with such appointment commencing on 1 November 2023. This approach provides a period of seven months during which a comprehensive induction has been followed and gave an opportunity to identify and deal with any knowledge gaps to ensure that a smooth handover is achieved upon the transition of the role from Mark Ralf to Janet Paraskeva at midnight on the day of the 2024 AGM.

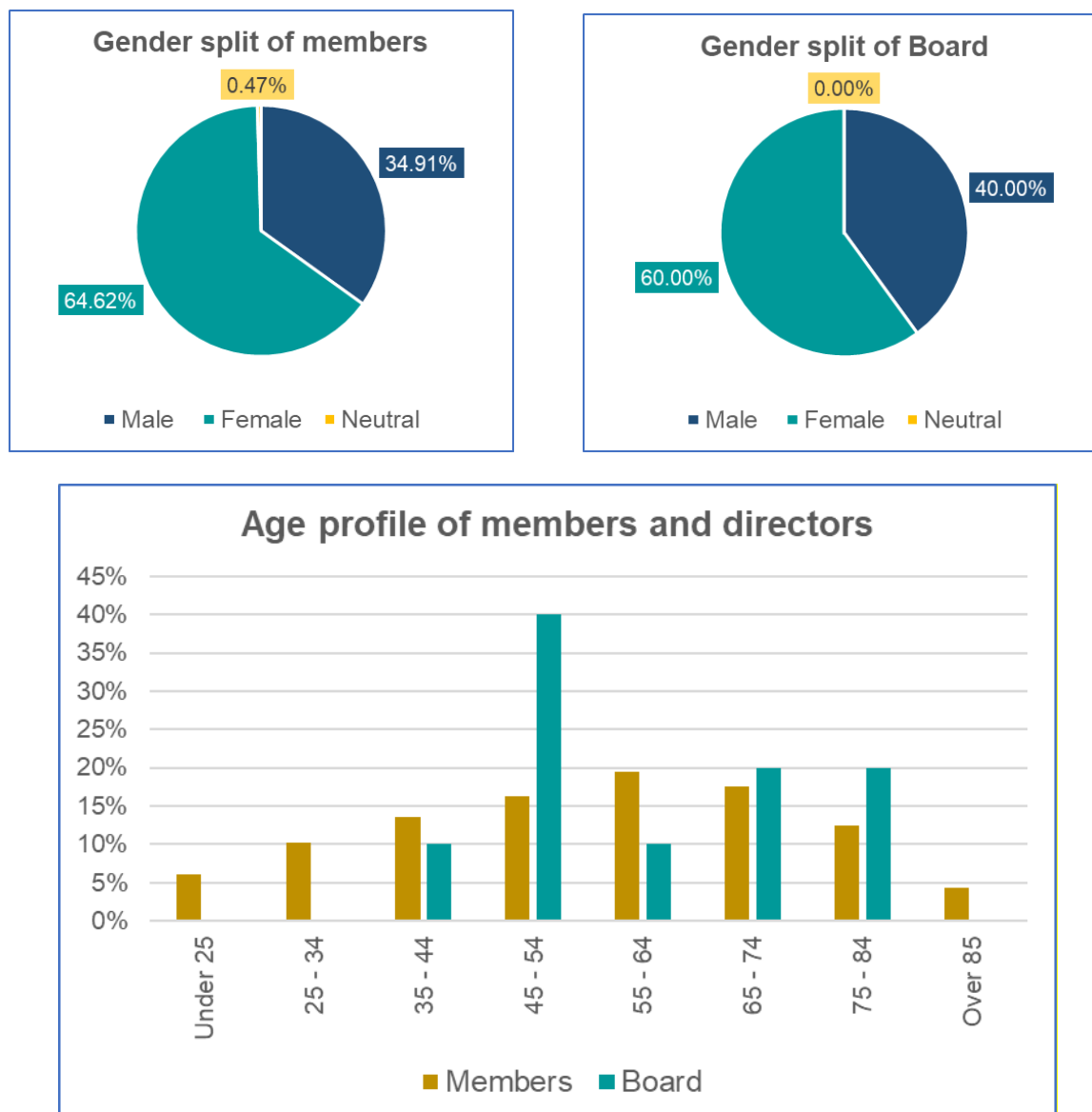
In 2021, the Board discussed with Members at the AGM their desire to ensure that they are diverse, inclusive and fair. This helps the Board be representative of our Members and ensures everyone feels able to participate in the opportunities available. With the support of Members, the Board determined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

Following a recruitment process the Members ratified the appointment of Olusoji John to the Board in May 2022 and in May 2023 agreed the reappointment of Olu for a further term of three years.

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. John Lay held the role until he left the Board in May 2023. Tony Scott was appointed Vice-Chair in December 2023.

As at the period end, the Board consisted of eight 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 2024 are shown below:



The Board continue to consider ways to improve the diversity of the Society's membership and the Board are keen to support and encourage younger members. Participating as a non-executive director can be very rewarding and as well as contributing to the strategy and governance of our co-operative can provide opportunity for self-development. Younger board members can see different challenges on the horizon and can provide new relevance and understanding as the voice of a different part of our membership and customer base. Any members interested in a Board role can contact Member Support or the Board directly at any time via boardofdirectors@southerncoops.co.uk.

2023 Board Election

The Board welcomes contested elections and encourages Member participation in the electoral process and is keen to attract potential future Directors. As indicated above Members interested in a role on the Board are invited to indicate this by contacting the Member Support Team or the Board of Directors. 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.

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. In order to make voting accessible to all Members, a postal and electronic voting system was used as well as a telephone system. Voting instructions are emailed and posted to Members. Votes may be cast online, or via a paper ballot paper requested during the election, by Members eligible to vote. Members could also use a telephone system to cast their vote in 2023.

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.

94,550 ballot papers were despatched to eligible Members by a combination of post and email in the 2023 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, and 99.9% of our voting members used these methods in this election. **6,800** Members voted in the election (96.3% online, 3.6% by telephone and 0.1% by post).

The 2023 Board election saw seven candidates nominated for the one seat which was available to Members who are not also colleagues of Southern Co-op. A new Director, Alison Hesselberth, was elected onto our Board for a three-year term. In addition, the election saw three candidates stand for the one seat which was available to Members who are also colleagues of Southern Co-operative. A new Director, Dominique Opperman, was elected to the Board for a term of three years.



Alison Hesselberth (Non-Colleague Seat)



Dominique Opperman (Colleague Seat)

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

The percentage of our Members voting in Board elections **2023-24: 3.32%** 2022-23: 5.36%
Return rate in Board elections **2023-24: 7.2%** 2022-23: 11.5%

2024 Board Election

Our Governance and Membership Committee continues to consider how the election process can best be delivered to encourage participation from a wider and more diverse range of Members, both in terms of candidates and voters.

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 Leadership Team to understand our Society and its 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 December 2022. 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. In particular our Board have acknowledged that all of our Directors are over 40 years of age, whilst almost 25% of our Members are younger. They are therefore keen to attract younger Members to the Board.

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 in the future. Once in role, this is complemented with a programme of training and development. New Directors will 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.

Our current Board is comprised of Directors whose backgrounds and/ or qualifications bring experience in marketing and business development, , retail operations, people management and training, heritage management and funding, programme management, sales and support and purchasing. Whilst far from being a requirement, some 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 2023. 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, whilst in 2022 and 2023, the process was undertaken internally. In 2023, the review again aimed to identify any areas which might be improved upon and comprised of completion of questionnaires.

Board Meetings and Committees

The Board meets approximately monthly, with additional Sub-Committee meetings held on a regular scheduled basis. During 2023 the Board have held a mix of physical, virtual and hybrid meeting formats which have ensured a more inclusive approach 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 one occasion in the year to the end of January 2024.

Southern Co-op's Directors attended the following Board and Chair's Committee meetings during the year to the end of January 2024:

	Board Meetings	Chair's Committee Meetings
Mark Ralf *	12 (12)	1 (1)
Joanne Gray	10 (12)	1 (1)
Helen Jackson	12 (12)	1 (1)
Jessica Danyluk	11 (12)	1 (1)
Anthony Scott	12 (12)	1 (1)
Olusoji John	12 (12)	1 (1)
Judith Feeney	11 (12)	1 (1)
John Harrington	12 (12)	1 (1)
Dominique Opperman	8 (8)	1 (1)
Alison Hesselberth	8 (8)	1 (1)

Directors listed are those who were in office as at the year-end date of 28 January 2024 and time on Committee is to this date.

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

* Board Chair

The Board has established three main permanent Committees:

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

These three Committees ensure proper scrutiny and accountability of Southern Co-op's activities. The Board has the option to form a Nominations 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. In 2023, a search was undertaken to identify and appoint a Chair Designate, with the intent that the Member take up the role of Chair mid 2024. The Board determined that the Remuneration and Appointments Committee would govern the process and therefore there was no requirement for a Nominations Committee to be formed..

The Board determines the powers delegated to its 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 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 Committee meetings are circulated to all Directors with the Chair of each 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.

Society Secretary

The Board appoints a Secretary of the Society to assist in the arrangements for Member and Board meetings, and in monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with the Southern Co-op's Rules. The Society Secretary also provides guidance on matters of governance and ensures that standards are upheld and that all required returns are submitted. It is the Society Secretary who acts as Returning Officer in Board elections, ensuring that a robust process is operated on behalf of the Board. During the year Silena Dominy retired from the role of Society Secretary after 15 years in the post. With effect from 1 October 2023, the Board appointed Tessa Briggs, who held and continues to hold the post of Head of Legal and Governance, as Society Secretary.

Ethical decision making

We have developed a Decision-Making Compass to help guide our ethical approach to decision making 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.



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 Committees to delegate specific aspects of its remit to. The 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 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 in June 2024 and will be subject to an advisory vote by Members.

This report covers the 52 week period ended 28 January 2024.

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 reviewed the Terms of Reference in January 2024, and determined that no amendments were required at that time.

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 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 Southern Co-op or who 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 and determined that no changes were required. As no Vice-Chair was in role at the time of the review a decision was made to deviate from the terms of reference which provides that the Vice-Chair should be appointed to this Committee.

The Committee is chaired by Joanne Gray who is able to draw on her professional expertise which aligns well with the Committee's remit.

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

Director	Period	Meetings attended	Time on Committee ^
Joanne Gray *	Full Year	5 (5)	5 years 6 months
Mark Ralf	Full Year	5 (5)	5 years 8 months
Helen Jackson	Full Year	3 (5)	1 year 8 months
Jessica Danyluk	Full Year	5 (5)	1 year 6 months

Directors listed are those who were in office as at the year-end date of 28 January 2024 and time on Committee is to this date.

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

* Committee Chair

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 Director responsible for HR, the Head of Legal and Governance 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. Korn Ferry have allocated a number of different Client Partners to work with the Committee during this time, to ensure independent advice is available and fresh views and insight is received. The latest change of Client Partner took place at the beginning of 2021.

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 two co-opted independent Directors on the Board. The first is 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 second is Olusoji John, who was appointed to the Board to help advance its diversity and inclusion in February 2022. The plan to make such an appointment was supported by Members at the AGM on 27 May 2021, and members ratified his reappointment for a further three years at the AGM on 24 May 2023.

The Board of Directors have also co-opted an independent member to their Audit and Risk Committee, Lucy Knox, who currently holds the position of Committee Chair.

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	6
Joanne Gray	Director	2018	2025	5
Helen Jackson	Vice-Chair	2018	2024	5
Jessica Danyluk	Director	2021	2024	2
Anthony Scott	Director *	2021	2024	2
Olusoji John	Director	2022	2023	1
Judith Feeney	Director	2022	2025	1
John Harrington	Director	2022	2025	1
Dominique Opperman	Director *	2023	2026	8 months
Alison Hesselberth	Director	2023	2026	8 months
Lucy Knox	Independent Member of Audit and Risk Committee	2019	2024	4

* 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 Members agreed that in the absence of a full review which is planned to be held every three years, fees would increase annually on the date of the AGM, at the discretion of the Board, by the general percentage increase applied to the salaries of senior

management of the Society in that year. Accordingly, a 3% increase was applied on 26 May 2022 with the resulting fees being presented to the Members at the AGM on that date for ratification. At the AGM on 26 May 2022 Members also approved new fee rates for the Independent Chair of the Audit and Risk Committee and the Vice Chair of the Audit and Risk Committee.

In line with the mechanism agreed by Members for annual increases to Board fees, an increase of 4.44% was applied to fees on 24 May 2023, and was reported to Members at the AGM in 2023. The resulting fee rates are as follows:

Elected Roles

	From May 2023
Vice-Chair Base Fee	£8,606
Director Base Fee	£6,992

Further to the payment of the base fee the following annual payments are made per Sub-Committee or similar appointment, held by a Director as set out below:

Appointment to Remuneration and Appointments Committee	£1,076
Appointment to Governance and Membership Committee	£1,345
Appointment to Audit and Risk Committee	£1,984
Appointment to Pension Scheme Trust Company	£2,956
Appointment to Mutual Associates Limited (excl Directors who are also colleagues attending meetings during working hours)	£135

Where a Director acts as the chairperson of a Sub-Committee or similar Board, a further annual payment as set out below is paid to that Director:

Chair of Remuneration and Appointments Committee	+ £538
Chair of Governance and Membership Committee	+ £538
Chair of Audit and Risk Committee	+ £1,210

Where a Director acts as the Vice-chair of the Audit and Risk Committee, a further annual payment as set out below is paid to that Director:

Vice-Chair of Audit and Risk Committee	+ £807
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Appointed Roles

Independent Chair (inclusive of all sub-committees)	£23,398
Independent Chair of Audit and Risk Committee *	£8,000

* fee agreed for three-year period therefore increases will not be applied annually.

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. There was no annual bonus incentive scheme in operation for the year 2023/24, however the scheme in the prior year was 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 not be subject to any disciplinary issues. The scheme for 2024/26 is a two year retention scheme similar to the one for 2023/24 requiring the individual to not be subject to disciplinary action. While the key criteria would be retention, the Remuneration and Appointments Committee retains its right to review, reduce or remove payment should they assess that business performance does not support payment.
- 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 Korn Ferry. 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 in prior years has operated an annual bonus scheme. No such scheme operated during the financial year 2023-24.

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, alongside retail co-operative data, and will also consider individual performance and the level of salary increases elsewhere in Southern Co-op.

Bonus scheme

Annual bonus schemes are open to all colleagues in Southern Co-op. The structure of these aims to ensure that the reward package has sufficient realistic value given economic and market 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.

A bonus scheme operated in the financial year 2022/23, however the economic conditions and business performance during the year meant that the scheme thresholds were not met and therefore no payments were made to any participants.

In view of economic conditions, it was determined that no bonus scheme would operate for the financial years 2023/24 and 2024/25.

Retention plan

In 2020/21, the Remuneration and Appointments Committee established a Long-term Retention Plan which would cover the three financial years 2020/21, 2021/22 and 2022/23. Payments to the Chief Executive and members of the Leadership Team were paid in Spring 2023 as set out in the table of remuneration paid during the year later in the report.

The Retention Plan requires participants to demonstrate that they have conducted their roles and responsibilities in accordance with Southern Co-op's values and principles.

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.

In 2023/24, the Remuneration and Appointments Committee established a Retention Plan which would cover a period of one year. Payments to the Chief Executive and members of the Leadership Team are due to be made in Spring 2024. A similar scheme based on retention has been approved to relate to a two year period from 2024. Payments, if applicable, will be payable in 2026.

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 28 January 2024 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. All members of the Leadership Team have notice periods of 6 months. 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.

DIRECTORSHIPS

BOARD

Mark Ralf is a Director of West Wittering Estate PLC. Judith Feeney is a Director of Channel View Residents Ltd and trustee Director of The Southern Co-operative Pension Trustee Limited. John Harrington is a director of Community Empowerment Limited, National Federation of Progressive Co-operators Limited and trustee Director of The Southern Co-operative Pension

Trustee 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. Joanne Gray is a Director of The Progress Lab Ltd. Jessica Danyluk is a Director of Blackberry Lane Pre-school. Olusoji John is a trustee of Centric Community Projects Limited and a Director of EMGRA Consulting Ltd.

LEADERSHIP TEAM

Mark Smith, the Chief Executive of Southern Co-op, is a non-executive Director of Federal and Retail Trading Services Limited, a non-executive Director of Independent Co-op Services Limited, of Cherque Farm Management Limited and of Tamar Valley Crematorium Limited. Gemma Lacey, People and Sustainability Director for Southern Co-op, is a Director of Express FM (Portsmouth) Limited, The Crossways Freehold Limited and Solent University's Business Advisory Board. Greg Wilkins is a director of Southern Co-operative (SIP) Limited and during the year to 28 January 2024, Silena Dominy was a director of Southern Co-operative (SIP) Limited.

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 last undertaken by the Committee in January 2024.

This review did not result in any amendments being proposed to the Terms of Reference of the Committee. The Board more generally carried out a Board performance evaluation during the year which will 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 28 JANUARY 2024

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 £ #	2023/24 Total Emoluments £	2022/23 Total Emoluments £
Mark Smith	Chief Executive	2008	344,906			100,000	3,645	448,551	511,169
Simon Eastwood	Chief Operating Officer – Retail	2016	245,175			70,000	7,041	322,216	351,246
Sarah Kavanagh	Business Transformation and HR Director	2018 *	165,338			70,000	5,304	240,642	243,204
Silena Dominy	Director of Corporate Affairs	2016	149,144	10,439 ^		70,000	10,766	240,349	237,347
Gemma Lacey	People and Sustainability Director	2023	149,144			70,000	5,976	225,120	220,405
Greg Wilkins	Finance Director	2018	149,144			70,000	5,933	225,077	219,208
Stephen Pearce	Chief Operating Officer – End of Life Services	2006 **	42,418			70,000	3,773	116,191	215,264

Benefits in Kind 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 SOUTHERN CO-OPERATIVE LIMITED

* Sarah Kavanagh left the business on 26 January 2024 ** Stephen Pearce left the business on 12 May 2023

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	34,491*
Simon Eastwood	Chief Operating Officer – Retail	2016	No	12,259*
Sarah Kavanagh	Business Transformation and HR Director	2013	No	8,267
Silena Dominy	Director of Corporate Affairs	1990	Yes	14,914
Gemma Lacey	Director of Sustainability and Communications	2013	No	7,457
Greg Wilkins	Finance Director	2011	No	7,457
Stephen Pearce	Chief Operating Officer – End of Life Services	1984	Yes	4,242

* 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 2023/24 Remuneration £	Total Expenses Claimed 2023/24 £	Total 2022/23 Remuneration £	Total Expenses Claimed 2022/23 £
Mark Ralf	23,060	-	* £22,182	-
Joanne Gray	9,547	278	£9,434	£238
Helen Jackson	9,807	213	£9,634	£339
Jessica Danyluk	9,972	546	£9,013	£345
Anthony Scott	8,353	-	£7,904	-
Olusoji John	8,217	816	£6,739	£528
Judith Feeney	9,317	321	£5,332	£122
John Harrington	10,767	-	£5,784	-
Dominique Opperman	5,280	-	-	-
Alison Hesselberth	5,590	27	-	-

* 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). The Government have stated an intention to bring the NLW to 66% of UK average earnings, and to reduce the upper age limit for the adult NLW rate over time. We published the Gender Pay Gap Report each year, 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.

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 28 January 2024.

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 reviewed the Terms of Reference in October 2023, and determined that no amendments were required at that time.

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 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 and from her experience as a Director of a private business. 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.

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	4 (4)	4 years 4 months
Jessica Danyluk	Full Year	4 (4)	2 year 6 months
Judith Feeney	Until 27 July 2023	2 (3)	1 year
Alison Hesselberth	From 27 July 2023	1 (1)	6 months
John Harrington	From 27 July 2023	1 (1)	6 months

Directors listed are those who were in office as at the year-end date of 28 January 2024 and time on Committee is to this date.

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

* Committee Chair

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, Head of Risk, Safety and Facilities Management, 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 reviews 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.

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 2023, 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 established a number of risk categories and it assesses risks against these. A risk appetite has been defined by the Board in relation to each risk category. The Leadership Team use these risk appetites to plan its management of the identified risks accordingly. The risk categories and risk appetites are reviewed annually to ensure that they remain 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 has therefore determined its risk appetites 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 2023 is as follows:

Risk Category	Appetite	Description
Operational <i>The process of designing, implementing and delivering products and services</i> <i>Sourcing of products and services</i> <i>Service delivery across stakeholders including IT service, securing of network, services and data</i>	Open/Active	- Innovation is supported and pursued. Desire to 'break the mould' and challenge current working practices, with demonstration of commensurate improvements in management control. - Responsibility for non-critical decisions devolved. Management by trust encouraged. - Systems/technology developments are considered a key enabler to operational delivery.
Financial <i>The application of financial principles/resource management to create and maintain value</i> <i>Capital funding of new activities, investment in and divestment of assets</i> <i>Generation and management of revenue</i>	Open	- Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. - Value and benefits are considered. - Resources are allocated in order to capitalise on potential opportunities.

THE SOUTHERN CO-OPERATIVE LIMITED

Risk Category	Appetite	Description
Reputational • <i>Controlling and potentially influencing and/or enhancing SC's public perception</i> • <i>Proactively implementing strategies to manage public opinion</i> • <i>Consideration to the public perception of business decisions</i>	Cautious	• Tolerance for risk taking limited to those events where there is little chance of significant repercussions should there be a failure.
Legal/Regulatory (including Privacy Risk) • <i>The adherence to requirements/rules whether they apply to all (laws) or specific industry (regulations)</i> • <i>This includes Data Protection Act, Health and Safety at Work act, FCA Rules, etc. which cross over with other risk categories</i>	Cautious	• Risk may only be taken if the gain will outweigh any adverse consequences and there is no infringement of laws and regulations.
Governance • <i>The way in which SC is governed and to what purpose</i> • <i>Defining who has accountabilities and responsibilities</i> • <i>Decision making frameworks in the interests of stakeholders</i>	Cautious	• Accountabilities and responsibilities clearly defined with arrangements in place, monitored and reported upon • Mandatory codes applied • Voluntary codes complied with where appropriate
Environment • <i>The conscious and coordinated effort in mitigating our impact on the environment</i>	Cautious	• Environmental impact of operations considered as part of business as usual • Resources allocated on a case by case basis for climate change preparedness • Financial opportunities will not be implemented at significant climate/biodiversity cost

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Risk Category	Appetite	Description
Safety - The systems in place to reduce the risks to individuals safety and/or health associated with SC's activities - Including the mental health and wellbeing of colleagues	Cautious	- Risks will be managed so far as is reasonably practicable - Strategies, policies, processes and risk assessments will be in place - Monitoring arrangements, consultation and oversight in place

RISK IDENTIFICATION

During 2023, Southern Co-op identified risks and opportunities through ten Directorates which held workshops to discuss the position for their areas of responsibility. This led to the identification of 156 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.

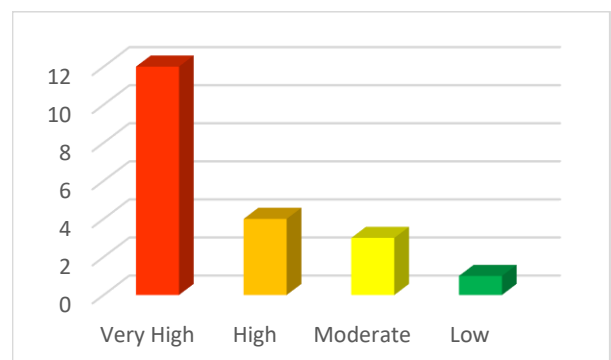
In October 2023, seven risk themes were identified, from the 20 risks, that the Board and Leadership Team have determined are the most significant to be monitored at a strategic level.



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

Risk ratings and levels were 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 2023, of the twenty risks being monitored at a strategic level, 12 were deemed to be very high, 4 high, 3 moderate and 1 low risk. 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-operative Group Limited (“The Co-op Group”). The failure of this supplier to meet its obligations would have a significant impact on Food Retail operations. In addition, the efficiency and effectiveness of The Co-op Group’s buying strategy and logistics operations have a direct impact on Southern Co-op’s cost base and revenue. Changes at The Co-op Group, whether leadership, technology, product or reputation, will inevitably impact Southern Co-op. The failure of the supplier to meet its obligations is considered unlikely however the consequences of this could be severe. The current ‘very high’ risk rating stems from the extent of technological change currently being undertaken at The Co-op Group and perceived difficulties and delivery of such change. Managing the position can reduce the severity of the consequence to a degree, however it is necessary to accept the level of risk remaining since Southern Co-op cannot remove the risk, nor substantially reduce it. The benefits derived from our relationship with The Co-op Group are considered to outweigh the risk. 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 and cost base increases are being experienced due to inflation levels. The failure of the supplier to meet its obligations is possible, but experience over the recent years has shown this is not likely. Without controls there could be a major effect on our business, however the level of risk has been deemed to have reduced during 2023.

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. Whilst there is generally an increasing cyber risk, we continually review our cyber security, disaster recovery and business continuity arrangements to ensure that they remain fit for purpose, and scenario testing is undertaken as part of our business continuity planning programme. 2023 saw the implementation of new payroll and funeral management systems. Risks were considered and managed throughout these IT projects and sound relationships developed for these cloud based systems.

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. We undertake horizon scanning to identify future legislation with which we will have

to comply and plan our approach. Our membership of trade organisations and bodies such as the Association of Convenience Stores, British Retail Consortium and National Association of Funeral Directors and Funeral Plan Providers gives insight into changes and proposals. The possibility of a change of Government in 2024 creates a risk of further changes in legislative position.

Southern Co-op has approximately 550 property units to manage. Regulations in relation to fire safety and concerns in relation to RAAC require ongoing people and financial resource. A programme is in place to assess any risks and take action to address them. These issues are current and have a major impact on costs, the risk rating has been increased as a consequence. Government environmental targets have led to legislation which impact our property units. We have a climate action programme in place to meet such requirements with good progress being achieved. The risk rating has therefore been reduced for this risk.



SKILLS SHORTAGE

There is a national skills shortage heavily influenced by the COVID-19 pandemic as well as changing attitudes towards work. The demand outstrips the supply and can result in shortages of necessary talent in some areas. There has been a particular challenge in recruiting and retaining talent in store/hospitality roles and in some central roles due to competition with the London market. Pay inflation has been created 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. 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. Action has been taken to make recruitment processes more efficient and changes to working patterns have been implemented. Despite this the risk remains very high.



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. Continued work with service providers, leading technology suppliers and partners keep us abreast of developments, and regular updating of systems ensures the latest functionality is embedded.

The changing face of retail and consumer demand is seeing a move towards online and on-demand shopping and food retailers are responding with competitive loyalty programmes. The Society offers member benefits due to its nature as a co-operative, however this difference is being eroded by competitor's programmes. IT investment to ensure a focus on in-store offer has been progressed during 2023. The increase in competitor activity has led to an increase in this risk rating. 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 continuing to see an increase in violence and aggression directed at frontline colleagues, particularly in our retail stores and across this 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. Our work in tackling these issues is reducing the impact for our colleagues, however we aim for longer-term support from government and police to address this issue, and work together with other retailers through the Association of Convenience Stores and British Retail Consortium to raise awareness.

A challenging operating environment and increased costs on the business has created the need to review our colleague resource to ensure it is appropriately structured and targeted. Reviews of our retail and end of life services structures have been undertaken, and 2023 saw an organisational design review of our central office.

COST BASE

Increases in energy costs, the National Living Wage and environmental levies continue to have a significant impact on operating costs. Inflationary increases are being seen across our goods for resale and goods and services not for resale. In addition, the costs of taking action to address the climate emergency continue to be an essential element of our cost base. Competitive pressures related to pricing in the Food Retail market and competitor approaches to loyalty limit the extent to which such increases can be passed to the consumer and therefore an element has 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. An organisational design review was completed in 2023 which significantly reduced the costs of the central functions. 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, and plans have been developed in 2023 to not only capitalise on such efficiencies but also to drive forward both existing and new revenue streams.

Commodity prices and supply chain impacts continue to impact the business as is the case with increased 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, although the risk level remains very high. 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 and global positions 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.

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.

Competition for new sites remains high. 2023 continued to see significant investment in coffee shops and natural burial grounds in the year to further diversify our business operations. Food retail is particularly challenging with increased exposure on price competitiveness including loyalty pricing within supermarkets and convenience. Prices are closely monitored, and our product ranges and services are reviewed and adapted to reflect changing customer demands and expectations. 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 major. By managing the risk, the likelihood of significant adverse 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. Every year we test elements of the Business Continuity Plan.

PLANNED REVIEW OF ENTERPRISE RISK MANAGEMENT

A review of the risk management processes is planned for 2024 and good progress has been made to date. This includes how we structure our risk registers and how we facilitate continued productive discussions around risk mitigation and timescales. We will also take the opportunity to align registers to Our Plan 2024/26.

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
- ending 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 has been 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

- ending 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.

Directors' Report

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 with net assets of over £114m and a cash balance in hand of over £4m. 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. It has taken action to manage economic risk and implemented forward looking mitigating actions in the year to maintain this position of strength, these actions included a full re-assessment of the requirements of the Head Office function and a subsequent restructuring exercise to reduce its cost base. It has also entered into a new energy buying consortium with other Co-operatives to lock in energy prices for 2024 and 2025 and gain a level of certainty for this significant operating cost.

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 from all of its banking partners to assist with the expansion. The Society has a borrowing facility of £19.5m available to it from its main banking partner and is permitted to enter into other lending arrangements at the same time. The use of external debt will be utilised along with internally generated funds to enable the business to achieve its planned growth.

EBITDA has remained flat year on year, despite inflationary increases and the cost of living pressures on our customers. This position has been discussed by the Board, who support management's view that the wider macro-economic situation is anticipated to be temporary and not permanent. Financial forecasting is undertaken on a medium to longer-term cycle and risks are assessed over the same term 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 medium to long term financial forecasts have been assessed for key sensitive assumptions and stress testing performed on these assumptions. This determines the hypothetical detrimental quantum needed for the Society's Business model and banking facilities to be sufficiently breached to give rise to a going concern issue. Management and the Directors are confident that such extreme detrimental scenarios are highly unlikely or less extreme scenarios still allow the Society to trade with sufficient headroom of its borrowing facilities.

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 as noted above, 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. 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 28 January 2024 were 37.0

days (35.8 days for the 52 week period ended 29 January 2023), 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 [Membership T and C's](#).

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 194-121 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)

Anthony Scott - (Vice-Chair)

Tessa Briggs (Society Secretary)

13 May 2024



**Financial Statements
for the 52 weeks ended 28 January
2024**

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 UK 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 28 January 2024 and of the Group's and the Society's loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of 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 ("the Society") and its subsidiaries ("the Group") for the 52 week period ended 28 January 2024 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated 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 are 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 the 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 officers and professional advisers, chair's statement, chief executive's review, retail, end of life services, our people, sustainability report, report of board's governance and membership committee, report of board's remuneration and appointment committee, report of board's audit and risk committee, statement of going concern, disclosure of information to auditor, statement of compliance with code on withdrawable share capital, board certification, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which the Co-operative or Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Society has not kept proper books of account;
- the Society has not maintained a satisfactory system of control over its transactions;
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need 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 Directors either intend to liquidate the Group and 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 and the industry in which it operates;
- Discussion with management and those charged with governance, and Audit Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- 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.

We considered the significant laws and regulations to be the applicable accounting framework such as UK tax legislation and Community Benefit Societies Act 2014.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, anti-bribery and employment law.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations.
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations.
- Review of financial statement disclosures and agreeing to supporting documentation.
- Review of legal expenditure accounts to understand the nature of expenditure incurred.
- Discussion with management, including consideration of known or suspected instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, Audit Committee, and internal audit regarding any known or suspected instances of fraud.
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- Enquiry with management concerning actual and potential litigation and claims.
- Challenging assumptions made by management in their significant accounting estimates and assessing whether the judgements made in accounting entries are indicative of potential bias.

Based on our risk assessment, we considered the area's most susceptible to fraud to be revenue recognition and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias; and

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 is available on the Financial Reporting Council's website at: <https://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 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 and the Society's members as a body, 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
Southampton, UK

Date 14 May 2024

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

CONSOLIDATED INCOME STATEMENT for the year ended 28 January 2024

	Note	2024 Total £'000	2023 Total £'000
Turnover	3	545,750	515,407
Cost of sales		(368,338)	(355,310)
Gross profit		177,412	160,097
Administrative expenses		(177,337)	(164,823)
GROUP TRADING PROFIT / (LOSS)	4	75	(4,726)
Other operating income	30	87	595
Change in fair value of investment property		531	196
Change in fair value of funeral plan assets	14	201	-
Gain arising from change in funeral regulations	19	-	2,683
Restructuring Costs	8	(1,646)	-
GROUP OPERATING (LOSS)	4	(752)	(1,252)
Investment income and interest receivable	6	210	2,534
Interest payable and similar charges	7	(1,464)	(2,401)

THE SOUTHERN CO-OPERATIVE LIMITED

LOSS FOR THE PERIOD BEFORE DISTRIBUTIONS		(2,006)	(1,119)
Distributions	9	<u>(362)</u>	<u>(823)</u>
LOSS FOR THE PERIOD BEFORE TAXATION		(2,368)	(1,942)
Taxation charge	10	<u>(1,202)</u>	<u>(348)</u>
LOSS FOR THE PERIOD AFTER TAX TRANSFERRED TO RESERVES		<u>(3,570)</u>	<u>(2,290)</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 (notes 14 & 17).

The notes on pages 100 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 January 2024

	Note	2024 Total £'000	2023 Total £'000
Loss for the financial period		(3,570)	(2,290)
Unrealised loss arising from valuation in respect of retirement benefits	25	(969)	(17,947)
Pension fund related deferred tax movement	25	<u>241</u>	<u>4,579</u>
Other comprehensive loss for the period		<u>(713)</u>	<u>(13,368)</u>
TOTAL COMPREHENSIVE LOSS		<u>(4,298)</u>	<u>(15,658)</u>
Total comprehensive loss for the financial period attributable to:			
Of which attributable to members of the Society		(4,297)	(15,679)
Of which attributable to non-controlling interest		<u>(1)</u>	<u>21</u>
		(4,298)	(15,658)
Loss for the financial period attributable to:			
Of which attributable to members of the Society		(3,569)	(2,311)
Of which attributable to non-controlling interest		<u>(1)</u>	<u>21</u>
		<u>(3,570)</u>	<u>(2,290)</u>

The notes on pages 100 to 131 form part of these financial statements

CONSOLIDATED BALANCE SHEET
At 28 January 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	12	23,763	20,940
Tangible assets	13	122,300	121,849
Investments	14	39,531	41,866
		185,594	184,655
Current assets			
Stocks	15	20,181	15,392
Debtors			
- Due within one year	16	21,394	14,592
Investments	14	3,357	3,294
Cash at bank and in hand		4,124	3,608
		49,056	36,886
Creditors			
Amounts falling due within one year	17	(77,043)	(59,855)
Net current liabilities		(27,987)	(22,969)
Total assets less current liabilities		157,607	161,686
Creditors			
Amounts falling due after more than one year	18	(37,324)	(38,793)
Provisions for liabilities			
Other provisions	22	(2,427)	(2,720)
Deferred tax provision	10	(4,298)	(3,025)
Net assets excluding pension surplus		113,558	117,148
Pension surplus	25	550	1,298
Net assets including pension surplus		114,108	118,446

The notes on pages 100 to 131 form part of these financial statements.

THE SOUTHERN CO-OPERATIVE LIMITED

CONSOLIDATED BALANCE SHEET At 28 January 2024

	Note	2024 £'000	2023 £'000
Capital and reserves			
Called up share capital	27	783	822
Revenue reserves	28	<u>111,858</u>	<u>116,156</u>
Equity attributable to members of the Society		112,641	116,978
Non-controlling interests	24	<u>1,467</u>	<u>1,468</u>
		114,108	118,446

These financial statements of The Southern Co-operative Ltd, registered number 1591R, were approved by the Board of Directors and authorised for issue on 13 May 2024

Signed on behalf of the Board of Directors

M A Ralf
Chairman

Date 13 May 2024

The notes on pages 100 to 131 form part of these financial statements.

THE SOUTHERN CO-OPERATIVE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 28 January 2024

		Share capital £'000	Profit and loss account £'000	Equity attributable to owners of the parent undertaking £'000	Non- controlling interests £'000	Total Equity £'000
At 30 January 2023		822	116,156	116,978	1,468	118,446
Comprehensive income for the year						
(Loss) for the year	-	(3,570)	(3,569)	(1)	(3,570)	
Unrealised loss arising from valuation in respect of retirement benefits	-	(969)	(969)	-	(969)	
Pension fund related deferred tax credit	-	241	241	-	241	
Other comprehensive (Loss) for the year	-	(728)	(728)	-	(728)	
Total comprehensive (Loss) for the year		(4,298)	(4,297)	(1)	(4,298)	
Contributions by and distributions to members						
Issue of shares	5	-	5	-	5	
The Southern Co- operative (SIP) Trustee Limited	(6)	-	(6)	-	(6)	
Share withdrawals	(38)	-	(38)	-	(38)	
Total contributions by and distributions to members	(39)	-	(39)	-	(39)	
At 28 January 2024		783	111,858	112,641	1,467	114,108

The notes on pages 100 to 131 form part of these financial statements.

THE SOUTHERN CO-OPERATIVE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 29 January 2023

		Share capital £'000		Profit and loss account £'000		Equity attributable to owners of the parent undertaking £'000		Non- controllin g interests £'000		Total Equity £'000
At 31 January 2022		747		131,814		132,561		1,447		134,008
Comprehensive income for the year										
(Loss)/ profit for the year		-		(2,290)		(2,290)		21		(2,269)
Unrealised loss arising from valuation in respect of retirement benefits		-		(17,947)		(17,947)		-		(17,947)
Pension fund related deferred tax credit		-		4,579		4,579		-		4,579
Other comprehensive (Loss) for the year		-		(13,368)		(13,368)		-		(13,368)
Total comprehensive (Loss)/ profit for the year		-		(15,658)		(15,658)		21		(15,637)
Contributions by and distributions to members										
Issue of shares		63		-		63		-		63
The Southern Co- operative (SIP) Trustee Limited		54		-		54		-		54
Share withdrawals		(42)		-		(42)		-		(42)
Total contributions by and distributions to members		75		-		75		-		75
At 29 January 2023		822		116,156		116,978		1,468		118,446

The notes on pages 100 to 131 form part of these financial statements.

GROUP CASH FLOW STATEMENT
for the year ended 28 January 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities	26	15,594	7,320
Net taxation paid		(318)	(423)
Net cash generated from operating activities		15,276	6,897
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		1,380	7,093
Purchase of tangible fixed assets		(14,393)	(20,727)
Purchase of intangible assets		(631)	-
Cash paid for business acquisition		(5,681)	-
Drawn of fixed asset investments	14	3,904	2,871
(Increase) in asset investments	14	(1,410)	(1,415)
(Decrease) in funeral plan liabilities	19	(2,348)	(1,792)
Net cash (used in) investing activities		(19,161)	(13,970)
Cash flows from financing activities			
(Withdrawal) / Proceeds from share capital		(39)	75
Net interest paid		(80)	(189)
Net loan drawdowns / (repayments)		4,882	(4,763)
Distributions		(362)	(823)
Net cash from / (used in) financing activities		4,401	(5,700)
Increase / (Decrease) in cash and cash equivalents		516	(12,773)
Cash and cash equivalents at start of period		3,608	16,381
Cash and cash equivalents at end of period		4,124	3,608
Cash and cash equivalents comprise:			
Cash at bank and in hand		4,124	3,608

THE SOUTHERN CO-OPERATIVE LIMITED

GROUP CASH FLOW STATEMENT for the year ended 28 January 2024

Analysis of changes in net debt

	At 30 January 2023 £'000	Cash Flows £'000	Non Cash £'000	At 28 January 2024 £'000
Cash and Cash Equivalents				
Cash at bank and in hand	3,608	516	-	4,124
	3,608	516	-	4,124
Borrowings				
Debt due within one year	(2,557)	(5,274)	-	(7,831)
Debt due after one year	(680)	394	-	(286)
Total	371	(4,364)	-	(3,993)

The notes on pages 100 to 131 form part of these financial statements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

1. ACCOUNTING POLICIES

The Southern Co-operative Limited (the "Society") is a Registered Society under the Co-operative and Community Benefit Societies Act 2014. The address of the registered office is given on page 3.

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 facility. This is discussed further in the Statement of Going Concern on page 90.

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. These subsidiaries are detailed in note 32.

Accounting date

The financial statements are made up for the 52 weeks ended 28 January 2024 with comparative figures for the 52 weeks ended 29 January 2023.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

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 and retail 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.

Revenue from services performed is recognised when services have been delivered.

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 measured to Historical cost at each balance sheet date. Gains and losses on re-measurement if required are recognised in profit or loss for the period.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

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 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
2 nd 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 28 January 2024**

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 business at the date of acquisition. Goodwill on acquisitions of businesses is included in 'intangible assets'. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business 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 5.0% 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 and 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 28 January 2024**

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) (CGUs), 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 CGU's) 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 tax 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 28 January 2024

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

(a) Funeral plan - Assets

When a customer takes out a funeral plan, the monies are invested in whole of life policies whereby value changes over time until redemption. At acquisition, the Society recognised it as an asset within the balance sheet. These are measured at fair value with movements in the investment carrying value brought into the income statement as finance income as they arise.

Monies received in respect of funeral prepayments plans are invested under the terms of custodian arrangements in individual whole of life insured arrangements with the Royal London Insurance Group. Interest earned on such investments is reinvested. An appropriate proportion of the investments (including accrued interest) is withdrawn when each funeral plan is invoked by the client's representative.

(b) Funeral plan - Deferred Income & Revenue Recognition

The Society historically accounted for Funeral prepayment plans liability to match the funeral asset. When a customer takes out a plan, the monies are invested in whole of life policies whereby value changes over time until redemption. The judgement the Society took was that on redemption of a policy, the funeral was invoiced at the current retail price. Therefore, investment gains or losses from the policy were deferred on the balance sheet and only recognised in the income statement at the point the funeral is performed.

At the balance sheet date last year the society revalued its funeral plan liabilities (deferred income) to be more relevant with FCA regulations. Consequently, payments received in advance of the delivery of a funeral are then treated as a financing transaction, such that the payments received from the customer grow over time by a rate which reflects a financing rate between the Society and the customer. This accounting judgement change was reflected for the whole back book of unredeemed plans. The impact of this one-off change in the prior year is shown on the face of the Income Statement as "Gain arising from change in funeral regulations".

Previously we considered revenue from funeral plan redemptions to be the current retail price of a funeral. However, from 30 January 2023 onwards we now consider revenue to be the amounts we receive and accrued from the customer rather than current retail price of a funeral. Under this policy, payments which are received from the customers in advance of a funeral being performed along with the accumulated effective interest charge on the monies received from a customer is recognised as revenue when the plan is redeemed and the funeral service is conducted.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

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.

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.

Pension costs

For defined benefit schemes the amounts charged to the Profit or Loss 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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

ACCOUNTING POLICIES (continued)

Pension costs (continued)

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 28 January 2024**

**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 cash flow of that unit. This includes the use of forecast and projected EBITDA's for CGU's and projected growth rates.

C. Investment property valuation

Investment properties, both residential and commercial have been valued using the judgement of external valuation experts to provide a market value, based upon market conditions of future rental income and property yields on a site by site basis.

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 1% increase in either of these having a 10% and 9% impact on pension obligations, respectively.

E. Funeral plan scheme

Revenue from Funeral plans and valuation of Funeral Plan Deferred income

As of 29 July 2022 the Society became an authorised provider of funeral plans by the FCA (Financial Conduct Authority). This event triggered a review of the method of valuing funeral plan liabilities and the revenue recognition of funeral plans upon redemption. Previously we considered funeral plan

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

liabilities to be the same value as the related funeral plan asset, that are invested in whole of life policies and marked to market at each year end.

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

E. Funeral Plan Scheme (continued)

Revenue from Funeral plans and valuation of Funeral Plan Deferred income (continued)

However, during 2022 the society revalued our funeral plan deferred income to FCA regulations, payments received from the customers in advance of a funeral being performed and the accumulated effective interest charges on those monies received in each year from inception until the plan is redeemed. The impact of this revaluation is shown on the face of the Income Statement as "Gain arising from change in funeral regulations".

Previously we considered revenue from funeral plan redemptions to be the current retail price of a funeral. However, from 29 January 2023 onwards we now consider revenue to be the amounts we receive from the customer rather than current retail price of a funeral. Under this policy, payments are received from the customers in advance of a funeral being performed and so we will recognise an effective interest charge on the monies received from a customer in each year until the plan is redeemed, at which point the revenue is recognised as the total of the monies received from the customer and the accumulated interest charged.

A significant accounting estimate is present in deriving a suitable financing rate to apply to the monies received from a customer. This financing rate is fixed for the duration of the plan. The rate applied is based on an estimated borrowing rate between the customer and the Society at the point the contract is entered and reflects the security over our customers' plans through the whole of life policies we have in place.

Determination of interest rate: Funeral prepayment plans

As noted above, a significant accounting estimate is present in deriving a suitable interest rate to apply to the monies received from a customer when they purchase a funeral plan. The interest rate is required to reflect the borrowing rate that would be applied between the Society and the customer in a separate financing transaction reflecting similar credit characteristics and similar security at the point the contract is entered into. These rates are then fixed for the duration of the plan. We derive the relevant interest rates by looking at the borrowing rates available to the Society at the point of time the funeral plan is taken out.

Funeral plan assets

When a customer takes out a funeral plan, the monies are invested in whole of life policies whereby value changes over time until redemption. Therefore, investment gains or losses from the movement in plan values are recognised as finance income or expense in the income statement as they are marketed to market at each year end. This treatment has not changed.

F. Cashflow forecasts

Southern Co-op prepares cash flow forecasts derived from the most recent financial budgets approved by the Board. The rate used to discount the forecast cash flows is 10.8% (2023: 10.8%).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

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

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% (2023: 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.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

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:

	2024 £'000	2023 £'000
Retail	467,537	446,465
Funeral services	22,702	22,216
Coffee Outlets	48,676	39,894
Property rental	2,709	2,841
Franchise	4,126	3,991
	545,750	515,407

4. OPERATING PROFIT

	2024 £'000	2023 £'000
This is arrived at after charging/(crediting):		
Personnel expenses	82,200	78,961
Occupancy costs	24,701	21,578
Depreciation		
- tangible assets	12,927	13,012
- amortisation of goodwill and software	2,746	2,634
Profit on disposal of fixed assets	(202)	(1,467)
Impairment charge / (reversal)		
- on goodwill and software	(16)	(207)
- on tangible assets	733	(232)
Operating leases:		
- land and buildings	17,380	16,479
- plant and machinery	1,371	1,115
Change in fair value of investment property	531	196
Change in fair value of funeral plan assets	221	-
Gain arising from change in funeral regulations	-	2,683
- fees payable to the Society's auditors for the audit of the Society's annual financial statements	141	119
- fees payable to the Society's auditors for non-audit services	80	33

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 £5,027,000.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

5. EMPLOYEES (including Directors)

	2024	2023
The average number employed by The Southern Co-operative and its subsidiaries was:		
Head office	237	250
Retail	3,255	3,303
Funeral	224	235
Cobra Coffee	807	704
	4,523	4,492
	£'000	£'000
The costs incurred in respect of these employees were:		
Wages and salaries	80,937	77,187
Social security costs	5,155	5,418
Cost of defined contribution scheme	2,123	1,604
	88,215	84,209

Of the above salaries £5,027,000 (2023: £4,566,000) 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 £2,123,000 (2023: £1,604,000).

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

6. INVESTMENT INCOME AND INTEREST RECEIVABLE

	2024 £'000	2023 £'000
Share Interest receivable	31	31
Interest on net defined benefit pension surplus	75	424
Gain from changes in fair value of funeral plan assets	-	2,034
Other interest receivable	104	45
	<u>210</u>	<u>2,534</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2024 £'000	2023 £'000
Bank overdraft, other interest and commission	213	189
Loss from changes in fair value of funeral plan liabilities	-	2,034
Interest charge on deferred income on funeral plans	1,037	-
Onerous contract interest	214	178
	<u>1,464</u>	<u>2,401</u>

8. Restructure Costs

	2024 £'000	2023 £'000
Costs arising from the reorganisation of business	1,646	-
	<u>1,646</u>	<u>-</u>

In 2023 costs of £1,646,000 (2022 £nil) were incurred relating to the non-recurring reorganisation of the business central support centre. The provision consists of personnel and operational costs including redundancy and exit costs.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024

9. DISTRIBUTIONS

	2024	2023
	£'000	£'000
Share interest	-	2
Customer members share of profits (forfeit) / paid out	(67)	246
Donations	111	150
Pensioners' welfare	16	20
Corporate partnerships	17	6
Food Donations	3	92
Work hours donated to community projects	142	149
Grants	-	6
Community investment	127	143
Fundraising Support	13	9
	362	823

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

10. TAXATION

Current tax	2024 £'000	2023 £'000
UK corporation tax: 2024: 23.99% (2023: 19%)	-	-
Adjustments in respect of prior period	18	124
Total current taxation charge	18	124
Deferred tax		
Timing differences, origination and reversal	561	553
Adjustments in respect of prior period	869	799
Losses carried forward at 25% / 19%	(225)	(1,361)
Defined benefit pension scheme	(7)	108
Revaluation of investment properties	(14)	125
	1,184	224
Total tax charge for the period	1,202	348

The tax assessed for the period is lower (2023: lower) than that resulting from applying the standard rate of corporation tax in the UK: 2024: 23.99% (2023: 19%).

	2024 £'000	2023 £'000
Loss on ordinary activities before tax	(2,368)	(1,942)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23.99% (2023: 19%)	(568)	(369)
Effects of:		
Expenses not deductible for taxable purposes	115	61
Fixed asset differences	926	60
Deferred tax remeasured	(12)	(327)
Adjustment in respect of prior period- current tax	18	124
FRS 102 Revaluation Disposal	(146)	-
Adjustment in respect of prior period- deferred tax	869	799
Total tax charge for period	1,202	348

The Group's tax charge is higher than the UK headline rate of 23.99% primarily due to:

- Prior Period Adjustment Current Tax** – 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.
- Prior Period Adjustment Deferred Tax** - The adjustment in respect of prior period for deferred tax relates to £869,000 (2023: £799,000) fixed asset timing differences. The fixed asset timing differences relate to enhanced capital allowance claims differing between preparation of the financial statements and finalisation of the tax return. The movement in deferred tax on the defined benefit pension scheme is where deferred tax on the difference between cash contributions and the profit and loss income/charge of the scheme had been accounted for

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024

10. TAXATION (continued)

- c. **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.
- d. **Fixed asset differences** - 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.

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 28 January 2024 has been remeasured to a 25% future tax rate.

11. DEFERRED TAX PROVISION

	Accelerated capital allowances £'000	Tax loss to carry forward £'000	Investment property revaluations £'000	Total £'000
Provision as at 30 January 2023	3,835	(1,389)	579	3,025
Charged/(utilised) to profit or loss	1,644	(225)	(146)	1,273
Provision as at 28 January 2024	5,479	(1,614)	433	4,298

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.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

12. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Licences and lease premiums £'000	Computer software £'000	Total £'000
Cost or valuation				
As at 30 January 2023	35,010	11,143	8,796	54,949
Transfers in year	5,069	-	487	5,556
Disposals	(124)	-	(38)	(162)
As at 28 January 2024	39,955	11,143	9,245	60,343
Accumulated Amortisation				
As at 30 January 2023	22,718	2,629	8,662	34,009
Provided this year	1,590	857	299	2,746
Impairment movement	22	(38)	-	(16)
Disposals	(122)	-	(37)	(159)
As at 28 January 2024	24,208	3,448	8,924	36,580
Net book value at 28 January 2024	15,747	7,695	321	23,763
Net book value at 29 January 2023	12,292	8,514	134	20,940

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.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

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
Cost or valuation						
As at 30 January 2023	21,080	42,467	153,151	3,753	17,018	237,469
Additions	-	-	-	-	20,309	20,309
Transfers in year	508	719	25,200	217	(32,200)	(5,556)
Revaluation	531	-	-	-	-	531
Disposals	(1,099)	(244)	(2,274)	(194)	-	(3,811)
As at 28 January 2024	21,020	42,942	176,077	3,776	5,127	248,942
Accumulated Depreciation						
As at 30 January 2023	-	6,491	106,170	2,475	484	115,620
Provided this year	-	1,278	11,284	365	-	12,927
Impairment movement	-	(16)	1,128	-	(379)	733
Disposals	-	(30)	(2,414)	(194)	-	(2,638)
As at 28 January 2024	-	7,723	116,168	2,646	105	126,642
Net book value at 28 January 2024	21,020	35,219	59,909	1,130	5,022	122,300
Net book value at 29 January 2023	21,080	35,976	46,981	1,278	16,534	121,849

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 £1,027,574 (2023: £1,398,827) which are provided as security for the asset backed bank loans.

An impairment charge of £733,000 was made in the period, following an impairment review of trading sites (2023: impairment credit of £507,000). As a result of stores having a lower recoverable amount.

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 £63,448,059 (2023: £53,408,000).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024**

13. TANGIBLE FIXED ASSETS (continued)

Investment properties

The valuations in 2024 of residential properties and investment commercial properties were performed independently by Chapplins and Primmer Olds respectively, based on open market values.

Land and buildings

The net book value of land and buildings comprises:

	2024 £'000	2023 £'000
Land	7,756	5,337
Freehold buildings	25,825	28,880
Long leasehold buildings	1,638	1,759
Net book value	<u>35,219</u>	<u>35,976</u>

The leases of land and buildings are subject to rent reviews.

Capital Commitments

There are capital commitments contracted for, amounting to £3,343,441 (2023: £8,633,477), which have not been provided for in these accounts.

14. FIXED AND CURRENT ASSET INVESTMENTS

Fixed Asset Investments

	Funeral plans £'000	Other investment s £'000	Total £'000
Cost or valuation			
At 30 January 2023	41,076	790	41,866
Value of plans redeemed	(3,904)	-	(3,904)
Investment change	222	-	222
New plans in the year	1,240	-	1,240
Additions	-	170	170
Transfer to current asset investments	(63)	-	(63)
As at 28 January 2024	<u>38,571</u>	<u>960</u>	<u>39,531</u>
Net book value at 28 January 2024	<u>38,571</u>	<u>960</u>	<u>39,531</u>
Net book value at 29 January 2023	<u>41,076</u>	<u>790</u>	<u>41,866</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 28 January 2024

14. FIXED AND CURRENT ASSET INVESTMENTS (continued)

Current Asset Investments

	Funeral plans £'000	Other investments £'000	Total £'000
Cost or valuation			
At 30 January 2023	3,294	-	3,294
Transfer from fixed asset investments	63	-	63
As at 28 January 2024	<u>3,357</u>	<u>-</u>	<u>3,357</u>
Net book value at 28 January 2024	<u>3,357</u>	<u>-</u>	<u>3,357</u>
Net book value at 29 January 2023	<u>3,294</u>	<u>-</u>	<u>3,294</u>
	41,928	960	42,888
Total Asset Investments Net Book value at 28 January 2024	<u></u>	<u></u>	<u></u>
Total Asset Investments Net book value at 29 January 2023	<u>44,370</u>	<u>790</u>	<u>45,160</u>

Fixed Funeral Plan asset investment amounts are held with third party investment managers which are readily available but not accessible within twenty-four hours.

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 £221,000 increase (2023: £2,034,000 increase). 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 funeral plan receipts are held as assets in the balance sheet, apportioned between fixed and current assets.

15. STOCKS

	2024 £'000	2023 £'000
Finished goods and goods for resale	20,181	15,392
	<u>20,181</u>	<u>15,392</u>

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

16. DEBTORS

	2024 £'000	2023 £'000
Falling due within one year:		
Trade debtors	12,560	6,910
Other debtors	603	591
Corporation tax	1,067	767
Prepayments and accrued income	7,164	6,324
	<u>21,394</u>	<u>14,592</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £'000	2023 £'000
Bank loans and overdrafts	7,831	2,556
Trade creditors	38,737	25,551
Taxation and social security	2,892	2,942
Funeral plan liability - deferred income	2,989	3,220
Accruals and other deferred income	22,586	24,143
Other creditors	2,008	1,443
	<u>77,043</u>	<u>59,855</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 Ltd.) 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 SONIA interest rates.

Funeral Plan scheme payments in advance are recorded as a deferred income, apportioned between amounts due within one year and after more than one year, based upon past periods' experience of redemptions.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2024 £'000	2023 £'000
Bank loans and overdrafts	287	680
Funeral Plan scheme deferred income	37,037	38,113
	<u>37,324</u>	<u>38,793</u>

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

19. FUNERAL PLAN LIABILITIES- DEFERRED INCOME

	Funeral Plan long term £'000	Funeral Plan short term £'000	Total £'000
Valuation			
At 30 January 2023	38,113	3,220	41,333
Value of plans redeemed	(3,698)	-	(3,698)
Deferred liability – new plans added	1,349	-	1,349
Interest change	1,042	-	1,042
Transfer current asset liabilities	231	(231)	-
As at 28 January 2024	37,037	2,989	40,026
Net book value at 28 January 2024	37,037	2,989	40,026
Net book value at 29 January 2023	38,113	3,220	41,333

20. DEBT FINANCE

The maturity of sources of debt finance are as follows:

	2024 £'000	2023 £'000
Loans and overdrafts:		
In one year or less, or on demand	7,831	2,556
In more than one year, but not more than five years	286	680
	8,117	3,236

Liquidity risk:

Borrowing requirements are managed in line with the long term cash flow forecast revised annually and reviewed against the Society's debt facility.

Interest rate risk:

At the reporting date a variable interest rate based on the Sterling Overnight Index Average (SONIA) plus a margin was available to the Society for its bank borrowings.

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

21. FINANCIAL INSTRUMENTS

The Group's financial instruments may be analysed as follows:

	2024 £'000	2023 £'000
Financial assets		
Financial assets measured at fair value through the income statement	<u>41,928</u>	<u>44,370</u>
Financial liabilities		
Financial liabilities measured at fair value through the income statement	<u>40,026</u>	<u>41,333</u>

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.

Credit risk:

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Society does not require collateral in respect of financial assets. The Society considers that it is prudent in its impairment provisioning and it has no significant customer credit risk.

Foreign currency risk:

The Society has no expose to foreign currency risk.

22. OTHER PROVISIONS

	Onerous leases £'000	Dilapidation Provision £'000	Total £'000
As at 30 January 2023	1,981	739	2,720
Credited to profit or loss	(10)	(283)	(293)
As at 28 January 2024	<u>1,971</u>	<u>456</u>	<u>2,427</u>

23. COMMITMENTS UNDER OPERATING LEASES

The Group had minimum lease payments under non-cancellable operating leases as set out below:

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

	2024 £'000	2023 £'000
Not later than 1 year	17,941	16,545
Later than 1 year, but not later than 5 years	56,588	55,431
Later than 5 years	38,679	40,547
	<u>113,208</u>	<u>112,523</u>

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24. MINORITY INTEREST

	2024 £'000	2023 £'000
As at beginning of year	1,468	1,447
Transfer from profit and loss reserve	(1)	21
As at end of year	1,467	1,468

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 28 January 2024.

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:

	2024 %	2023 %	2021 %	2020 %	2019 %
Discount rate	5.10	4.50	2.20	1.60	1.70
Rate of increase in salaries	N/A	N/A	N/A	N/A	N/A
Rate of increase in deferred pensions - RPI	3.00	3.00	3.30	2.80	2.60
Rate of increase in deferred pensions - CPI	2.50	2.50	2.70	2.20	2.10
Rate of increase in pensions in payment accrued from 6 April 1997 to 5 April 2005	2.90	2.90	3.20	2.80	2.60
Rate of increase in pensions in payment accrued before 6 April 1997 and after 5 April 2005	2.10	2.10	2.20	2.10	2.00

Main demographic assumptions

	2024	2023
Life expectancy for male currently aged 65	20.7	21.2
Life expectancy for female currently aged 65	22.8	23.2
Life expectancy at 65 for male currently aged 45	21.7	22.2
Life expectancy at 65 for female currently aged 45	23.9	24.3

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25. PENSION SCHEME (continued)

Main demographic assumptions (continued)

Mortality assumption 116% males / 123% females of the S3PxA tables with improvements in line with the CMI 2022 projections and a long-term rate of improvement of 1.0% pa (2022 - 116% males/123 % females of the S3PxA tables with improvements in line with the CMI 2021 projections and a long-term rate of improvement of 1.0% pa).

Scheme asset allocation

	2024		2023	
	£'000	%	£'000	%
Growth funds	19,280	20	29,276	29
Matching funds	73,030	78	71,726	70
Property	976	1	-	0
Other	484	1	792	1
Total	93,770	100	101,794	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 28 January 2024 amounted to £ 250,000 (2023: £250,000).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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25. PENSION SCHEME (continued)

The assets in the scheme were:

	2024 £'000	2023 £'000	2022 £'000
Equities and property	19,280	29,276	33,841
Gilts and bonds	73,030	71,726	114,464
Other	1,460	792	538
Total market value of assets	93,770	101,794	148,843
Present value of scheme liabilities	(93,036)	(100,063)	(129,595)
Surplus in scheme	734	1,731	19,248
Related deferred tax (liability)	(184)	(433)	(4,904)
Net pension surplus	550	1,298	14,344

The scheme surplus at 28 January 2024 after deferred tax was identified of £550,000. This surplus has been recognised as an asset (2023: £1,298,000 was recognised as an asset).

Analysis of amount recognised in Income Statement

	2024 £'000	2023 £'000
Administration expenses	353	244
Interest receivable on net defined benefit surplus	(75)	(424)
Pension charge / (credit) recognised in the income statement	278	(180)

Analysis of amount recognised in Statement of Comprehensive Income

	2024 £'000	2023 £'000
Return on pension scheme assets	(7,843)	(46,067)
Gain arising from changes in assumptions underlying the scheme liabilities	6,874	28,120
Total amount recognised in Statement of Comprehensive Income	(969)	(17,947)

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25. PENSION SCHEME (continued)

Reconciliation of the present value of the defined benefit obligation

	2024	2023
	£'000	£'000
Present value of the defined benefit obligation at the beginning of the year	100,063	129,595
Movement in year:		
Interest cost	4,402	2,805
Benefits paid	(4,555)	(4,217)
Actuarial (gain) on scheme liabilities	(6,874)	(28,120)
	93,036	100,063

Reconciliation of the fair value of scheme assets

	2024	2023
	£'000	£'000
Fair value of scheme assets at the start of the year	101,794	148,843
Movement in year:		
Interest Income on scheme assets	4,477	3,229
Scheme administrative costs	(353)	(244)
Return on scheme assets	(7,843)	(46,067)
Employer contributions	250	250
Benefits paid	(4,555)	(4,217)
	93,770	101,794

Defined contribution scheme

For new employees, The Southern Co-op provides a Group Personal Pension Plan to which it contributes. The cost to Southern Co-op in the period ended 28 January 2024 was £781,664 (2023: £677,502). The amount payable to the scheme at the end of the period was £ Nil (2023: £Nil).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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26. CASH FLOWS FROM OPERATING ACTIVITIES

	2024	2023
	£'000	£'000
Net loss after tax	(3,570)	(2,290)
Distributions	362	823
Depreciation of tangible fixed assets	12,927	13,012
Amortisation of intangible fixed assets	2,746	2,634
Impairment (reversal) on goodwill and software	(16)	(207)
Impairment (reversal) on owned assets	733	(232)
Revaluation of funeral plans	-	(2,683)
Net fair value (gain) of funeral plan investment recognised	(201)	-
Net fair value (gain) of investment properties recognised	(531)	(196)
Difference between net pension expense and cash contribution	-	(409)
Other provision movement	(286)	(216)
Net interest payable	1,254	189
Taxation charge	1,202	348
(Profit) on sale of fixed assets	(202)	(1,467)
Increase in stocks	(4,255)	(822)
Increase in trade and other debtors	(6,635)	(1,037)
Increase/ (decrease) in trade and other creditors	12,066	(127)
Net Cash inflow from Operating Activities	15,594	7,320

27. SHARE CAPITAL

	2024	2023
	£'000	£'000
Allotted, called up and fully paid		
782,698 ordinary shares at £1 each	783	822
	783	822

5,000 ordinary shares were issued during the year (2023: 63,000).

All the ordinary shares carry equal participation in assets, rights to dividends and voting power.

28. RESERVES

The Society's capital reserves are as follows:

Called up share capital

Called up share capital represents 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
for the year ended 28 January 2024**

29. 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 24 to 28.

The Southern Co-op Ltd 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 loss after tax of the parent for the period was £ 3,075,000 from Southern Co-op Ltd (2023 loss: £9,906,000).

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 £15,178,176 (2023: £15,193,177). Southern Co-op has charged a Management Fee to Southern Co-operative Dairies Limited of £15,000 (2023: £15,000).

30. OTHER OPERATING INCOME

	2024 £'000	2023 £'000
Funeral Plan Administrative Income	87	160
Government Grants	-	435
	<u>87</u>	<u>595</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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31. ACQUISITIONS

On 30th March 2023 Co-operative Franchising Limited (a wholly owned subsidiary of Southern Co-operatives Limited) acquired the business and assets of W.J. & R. Dance Limited as a going concern. This business consists of 6 Welcome franchise convenience stores. Consideration paid was £5.7m for net assets on acquisition of £0.8m. Fair valuation adjustments reduced this to £0.7m to establish goodwill on acquisition of £4.9m, this was recognised in our 2024 accounts in the fixed asset notes.

Goodwill on acquisition is being amortised over 10 years. This Goodwill is primarily representative of the value of the existing business's customer base, community presence and existing workforce. This amortisation period has been based upon property lease terms, providing security to trade from all premises through to March 2033.

	Carrying Value £'000	Adjustment £'000	Fair Value £'000
Tangible Fixed Assets	270	91	360
Stocks	534		534
Cash on Hand	5		5
Provisions		-80	-80
Total Identifiable Net Assets	809	11	819
Deferred Tax		-81	-81
	809	-70	738
Balancing Goodwill			4,943
Total			5,681

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 28 January 2024

32.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 28 January 2024.

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	-
Mutual Associates Ltd *	02207748	Limited Company	Property investment	100	118
Mutual Services (Portsmouth) Ltd *	05904980	Limited Company	Funeral furnishing	100	(7)
Southern Co-operative Retailers Ltd *	02301593	Limited Company	Property investment and management	100	(450)
SCL (Members) Trustee Ltd	3397456	Limited Company	Trustee	100	-
East Devon Crematorium Ltd	07158852	Limited Company	Crematorium	99	(40)
J Edwards & Son (Funeral Directors) Ltd	1256971	Limited Company	Non-trading	100	-
Southern Co-operative Funerals Ltd *	00382640	Limited Company	Funeral furnishing	100	86
Southern Co-operative Properties Ltd *	05016485	Limited Company	Property management	100	(913)
Co-operative Franchising Ltd*	06492138	Limited Company	Grocery retail licensing agent	100	238
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	(114)
South of England Natural Burials Ltd	08322729	Limited Company	Non-trading	100	-
Sussex Woodlands Limited*	06542570	Limited Company	Natural Burial Ground	100	(47)
Cobra Coffee Limited*	08549511	Limited Company	Coffee Retailer	100	69
Crossco (1442) Ltd*	11758613	Limited Company	Non-Trading	100	-
Cobra Coffee South West Ltd*	8576967	Limited Company	Coffee Retailer	100	375
Natural Burial Grounds Limited*	13689312	Limited Company	Natural Burial Ground and Funerals	100	152
Southern Co-operative Pension Trustees Ltd*	10365510	Limited Company	Non-trading	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 Ltd can be obtained from the Society Secretary at 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE.

THE SOUTHERN CO-OPERATIVE LIMITED

Year ending January		2024 52 Weeks	2023 52 weeks	2022 52 weeks	2021 53 weeks	2020 52 weeks
Membership ('000)			173	139	132	145
£'000						
Turnover		545,750	515,407	494,090	490,282	466,835
Depreciation and amortisation		16,390	15,215	15,189	14,238	13,442
Group Operating (Loss)/Profit		(752)	(1,252)	4,337	2,809	1,463
Retained profit/(deficit)		(3,570)	(2,290)	1,505	154	606
Fixed assets		185,594	184,655	184,357	161,226	162,651
Net current assets/(liabilities)		(27,987)	(22,969)	(16,774)	2,901	(89)
Total assets less current liabilities		157,607	161,686	167,583	164,127	162,562
Long term liabilities including pension liabilities		(37,324)	(38,793)	41,917	41,383	40,848
Net assets including pension liabilities		114,108	118,446	134,009	126,612	128,530
Share capital		783	822	747	726	655
Reserves		111,858	116,156	131,815	124,435	126,420
Minority interest		1,467	1,468	1,447	1,451	1,455
Total retail sales area (sq. ft. '000)		497	498	519	518	515