

SOUTHERN CO-OP AGM MAY 2017 - LEADERSHIP TEAM Q&A SESSION

QUESTION	ANSWER
<p>PAPER RECEIPTS – ENVIRONMENTAL, COST & TIME IMPACT (Mark Heasman)</p> <p>“With an eye on costs as well as the environment can I ask why we still retain paper EFT receipts in our stores for 13 months, or why we don't have the facility to not print a till receipt, when we have a Point of Sale (POS) system that holds that very same information within the electronic journal? We're paying for the till rolls, we're then sorting the receipts on a daily basis, we are then storing them for 13 months to then pay for a confidential waste disposal. We strive to get the extra £ in the till & pay nearly £1 for each till roll half of which is thrown away, either because the customer doesn't want their receipt or it's an EFT receipt we keep gathering dust for 13 months & then throw away. Where's the sense in that?”</p>	<p><i>Simon Eastwood, Chief Operating Officer, Food Retail:</i></p> <p>“We are always looking for ways to become more efficient and more environmentally responsible. There are a number of historical reasons why we transact and retain our documentation in the way that we do.</p> <p>These include having a system that we have to either set to producing a receipt or not producing a receipt. We therefore produce receipts as many customers want them and we also add money off vouchers, and other messages at times to the bottom of the receipt.</p> <p>We do store the information for 13 months; this is due to customers sometimes challenging transactions with their Banks, so we are expected to be able to find the copy as and when this happens.</p> <p>That said, technology has advanced, and there are opportunities within this process to review what we do and look to simplify, reduce cost and maintain customer service. We will do this over the coming weeks.”</p>
<p>STORE DEVELOPMENT OPPORTUNITIES (Dan Cowan – CSA, Whiteley)</p> <p>“My name is Dan and I am currently a Customer Service Assistant (CSA) at the Whiteley store and I was just wondering if there were any DM training opportunities for me as I want to progress and make Southern Co-op my career and I don't want to work anywhere else, just to see what the options are regarding this.”</p>	<p><i>Sarah Kavanagh, HR Director:</i></p> <p>“The first thing to do is to make your manager aware of your aspirations and that you are keen to progress. I would also advise that you arrange to speak with your Area Business Manager, Stuart Heaton, or Marie Taylor, HR Business Partner, who look after the stores local to Whiteley. You can also find out about opportunities by visiting the careers section on our website</p> <p>Finally, in 2016 we introduced the Duty Manager (DM) Passport, an 8 week</p>

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<p>We also had an additional question around the job roles on offer within Southern Co-op.</p>	<p>development programme for CSA's moving into Duty manager roles. Go through this with your line manager to identify your development needs, and start working on these now, which will put you in a great place to apply for a DM role, when one becomes available."</p>
<p>COMMUNITY FUNDING</p> <p>"I applaud the decision to maintain the community funding at "up to £800,000" BUT wonder if it should/could have been increased to "up to £1,000,000" after such a profitable year? (I voted in support because I felt to abstain sent the wrong message to you)."</p>	<p><i>Paul Rodford, Finance Director:</i></p> <p>"As a business with a purpose beyond profit, we aim to pass as much back to our communities as we can. Having said this we have to balance out the total cash we earn across reinvestment into the business, payments to members and communities. For this next year £800k is the maximum we believe we can allocate to this area."</p>
<p>CREMATORIA EXPANSION PLANS</p> <p>"Now that we have acquired the East Devon Crematorium are there plans for anymore?"</p>	<p><i>Steve Pearce, Chief Operating Officer End of Life Services (ELS):</i></p> <p>"We are keen to develop our crematoria and cemeteries business. If similar plots of land can be found where we can offer a similar premium proposition to that which we offer at East Devon, The Oaks, Havant and Clayton Wood Natural Burial Ground, then we would consider these opportunities for development."</p>
<p>FUNERAL AFFORDABILITY</p> <p>"What is Southern Co-op's stance on funeral poverty and funeral affordability?"</p>	<p><i>Steve Pearce, Chief Operating Officer ELS:</i></p> <p>"We aim to make our funerals simple as the client would like and we then charge accordingly. If a client just wants a coffin and to arrange the rest themselves we would just charge for that, or whatever part of the service they require.</p> <p>Our main funeral sales brochure has clear pricing on all items listed and our</p>

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	<p>clients can take these away to review in the convenience of their own homes.</p> <p>Last year we made all these prices available online along with an explanation and examples of what a funeral could cost.</p> <p>People also have the opportunity to plan and prepare for their funerals these days, like any other aspect of their lives, through the purchase of a funeral plan. Our Southern Co-op Funeral Plan is tailored to an individuals needs so they can choose exactly what they want for a funeral. The cost is guaranteed and inflation-proof which protects them and their loved ones from rising costs.</p> <p>This also helps them bring peace of mind for their loved ones by planning ahead sparing loved ones at a painful time from difficult decisions and rising costs.</p> <p>More details can be found on our Southern Co-op funeralcare website”</p>
<p>FUNERAL COMPETITION</p> <p>“Co-op Group appears to be opening funeral branches in direct competition to ours. What are we doing about this?”</p>	<p><i>Steve Pearce, Chief Operating Officer ELS:</i></p> <p>“Increasing competition is something we face in all aspects of our business. We are responding to the recent Co-op Group openings with local advertising and marketing activity which reinforces our history in these areas and the strong funeral proposition we offer our clients and the personal and professional service they receive from our colleagues in these locations.”</p>
<p>COLLEAGUE PAY</p> <p>“When our pay went up, it only raised by a couple of pence for under 24's however, raised by 50p for over 24's. Why is this? Not many companies do this.”</p>	<p>Sarah Kavanagh, HR Director:</p> <p>“The National Living Wage (NLW) is the minimum pay rate according to UK legislation. Introduced in April 2017, it sets minimum rates of pay for employees depending on age.</p>

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	<p>Southern Co-op pay rates increased in April in line with the NLW, and those colleagues already paid above the NLW received a 1% increase.</p> <p>Zone 1</p> <table data-bbox="862 459 1344 699"> <tr> <td>25+</td> <td>7.20 ph (+4.16% NLW)</td> </tr> <tr> <td>21 - 24</td> <td>7.27 ph (NLW 7.05)</td> </tr> <tr> <td>18 – 20</td> <td>7.27 ph (NLW 5.60)</td> </tr> <tr> <td>16 to 18</td> <td>6.06 ph (NLW 4.05)</td> </tr> </table> <p>So we are currently paying ahead of the NLW for colleagues 16 to 24 with margins of 22p to 1.99 ph.</p> <p>At the same time we invested in Duty Manager (DM) pay to ensure appropriate differentials are maintained between Customer Service Assistant (CSA) and DM rates, and to reflect the nature of the DM role, which requires those colleagues to run shifts, manage a team and make decisions.</p> <p>Increasing pay rates above the NLW is a matter of affordability and sustainability; the NLW, introduced without notice, has added circa 2 million to our costs each year, and to my earlier point when the NLW increases there is a ripple effect resulting in us needing to increase rates for other roles.</p> <p>We are in a period of political uncertainty with political parties making pledges within their Election Manifestos to introduce higher NLW rates of pay, which could see Southern Co-op's pay bill increasing by more millions on top of millions.</p> <p>Additionally, some colleague benefits are based on pay-rates so as the base</p>	25+	7.20 ph (+4.16% NLW)	21 - 24	7.27 ph (NLW 7.05)	18 – 20	7.27 ph (NLW 5.60)	16 to 18	6.06 ph (NLW 4.05)
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	<p>rate rises so do the cost of certain benefits e.g. pension contributions are a percentage of pay & Colleague Share of Profits (CSOP) is based on earnings</p> <p>Finally, we recognise that base pay is important however we want to provide a reward package that is attractive to meet the needs of colleagues in a number of ways such as colleague discount and payday double discount, Emergency Assistance Programme, CSOP, flexible working patterns.</p> <p>In 2016 we introduced Life Assurance.</p> <p>This year we increased holiday allowance for those on the statutory minimum of 28 days (20 + BH) to 31 days (23 + BH).</p> <p>Employer Pension contributions will increase in 2018 to 2% and 3% in 2019, which will add significant cost.</p> <p>So while we want to invest in pay rates beyond the NLW, we have to take a long view of the impacts of doing so, to ensure we have an affordable business model and ensures the sustainability of Southern Co-op, for our colleagues and members.</p> <p>NB: End of Life Services –pay for this part of our business is managed through negotiation agreement with GMB Union.”</p>
<p>TATOO POLICY</p> <p>“Please can you provide clarification on Southern Co-op’s tattoo policy?”</p>	<p><i>Sarah Kavanagh, HR Director:</i></p> <p>“Since our last Dress Policy was introduced it is fair to say that attitudes toward tattoos have changed, and have become more socially acceptable. That said, we work in a customer facing business and as such our colleagues should take a common sense approach to tattoos, ensuring that anything that could be</p>

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	considered off-putting, excessive or offensive to our customers and/or other colleagues should be covered.”
<p>LOCAL FLAVOURS</p> <p>“Is there a plan to get local flavours into all of our stores?”</p>	<p><i>Simon Eastwood, Chief Operating Officer, Food Retail:</i></p> <p>“We are still expanding our Local Flavours range and stocking it in more of our stores. Local Flavours went into an additional 18 stores in 2016 taking the total number of stores with a comprehensive local offer to 78. We have also added 27 new producers to our range, including COOK, a company that produces premium frozen ready meals in small batches which we successfully piloted in 9 stores. Kentish Mayde which produces frozen savoury pies was another hit with customers, complementing our fresh food, and we plan to put their products in more stores in 2017.</p> <p>Our plan remains to put Local Flavours into as many of our stores as we can, making sure that the ranges suit the individual stores that we place them in.”</p>
<p>CO-OP WINES</p> <p>“The wines in Co-op are not good quality or are expensive for the quality they have. Who can we speak to, to change this situation?”</p>	<p><i>Simon Eastwood, Chief Operating Officer, Food Retail:</i></p> <p>“We are surprised this view is held given Co-op wines have won numerous awards. We work in partnership with the Co-op Group and are part of a broader buying group, which allows us to maximise our influence and the buying group’s size to enable the ranging of a broad selection of quality wines at competitive prices.</p> <p>Wine is very much down to individual taste; however please do feedback on particular products. Our buying colleagues in Manchester are always interested and open to feedback that will help improve the breadth of offer.”</p>

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<p>DEALING WITH STORE THEFTS AND ASSAULTS</p> <p>“What’s getting done about theft as my “my local” Co-op in Twyford Avenue, Portsmouth gets quite a lot of thieves and this impedes on what I want to buy as there is none left.”</p> <p>“Thefts/assaults in stores are increasing at the moment and Storewatch are only able to provide limited support. Is there any investment going in store security?”</p>	<p><i>Mark Smith, Chief Executive:</i></p> <p>“This is an area that we are very concerned about and are taking a number of steps to try and address. We have fully reviewed our security equipment specifications and are retro fitting this new equipment in all stores which are being repeatedly targeted, along with providing personal alarms and mirrors in high risk stores.</p> <p>We have escalated our concerns within the Police authorities and continue to have ongoing dialogue as to how we can work together to reduce the number of incidents we are seeing.</p> <p>We have also doubled our Profit Protection team with a view to continuing to identify further opportunities to reduce these incidents going forward.”</p>
<p>FREE FRUIT FOR CHILDREN</p> <p>“Tesco have just brought into their stores free fruit for children as the parents shop. Is there a similar scheme Southern Co-op could introduce to encourage healthy eating? This could link into waste reduction so stores could reduce waste by offering free fruit just before the best before date.”</p>	<p><i>Gemma Lacey, Director Sustainability & Communications:</i></p> <p>“This is something we have done in the past and is certainly something we could look to do again in the future.</p> <p>Many of our stores through our Love Your Neighbourhood programme are already supporting local schools and other community initiatives that promote healthier food choices and healthier neighbourhoods.”</p>
<p>PET FOOD RANGING</p> <p>“Can we stock a wider variety of pet food such as food for snakes or other reptiles etc.?”</p>	<p><i>Simon Eastwood, Chief Operating Officer, Food Retail:</i></p> <p>“We adapt our store layouts and merchandising to reflect our customers’ shopping habits and needs. As a convenience store we will never be able to offer the full breadth of range that a speciality pet store, like Pets At Home,</p>

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	could offer. It is certainly something we will take away for review, but we would be unlikely in this instance to stock snake food.”
<p>TACKLING FOOD WASTE</p> <p>“What is your food policy for disposing of food that is past its sell by date? / Can store waste be given to the homeless?”</p>	<p><i>Gemma Lacey, Director Sustainability & Communications:</i></p> <p>“We are constantly looking at ways to avoid and reduce the amount of waste we produce as a business and to help our customers reduce their own packaging and food waste.</p> <p>New systems have been rolled out across our Retail stores which are creating opportunities to better manage our product availability and wastage.</p> <p>Our in-store bakery stock and wastage levels are monitored daily by the Store Manager to ensure that goods are not over ordered or baked, keeping wastage to a minimum.</p> <p>Through Federal, who manage our distribution network, we work with the charity FareShare, who pass food on to charities and community groups to transform it into nutritious meals for vulnerable people.</p> <p>A number of our stores are involved in donating surplus food to local farmers. We are currently running trials in 9 stores with 2 charities: FoodCycle in Portsmouth and The Real Junk Food Project in the Fareham/Bishop's Waltham area. The stores are: Eastney Rd, Elm Grove, Fawcett Rd, Highland Rd, Arundel Drive, Bishop's Waltham x2, Titchfield, and Yew Tree Drive. In the Portsmouth area we are looking at extending the trial with a further 4 stores.</p> <p>Southern Co-op retail stores’ waste is ‘backhauled’ to a central depot where dry mixed recyclables are sent for recycling; food waste is processed through anaerobic digestion; whilst customer and general waste goes to a refuse-derived fuel facility. This diverts 100% of our waste away from landfill and,</p>

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	where possible, finds new uses for our waste.”
<p>BAKERY LINES</p> <p>“Is there an option for requests on new bakery lines? All stores are different.”</p>	<p><i>Simon Eastwood, Chief Operating Officer, Food Retail:</i></p> <p>““Yes there is. Following the success of sourcing artisan breads and rolls from a local baker on the Isle of Wight for our Local Flavours range, we are now looking for local bakers who can supply our stores in the southern counties.”</p>

Other questions from the floor covered the following topics:

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<p>Digital developments</p>	<p><i>Paul Rodford, Finance Director:</i></p> <p>“We launched a new Funeralcare website in summer 2016 and will be launching a new website for Clayton Wood soon. We also have plans to revamp our Southern Co-op corporate site. All of our sites are fully mobile responsive.</p>

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	<p>We recognise that digital plays an increasingly important part of our future plans so to this end we have initiated a strategic digital review. This work is critical if we want to sustainably grow our business through more effective marketing and improved customer and member experience. The recommendations of which we will look to take forward in Q2 and beyond.</p> <p>With all our communications we assess the audience and target our messaging appropriately using the most effective channels for those audiences, which in many cases includes use of offline and online communications.</p> <p>Our marketing campaigns have utilised digital and social media channels like text and Facebook and new scanners installed in our stores are now able to scan digital coupons.”</p>
<p>Member trips</p>	<p><i>Gemma Lacey, Director Sustainability & Communications:</i></p> <p>Our members’ trips programme is a popular benefit. In 2016 we decided to tie our trips in more with our co-operative values to showcase aspects of our business where we are making a difference. Feedback has been very positive with many members enjoying the chance to meet local suppliers and charity partners and learn more about our business.</p> <p>More information on membership trips for 2017 can be found by visiting our Southern Co-op website”</p>
<p>Recycling in our End of Life Services business</p>	<p><i>Gemma Lacey, Director Sustainability & Communications/Steve Pearce, Chief Operating Officer ELS:</i></p> <p>“Our focus to date has been on the retail side of our business, which generates the largest volume of waste for our business. All Southern Co-op retail stores’</p>

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	<p>waste is ‘backhauled’ to a central depot where dry mixed recyclables are sent for recycling; food waste is processed through anaerobic digestion; whilst customer and general waste goes to a refuse-derived fuel facility. This diverts 100% of our waste away from landfill and, where possible, finds new uses for our waste.</p> <p>We are looking at opportunities to improve recycling in our End of Life Services business, however, because of the volumes of waste generated in these locations and the logistics of collecting waste from a smaller more disparate network of funeral homes and other sites this is a bit more of a challenge.</p> <p>At our crematoria we participate in a scheme whereby all metals recovered after cremation are sensitively collected and recycled. As well as the environmental benefits this has, our last collection raised over £4000 at The Oaks for local charity the Rowan’s Hospice.”</p>
<p>Availability of Southern Co-op’s magazine</p>	<p><i>Gemma Lacey, Director Sustainability & Communications:</i></p> <p>“Our Southern Co-op magazine was previously produced twice yearly, in the Summer and Winter and was made available in all our of our food stores as well as online.</p> <p>Following a review, we have taken the decision to stock the Co-op Group’s new monthly food magazine which is food focused and includes food tips and recipes and stories that showcase our own brand products. This will be made available in selected stores where we believe the magazine content is best matched to our customer’s needs and shopping requirements. However the magazine will also be made available online for all our members and customers to view.</p> <p>We will use other marketing and communications channels including direct mail</p>

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	<p>to promote Southern Co-op specific stories and information as well as member specific offers and promotions.”</p> <p>The latest May/June bumper edition can be found here</p>
<p>Community meetings</p>	<p><i>Silena Dominy, Director Corporate Affairs:</i></p> <p>“The Community Group meetings, whilst popular with a small contingent of members were only reaching less than 1% of our membership. The opportunity has therefore been taken to review how best to communicate and engage with our members as a whole. In 2015 we carried out a member consultation which informed us that greater use of emailed communications was desired by many members. These communications have been increased as a result. The AGM and Members’ Convention continues to be the main face-to-face engagement opportunity for members. Members also get to vote in their Board of Directors in our annual elections.</p> <p>We are looking at other opportunities for members to engage with us in different ways and as announced by the Chairman we are looking to establish Member Listening Groups, opportunities for members to help our local producers to shape their product ranges and will be holding webinars/webcasts in the future so that those who are not able to travel to events have an opportunity to engage directly with the Society’s Board and Leadership Team. Look out on the Membership page of our website and on Store Membership Noticeboards for details of these engagement opportunities.”</p>