

Joining Forces

Bringing together Southern Co-op and Co-op Group to create even greater scale, resilience and impact for our members, colleagues, customers and communities across the UK.



southern coop

a fair, fresh approach, for all

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Introduction

Southern Co-op has announced a proposal to join forces with Co-operative Group Limited (Co-op Group).

The proposal, which has been approved by our Board but remains subject to member approval and regulatory clearance, should create a co-operative society with greater scale, resilience and impact for members, customers, colleagues and communities across the UK.

We understand that this announcement will likely prompt a range of thoughts so this member information pack explains why we're proposing this, why we believe it's the right step, what it could mean for members and communities, as well as what will happen next.



Why we're doing this

For some time now, we've been navigating a very challenging trading environment.

Rising employment costs, increasing energy prices, intense competition, the continued pressure on household budgets and a rise in retail crime have all had an impact on our performance.

We are not alone though. Across the retail sector, and in businesses more broadly, organisations are actively exploring how to respond to a challenging trading environment. This has led to a range of outcomes, from mergers, such as Chelmsford Co-op merging with Central Co-op, who then recently merged with Midcounties to become 'Our Co-op', to well-established high street brands undergoing significant structural changes or stepping back from the high street altogether.

Our operating loss (subject to audit) currently sits in excess of £20M. Our profit has been in decline over the past three years.

The malicious cyber-attack on the Co-op Group last year had a significant impact on both societies. Following the attack, our (Southern Co-op) trading performance has declined further.

In our 2024 financial year (ending 26th January 2025), Southern Co-op made losses before taxation of £4.5m on sales of £543.9m. This compared to a loss of £2.6m on sales of £545.8m in the previous year.

Given this landscape, back in October last year, we started the first phase of our strategic review to help shape our recovery and guide our direction through to 2030. We've gained valuable business insight during this phase, but it also revealed some fundamental financial challenges and long-standing structural inefficiencies which were not completely clear at the beginning of the process.

This additional insight, further compounded by the trading conditions we're operating in, means that our strategic review work has evolved and the Board chose to focus purely on protecting the future of Southern Co-op.

Given the severity of the position, the Board and Leadership Team have been working to stabilise the business over the last few months. We've taken a range of measures including:

- Exploring options around extending support from our Banks. However, given our current financial position, we have not been able to secure the support we would need.
- Diversification and changes to our processes to help us with efficiencies in our operations.
- Holding our capital spend at the lowest possible level.
- Freezing recruitment at head office and reducing our office space from 17,000 sq. ft. to 10,000 sq. ft.

However, unfortunately, none of these options has created the runway we need to survive as we are.

As a result, and to avoid an outcome that would have a more negative impact on colleague job security and our organisation's future the Board is proposing to join forces with Co-op Group.

And as our priority is to protect, sustain and redeploy as many colleagues, suppliers and creditors as possible, we believe this offers the most effective way to achieve this.



The proposal

As a democratically run, member owned organisation, any proposal for Southern Co-op to join forces with another Society has to receive member approval and follow specific legal processes before it can proceed.

The process is governed by a 'transfer of engagements' where one registered society transfers its contractual obligations, assets and liabilities to another.

Under this proposal, our members will be asked to consider a transfer of engagements of Southern Co-op into a new subsidiary of Co-op Group called Siena Co-operative Limited (Siena), while we seek regulatory approval, a necessary step under UK law. The Co-op Group doesn't require member approval to facilitate the transfer.

The Board of Southern Co-op sees several advantages in joining forces with Co-op Group.

Commercially stronger

Southern Co-op would become part of a larger, stronger Co-op Group with the scale to make a bigger difference, better equipped to navigate a changing retail and services landscape while continuing to deliver for our members and communities.

The combined organisation should have sales of circa £11.5bn, almost 2,500 stores and over 800 funeral homes.

Building on complementary strengths

Co-op Group already has a well-established presence across food retail, funerals, legal services and insurance. Joining forces should allow us to combine strengths, grow sustainably and broaden the range of services available to members.

Co-op Group's strong financial position should provide the stability and long-term backing needed to secure our future. In a challenging and fast-changing market, being part of a larger, financially robust organisation should allow us to invest, adapt and grow.

Led by shared values

Our businesses are closely aligned in purpose and principles. We already have a strong track record of working together through Federal Retail Trading Services (FRTS), grounded in shared Co-op values, commitments and ways of working.

Protecting our heritage while strengthening our future

The transaction secures the co-operative future of Southern Co-op as part of a stronger combined Co-op Group. By coming together, we would be able to preserve as many locations and services as possible, maintaining our heritage and community presence, while also strengthening Co-op Group's presence across the South of England.

Powered by members

Membership remains at the heart of everything. The combined organisation would bring together more than 7.5 million members across the UK, giving even more people a voice and a voice in shaping the future of their Co-op.

Community centred approach

Both businesses share a deep commitment to supporting local communities. That would continue and grow, whether through funding local projects, supporting community groups or contributing to national causes that matter to our members.

Supporting our colleagues

Being part of a larger organisation should open up more opportunities for colleagues, from career development and training to progression across a wider range of roles and locations.



What it means for members

If the proposal is approved, Southern Co-op members will join Co-op Group members as members of a larger, stronger co-operative group.

There are specific benefits to members, over and above joining forces with a like-minded, member-led organisation with shared values to create a commercially stronger society.

In time, we will be able to offer members a single and simpler combined membership offer, making shopping with us even more convenient and rewarding.

Eligible members have been contacted about the proposal via a notification of a Special General Meeting (SGM). We'll also hold a member information session to answer questions ahead of voting.

Further information is also available on the membership section of our website southern.coop/membership/SGM2026



What happens next

Here are the key dates and processes relating to the proposal:

- **9 April:** Member information pack circulated and Notification of SGMs
- **6 May:** Member information session and member vote at first SGM
- **21 May:** Members vote at the second SGM
- **21 May:** Outcome of votes announced
- **TBC:** Legal completion (transfer to new Society – Siena)

FAQs – members

Why does Southern Co-op need to do this?

For some time now, we've been navigating a very challenging trading environment. Our operating loss currently sits in excess of £20m, and our profit has been in decline over the past three years. The malicious cyber-attack on the Co-op Group last year had a significant impact on both societies, and Southern Co-op's trading performance has declined further since then.

In our 2024 financial year (ending 26th January 2025), Southern Co-op made losses before taxation of £4.5m on sales of £543.9m, compared to a loss of £2.6m on sales of £545.8m the previous year.

The Board and Leadership Team have been working to stabilise the business, but it has not been enough to rectify our financial position. By joining forces with Co-op Group, we can secure the co-operative future of Southern Co-op as part of a stronger combined society, whilst creating an even stronger voice nationally and internationally to advance the co-operative cause — and protecting as many colleagues, suppliers and creditors as possible. The Board believes that joining forces will help unlock exciting opportunities for both businesses and their members.

Why Co-op Group?

The Co-op Group shares our values and our commitment to democratic membership, ethical sourcing and fair reward, as well as our dedication to supporting local communities. Both organisations also have a proven history of successful co-operation through the Federal Retail Trading Society (FRTS) buying and supply group. Together, we can provide new and strengthened opportunities for members, customers, colleagues and suppliers. The Board is

confident that Co-op Group is the only organisation which has both the shared values and financial strength to secure a positive co-operative future for Southern Co-op, and this is the right thing for both societies' members.

Will Southern Co-op's culture change?

Co-op Group shares our co-operative values and we have a strong history of collaboration. Our services are complementary and both businesses are committed to member voice.

What happens to my membership?

If approved, you will become an individual member of Co-op Group — one of the world's largest consumer co-operatives, owned by over 7 million member-owners. You will still be able to exercise the unique democratic rights of being a member and owner of a co-operative, including through the ability to vote, stand for election, and shape products and policy.

Will I still get member rewards and dividends?

The transfer of engagements is expected to take place in Q3 2026, subject to member and regulatory approval. The two businesses are expected to continue to be run independently for a period after that point, during which members of each society will continue to receive the distinct member benefits currently offered. Over time we expect the two membership propositions will be brought together to create a stronger combined offer for members.

What about my local food store?

The proposal should enable us to preserve as many of our local retail stores as possible, ensuring we continue to serve our local communities who rely on us.

Will prices go up?

The proposal will not have an immediate impact on prices or the pricing strategy of either business. Both organisations are committed to value for members.

What if I vote no?

The Southern Co-op Board has sought professional expert advice regarding contingency planning should this occur. However, unfortunately, none of the alternative options creates the runway we need to survive as we are.

As a result, any alternative outcome would have a far more negative impact on colleague job security and our organisation's future. For these reasons the Board is recommending the members to vote in favour.

The Board's recommendation reflects its view that this proposal provides the strongest and most stable outcome for colleagues, members and the communities we serve.

When will the transaction happen?

The proposal is subject to member approval and regulatory clearance so we are not able to confirm exact dates at this time. If approved, we expect the Transfer of Engagements to complete in Q3 2026.

How do I vote?

If eligible, you will receive voting materials ahead of the Special General Meeting on 6 May. You will be able to vote online, by post, by proxy, or in person.

Who can I speak to if I have questions?

Contact us via memberquestions@southerncoops.co.uk or attend our Member information session on 6 May.

Contact

Member Support

memberquestions@southerncoops.co.uk

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