Welcome

Southern Co-op is a large, independent co-operative society with its roots in the south of England.

We’ve been owned and traded by people across the region for over 140 years. Our values reflect that we are fair to all our stakeholders, from members to colleagues to suppliers; we champion a fresh approach to business, putting purpose before profit; and we are for all, making it easy for people to join us and share in our success.
Our businesses today include:

- The Co-operative Food stores
- Welcome convenience franchise stores
- Starbucks franchise stores
- Post Offices
- The Co-operative Funeralcare homes
- Private name funeral homes
- East Devon Crematorium
- The Oaks Havant Crematorium
- Clayton Wood Natural Burial Ground
- The Co-operative Florist
- The Bereavement Centre
- Co-operative Mobility

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Highlights

A round up of the top headlines and figures showing how Southern Co-op has performed this year.

- **£431m** total income
- **1.63%** growth in like for like food sales
- **£17.1m** EBITDA*
- Launched online funeral plans

*earnings before interest, tax, depreciation and amortisation
16 new stores opened

157,533 members

84%

Colleague Engagement Score

Almost 20,000 hours of colleague training delivered

£1.26m contributed to our communities*

*what we invest plus what’s leveraged through fundraising, tribute donations, member share of the profits and carrier bag fund

Southern Co-op Annual Review 2017-18
As we come to the end of our 2017-18 financial year, the unsettled and uncertain landscape I reported on last year remains. Although the UK economy has been surprisingly resilient, concerns about political issues at home and abroad have intensified, with public attitudes and opinions more polarised than for many years. In addition, a raft of longer term changes, such as disruptive technologies, the development of artificial intelligence, and driverless automation will pose both challenges and opportunities to how markets and the workplace operate in the future.

All told, these are challenging times for any business, especially consumer facing ones. However, as a co-operative with a 145-year history of successfully adapting to new conditions, I believe Southern Co-op is well placed to face both the challenges to our own business, and to take a leading role in repairing trust through our responsible business agenda.

Your Board remains focused on the big strategic issues, providing challenge and support to the leadership team as they respond to this rapidly changing landscape.
Southern Co-op is a purpose-led organisation and decision-making is driven by our overall purpose of working together for the benefit of local communities, in particular:

1. Ensuring that our current business model is robust and performing at the expected level within the Board’s appetite for risk;
2. Delivering on our purpose and demonstrating the positive impact our decisions are having on local communities;
3. Identifying future opportunities so that we remain relevant in the long term;
4. Sharing our commitment to ethical and responsible trading with others, and spreading the responsible business model.

I believe we’ve made good progress this year in addressing these important points, some of which I’d like to highlight. You will find a more detailed analysis in the rest of this Annual Review, along with key financial measures.

It has been our strategy for several years to grow in scale in both our main trading businesses, bringing the benefits of co-operative ownership to more people in more communities. We continued to do this in 2017, opening an additional 16 stores and one new funeral home.

However, we are increasingly aware that the market for convenience food stores is reaching saturation. This means that, from 2018, we will be re-focusing our capital programme to invest in our core estate and ensure that the quality of our more recent stores is of the standard our customers expect. We trialled our new store format at Abbotswood, Romsey in 2017, and we will roll elements of it out as we refit stores in the future.

The Board remains committed to developing our highly-regarded crematoria business and we will actively seek new sites and invest in further high-quality facilities that meet our members’ needs.

Considerable progress has been made in the last three years in developing a best-in-class people strategy and this will remain a key area of focus in 2018. The Board remains absolutely committed to engaging all our colleagues across the Society.

I’m also very excited about the potential of our new digital strategy to transform the way we communicate with members and engage our wider customer base. In the next year we will invest significantly in the technology platforms needed to bring this to life from 2019.

The Board and leadership team will continue to commit time and resource to consider what opportunities exist for new business ventures that in the years ahead could provide diversification and incremental revenue streams for the Society.

This will be my last report as Chairman before my planned retirement in May 2018. There have been many changes in the four years I have been in this role and, if I compare today’s business landscape to when I first joined Southern Co-op it is unrecognisable.

The strength of this Society and the underlying co-operative model has allowed the business not only to survive such a period of dramatic change, but to thrive through it, and deliver significant growth in the scale and quality of what we do for our members.

As my time with the business draws to a close, I am confident that the governance we’ve put in place in the last couple of years, and the calibre and personal commitment to the co-operative cause of my successor as Chair and our co-directors, will serve members well in the uncertain times ahead.

We have an experienced and dedicated leadership team committed to business excellence and effective risk management. Above all, we have more than 4,000 amazing and talented people working tirelessly for Southern Co-op and the communities in which we trade.

I’m confident that in the future, this Society will be a model co-operative, and responsible business, and that it will continue to serve its members and spread best practice to the wider business community for many years to come.

Mike Hastilow
Chairman
Q&A with our Chief Executive

Our Chief Executive, Mark Smith, offers an overview of the past year’s challenges and successes and reflects on Southern Co-op’s goals for the future.
What have been the business successes this year?

2017 has been another year of growth for us with record sales reflecting the full year effects of the 22 stores we opened in 2016 and the further 16 we added in 2017.

We’ve had a renewed focus on how we handle stock within our stores which has led to improvements in product availability while reducing the amount of stock we hold.

We have also built a strategic partnership with COOK, the highly-regarded specialist frozen food business, following the introduction of its range into a number of our stores. COOK, like us, is committed to trading responsibly.

We launched the first Co-operative Food franchise convenience stores in the country during 2017, with a group of 10 stores transferring from our managed estate to our new franchise model.

Our End of Life Services business benefited from the addition of East Devon Crematorium, which was successfully integrated as a fully-owned Southern Co-op business at the start of the year.

This has also been the first full year of operation for our community engagement strategy Love Your Neighbourhood which gives local stores and funeral homes the chance to contribute to the creation of safer, greener, healthier and more inclusive neighbourhoods.

In financial terms, how is the business doing?

The Society’s total annual income rose 9% on the previous year to over £400m – a new record for us.

Profits this year are broadly level with 2016 on the important EBITDA measure (a view of cash profit) at £17.1m (2016 £17.4). That’s because the margin earned on the significant additional sales we achieved last year has been offset by cost pressures beyond our control, like the National Living Wage, business rates and the Apprenticeship Levy.

As these external cost pressures are added to the additional operating costs of our investments in new locations, this has the effect of keeping our profit result largely unchanged despite our higher sales.

It’s important that we’re able to innovatively face these challenges and find new solutions – seize new opportunities as they arise to reduce costs and increase revenue and we’re certainly working to achieve this over the medium term.

What have been the challenges?

2017 trading conditions have yet again proved challenging for retailers and we are no exception to this. One of the biggest challenges, especially when our operating costs are rising due to external factors, is how to deliver growth in profits at the same rate or better than the growth we achieve in our sales.

We have a number of initiatives underway or planned to help address these challenges.

We also hope that government will listen to our industry and address the significant issues with business rates in particular.
How do you demonstrate you’re a responsible employer?

We have a clear people strategy and we’re building a strong focus on developing our colleagues. This involves how they deliver their roles in the business and how we can help them achieve their individual potential.

In 2017 we invested significantly in training, with particular emphasis on the early stages after a colleague has joined us. By focusing here, we can ensure everyone who joins us is welcomed properly and is able to play a full part in our team as quickly as possible.

We’ve committed resource to enable young people to access good quality work experience to help them prepare for the world of employment. As well as strengthening the future prospects of these young adults, our work experience programme and the other work we do with schools is very rewarding for those members of our team taking part. It’s a good example of how we can help people develop while they work at Southern Co-op.

This year we updated the way in which we communicate with colleagues across the business. Colleagues now have the opportunity to join informal groups who meet directly with myself and other leadership team members. It’s a great opportunity for two-way dialogue and allows us to hear directly what’s good about working for Southern Co-op but also areas that we need to improve. Indeed we’ve already acted on some of the first of these ideas and suggestions.

I’m pleased to say that our latest colleague opinion survey has shown a colleague engagement score of 84% and that remains amongst the best in the industry. However, we can never be complacent – so looking ahead we have plans to develop more initiatives to benefit colleagues such as a new wellbeing strategy and a significant two year investment into upgrading colleague facilities in our retail stores.
What are you focused on for next year?

As I said, our People strategy remains a major point of focus. While we have delivered improvements to the way we introduce new colleagues to the business through better induction, enhanced training plans and new career development opportunities, we recognise that the goals in our ambitious People Strategy cannot be achieved in a single year so we’ll be retaining this as a priority area in 2018.

We’ll continue to make our operations simpler and more efficient, looking at how we can further improve sales from our core estate. We’ve begun work on future store refit programmes and we’ve also launched a new digital transformation programme to engage more effectively with members and customers.

We’ll continue to look at the products and services we offer in our stores, and will add coffee and other food-to-go options into more of our store estate building on the work we completed in 2017.

Following its tenth anniversary, there are certainly opportunities to further develop locally sourced products through our Local Flavours range.

What message would you like to give colleagues, customers and members?

To our customers and members:

Thank you! What we’ve achieved wouldn’t have been possible without your support. Outside conditions aren’t getting any easier but we have clear plans to remain fit for this challenging new future. We’ll keep working hard to achieve these plans while continuing to be a successful, independent, regional co-operative meeting the needs of you, our customers and the communities in which we trade now and in the future.

For colleagues:

Your commitment and hard work in helping us deliver our long-term business objectives in such challenging conditions has not gone unnoticed. You are the lifeblood of our co-operative and every single one of you should be proud of what we’ve achieved together this year.
Good governance is about making sure our Society is run well, in line with our co-operative principles, and reflects the interests of our members.

Led by our Board, we believe in working fairly, ethically and openly.
To ensure our co-operative principles are embedded in everything we do, Southern Co-op implemented a Governance Roadmap in 2014. This included a Board Composition Charter to ensure our directors, individually and collectively, have the expertise and experience needed to run a business of our size and complexity.

We evaluate the skills of serving directors each year, and anyone standing as a candidate in our directors’ elections must show they have the core skills and experience to lead our business successfully.

Every year our directors complete both formal training to help them understand emerging risks and opportunities along with familiarisation sessions to get closer to our business. In the past year, legal and governance sessions have focused on directors’ obligations, particularly regarding competition, health and safety, and data protection law. To reinforce our Society’s way of working, directors have also considered how they can work more effectively as a team.

Taken together, these actions mean our directors are better able to contribute to Board discussions and provide the right level of constructive challenge to the leadership team. They can also monitor the Society’s performance more successfully, applying our co-operative values and principles.

Five candidates stood for the directors’ election in May. Members were encouraged to use our voting portal to reduce the environmental impact of the campaign as well as to manage costs. Members were able to view video clips of each candidate on the portal and question them about issues close to their hearts, helping them decide who to support. Two existing directors, John Harrington and Amber Vincent-Prior, stood for re-election and were voted back onto the Board. We were also delighted to welcome Bev Wyatt as a new director.

As Mike Hastilow, a long serving director and our current Chair, retires in 2018, the Board began its search for a Chair-Designate in order to ensure continuity and stability.

Our Rules allow the Board to appoint up to two directors on approval of the members, which means the board can plan a smooth transition for this key role.

Mark Ralf has been welcomed to the Board and brings with him many years of business experience in a career where he has held senior positions at Bupa, GlaxoSmithKline and British Airways. More recently, he has served on the boards of Radian Housing Association and West Wittering Estate. The Board looks forward to continuing to benefit from his extensive skills and experience when he takes the Chair in May.

More information can be found in the Corporate Governance Statement included in the full Directors’ Report and Accounts, available on our website www.southernco-operative.co.uk/membership or from our Member Support team.

Giving our members a voice

As owners of Southern Co-op, it is a fundamental principle of good governance that members are involved in, and have the chance to ask questions about, the way their Society is run. Our Annual General Meeting (AGM) is a key forum for this. At our AGM, members are encouraged to ask questions directly of our Chairman in an open forum and to chat informally with our directors afterwards.
Members

Southern Co-op isn’t owned by anonymous shareholders, it’s owned by local people across the south of England. As a member-owned co-operative, our Society is run for the benefit of our members and local communities.

Our 157,000+ members contribute to, and also share in our success, and have a say in how we run the business.
Membership Matters

Members earn points on their membership card every time they shop in our stores or at other Co-ops that are part of the affinity scheme.

We actively encourage customers to become members, and our membership continues to grow and at the end of 2017 we had 157,533 members.

As owners, members can enjoy a range of benefits, including:

A share in our profits
Every member receives a share of our profits each year based on how much they have spent with us. In 2017, for the 8th consecutive year, we maintained a 2p in the £1 profit share. This means that members received roughly 2% back on all products we sell in our stores. In total, members’ share of profits totalled £2.9m in 2017.

A say in how our business is run and who represents our members on the Board
All our members can also have a voice in shaping our future by attending our Annual General Meeting, voting for our directors and sharing their views on our Society.

Support for local communities
We contributed £1.26m last year to local charities and good causes. By supporting Southern Co-op, members also give a helping hand to their local communities.

Exclusive member trips to visit local producers and attractions
Over 300 members joined our exclusive trips to local suppliers including Caroline’s Dairy, Firebird Bréwery, Jon Thorners, Langham Brewery, the Hampshire and Isle of Wight Wildlife Trust’s Blashford Nature Reserve and our own Southern Co-op bee hives.

As part of Co-operatives Fortnight 2017, which promotes the co-operative movement and its values, Southern Co-op created 10 short films (#coopstories) with community partners to highlight their work and how we support them. We also ran a session for Lakeside colleagues to discuss the importance of co-operation where our community partner, Portsmouth’s Express FM, hosted a panel discussion, inviting local co-ops to talk about the co-operative business model and the benefits it brings to the local economy and community.

367
Number of attendees at our AGM last year

4,292
Number of colleague members
Almost 4,500 colleagues serve customers in our food stores, End of Life Services and at our Lakeside head office.
Becoming an employer of choice

People are important to the success of our Society. Whether serving customers in our food stores, or helping families through the trauma of bereavement, we need dedicated colleagues to deliver the services our members want.

At a time when employment is at record highs, attracting and retaining good people is a growing challenge. Recognising this, we began to develop our employer brand to attract new skills and talent to the Society. Last year, we launched a 3-year programme to reduce staff turnover and we will step up our efforts to make Southern Co-op an employer of choice in 2018 and beyond.

Making a great first impression

We know that to attract and retain talented colleagues we must make a great first impression as an employer – before a candidate even joins us.

Our newly introduced Applicant Tracking System aims to do just that. This online portal has simplified our recruitment process and improved the application process for candidates.

Lakeside and ELS colleagues can view and apply for jobs online, and track the progress of their application. We’ve also centralised our recruitment so that we respond to all applications and candidates have a consistent experience when they apply to work for us.

Feedback has been positive, with candidates commenting on the ease of application, and hiring managers reporting an increase in the quality and number of CVs received.

Having launched the new system to Lakeside and End of Life Services in August 2017, we will roll the system out to our Retail Food stores in Spring 2018, putting additional support in place for our managers to recruit customer service assistants and duty managers. During this phase of the roll-out we will also introduce online offer letters and contracts, which will speed up the whole recruitment process.

Making new colleagues welcome

We’re working hard to transform our induction training so everyone joining Southern Co-op can develop the skills and knowledge they need to do their job.

Our newly designed ‘Welcoming U’ programme includes a DVD to introduce all colleagues to our business and help them understand what makes a co-operative different. A workbook takes new colleagues through a structured 8-week programme to help them get to know their team, their role and our products, and to understand key compliance issues in running our business safely and legally. The programme is supplemented by e-learning and classroom workshops.

Since its launch mid-year to the end of the 2017/18 financial year, 1,369 colleagues had started the programme and initial feedback has been positive. We will continue to monitor the impact of the programme in 2018.

In November, we introduced the ‘Welcoming U’ programme for retail store managers appointed from outside the Society. We have also set up a group of training mentors to support new managers through their induction period. These mentors have had bespoke training to give them the skills to support new managers.

In early 2018, we launched our ‘Business Welcome Day’. Run every 6 to 8 weeks at our Lakeside head office, managers from across the business meet members of our leadership team and hear more about Southern Co-op, our membership, our communities and our business strategy and priorities.

In 2018 our focus will be on developing the programme to support internal promotion to store manager roles.
Engaging with our colleagues

Listening Groups

As promised in our report last year, in 2017 we introduced Listening Groups to give colleagues a voice in how we run our business.

In June, the Chief Executive and other directors from the leadership team met over 100 colleagues who volunteered to take part. Our aim was to explore the key insights from our colleague opinion survey and give colleagues the chance to share their employment experience and suggest ways to make us a more attractive employer.

Many colleagues told us that they value being part of a co-operative at the heart of our communities and also spoke positively about being part of a hard-working team, giving great customer service, while also having fun.

Equally, there were suggestions about how we can make working at Southern Co-op better. These included long-term investment in IT systems and the working environment, as well as more immediate improvements which we quickly implemented. For example, in ELS we provided satellite navigation systems for our ambulance drivers so they can reach our clients quickly. At Lakeside we introduced the ‘Dress for your Day’ policy, which was developed by colleagues and in 2018 we will begin a programme to improve and refresh the colleague areas in our food stores.

We will run more Listening Groups in 2018 and respond to colleagues’ suggestions on how to improve our business and working conditions.

2017 Colleague Opinion Survey

In addition to Listening Groups, the 2017 Colleague Opinion Survey provided all eligible colleagues with the opportunity to share their feedback on working at Southern Co-op.

3,021 colleagues took part in this year’s survey, which is 72% of those eligible, a 21% increase on last year, and some of the highlights are:

- 87% of respondents said that “overall they are satisfied working for Southern Co-op”
- 80% said they “would recommend it as a great place to work”
- 84% of colleagues said “they are motivated by their line manager, who supports them to do the best job they can”
- 84% also said “if they raise an issue with their line manager their views are taken seriously”
- 85% of colleagues said “they have the flexibility they need to balance their responsibilities at work and home”
Developing our future leaders

Helping talented colleagues fulfil their potential is at the heart of our talent strategy

We successfully completed two talent programmes aimed at senior and middle managers. The first, our Future Leaders programme gave three senior managers the chance to complete an 18-month programme, in partnership with Chichester University, focusing on strategic leadership. As well as coaching, external seminars and industry placements, the participants finished the programme by compiling a strategic business project which they presented to the Society’s leadership team and Board, which is helping to shape our future business strategy.

Eight colleagues graduated from our second talent programme, Aspire, in December 2017. This programme focused on developing their management and leadership skills, including coaching, change management, engagement, motivation and influencing.

We also continue to focus on developing the skills of our colleagues across the organisation. In 2017, we have delivered over 300 workshops; 2,677 training places have been taken up by colleagues; and we have delivered almost 20,000 hours of training.

In April we launched our ‘Safe & Legal’ programme for managers and duty managers covering the important subjects of health & safety, food safety and first aid, to ensure our food stores are managed in line with legislative requirements. Almost 900 duty managers have participated in 95 workshops.

Investing in Talent & Development

Apprenticeships: Learn while you earn

Apprenticeships provide young people with a great opportunity to learn while they earn, and Southern Co-op has been proud to play its part in developing the talents of ambitious young people.

The introduction of the Apprenticeship Levy in 2017 has provided challenges to many employers as they get to grips with digital accounts and training requirements, resulting in a dramatic reduction nationally in the number of new apprenticeships created in 2017 compared with 2016.

Having considered how we can benefit from the investment in apprenticeships, and to achieve the required 20% of working hours to be dedicated to off-job-training, we believe this best suits our End of Life business. We will invest in our dedicated apprenticeship and qualification which will become a mandatory part of skills and knowledge training for all our Funeral Co-ordinators. Additionally as part of our investment in apprenticeships, we will be launching a partnership with South Downs College and the Chartered Management Institute to offer a Level 3 Management & Leadership qualification, available to Lakeside and senior field-based managers, which will complement our current talent agenda.
We were pleased to publish our gender pay data in December, well ahead of the April 2018 deadline set by The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 which came into force last year. All employers with over 250 colleagues must publish gender pay data annually using defined measures and methods of calculation.

Based on average pay, Southern Co-op has reported a 10% pay gap in favour of men, compared with a UK wide gender pay gap of 18%. There are two main reasons for the pay gap. Firstly, more women in our organisation work part-time than men and so receive less pay overall and, second, there are more men in our better-paid management roles.

We are committed to gender equality and want female colleagues to have better opportunities to progress into our more senior roles. Understanding and removing barriers to progression will be our focus over the next three years.

More information about our gender pay report can be found on the Government’s reporting website and on our own website, www.thesouthernco-operative.co.uk/southern-co-op-gender-pay-gap-2017 which also includes a narrative to help colleagues, members and the public understand our results.
Pay for Performance

We want to encourage our colleagues to perform to the best of their ability and make our members’ experience of Southern Co-op an outstanding one. This is why we’ve been on a journey to foster a performance culture that asks all colleagues to take responsibility for their performance and development and to think about the behaviours needed in their role.

Having put a solid performance cycle in place, setting clear goals and objectives, regular review meetings and a formal appraisal for each colleague each year, we now want to link individual performance with reward.

We appreciate that talking about reward and pay requires honest, and sometimes challenging, conversations. We want to be open about how we make reward decisions, so through February and March 2018 we ran training sessions for managers to equip them to be able to share this wider reward knowledge and information with their teams.

The performance cycle helps us identify high-performing colleagues, who we can support through our talent agenda, as well as those with development needs who have access to our range of foundation skills workshops and various training materials from the Academy Learning Library.

In 2018, we will continue to embed the performance culture and processes to support the introduction of performance related pay by 2020.

Sizzling Sales Success

We continue to recognise good business performance with incentive schemes such as ‘Sizzle into Summer’ and ‘Jingle All the Way’. Prizes were on offer to those teams who achieved the best performance against their targets in two of our key trading periods.

2018 People Priorities

Our priorities will continue to centre on, stabilising our workforce by reducing labour turnover through:

• Managing our recruitment better and providing a better candidate experience by launching and embedding the Applicant Tracking System and centralised recruitment model into our retail businesses

• Embedding our new induction tools, and developing our programme to support internal succession to store manager roles

• Evolving and extending our Academy offer to support our talent agenda and management skills development for colleagues

• Continuing our journey toward Performance Related Pay
As a member owned co-operative, we have always had a purpose beyond profit and an interest in the common good.

We want to have a positive impact on the lives of our colleagues, members, suppliers and communities both now, and in the future.
Our way of doing business

We want to manage our business in a responsible and sustainable manner - but what does this mean?

• We want to be a fair and caring employer, providing quality work opportunities for local people
• We want to be an outstanding business, supplying high quality, good value products and services to our customers and members
• We want to be a partner to our suppliers, treating them fairly and honestly
• We want to be good neighbours to the communities we operate in
• We also want to understand and act on the sustainability challenges our world faces, such as climate change, population growth, species loss and habitat destruction and work to protect our environment for the benefit of future generations. These are global challenges, but they have local impacts that we can play an important part in tackling.

Focusing on

“I am really pleased with the progress we have made with our business and education partnerships this year. We are starting to see real benefits for our young people involved in these programmes. It’s an added bonus that many of the participating business people also find it hugely rewarding, and it benefits their own personal development as well, so both sets of people and their organisations win.

“More generally, I have been encouraged by the response of businesses in the region to my other Responsible Business Ambassador initiatives this year. In particular new partnerships with member organisations such as Business South and with local universities teaching the next generation of business leaders offer great potential to build a genuinely sustainable approach to business in the south. As part of this I am very grateful to the University of Winchester for the opportunity to be part of their work with the UN Global Compact Network, as part of their worldwide Sustainable Goals programme.”

Mark Smith
Chief Executive

Ambassador for Responsible Business

Mark Smith, our Chief Executive, was appointed by HRH The Prince of Wales as Business in the Community’s (BITC) Responsible Business Ambassador for the south east of England in 2016. The Prince appoints an inspirational business figure in each of the UK’s regions for two-year tenures to champion responsible business in the region.

In his role Mark has been working with the BITC Business Class education partnership. Pupils from schools in Southampton have benefited from business mentoring and involvement in high profile projects with partner businesses aimed at raising aspirations and preparing them for the workplace.

In partnership with Portsmouth City Council, Southern Co-op has piloted a two-week work readiness programme for young people leaving care at the age of 16. This aims to give them the skills, knowledge and support to move into full-time paid employment on leaving school, and to become self-sufficient by the age of 18. One student is now successfully employed in one of our stores.
Making a Difference

We achieve our sustainability goals and ambitions in many different ways, including:

- Managing our operations in an environmentally sustainable way, whether that be reducing carbon, saving energy or preventing waste
- Being a good employer, investing in our employees so they can realise their potential
- Trading fairly with our suppliers, including support for local farmers and producers
- Active and genuine support for our local communities

In this section you can read about how we protect the environment and how we are creating sustainable products and supply chains. Our support for local communities is covered in the Community section (p30).

To find out about how we are investing in our colleagues, please see our Colleagues section (p16).

Protecting our environment

We are helping to create a healthy environment across our region by reducing our dependency on finite resources and supporting initiatives that enhance our natural environment.

Saving energy

Our total retail energy consumption (electricity and gas) was 36 million kWh in 2017 (up 19% on 2016). Energy efficiency was 65.74 kWh (electricity) per sq ft trading area in 2017 compared with 59.52 in 2016 - despite moving backwards slightly, this still remains a 43% improvement against our 2010 baseline.

Having previously installed LED lighting in our Lakeside office and virtually all of our retail estate, including lighting in our sales areas, chiller cabinets and fascia signage, in 2017 we rolled out LED lighting across our End of Life Services business.

We're using other energy saving technologies, such as movement sensors to automatically control lighting in stockrooms and employee areas, new improved doors for our refrigeration (see right), aerofoils on open-fronted chiller cabinets where glass doors are not suitable. This has the added benefits of improving customer comfort and reducing store heating requirements.

In our 2018 colleague opinion survey 90% of our colleagues said they were taking actions to save energy at work by turning off lights, monitoring heating and air conditioning usage, pulling down night blinds on chiller cabinets and reporting faults quickly.
Reducing carbon emissions

In 2017, our overall absolute tonnes of CO₂e (carbon dioxide equivalent) emissions (Scope 1&2*) increased by 21% compared with the previous year and decreased by 9% compared with 2012, our baseline year.

Our carbon intensity, which measures our emissions relative to the size of our business and estate increased to 52.12 tonnes for every million pounds sales, a 10% increase on last year and a 37% decrease against our 2012 baseline.

We are pleased to achieve these overall reductions against a backdrop of continued growth; last year we opened 16 new food stores and one funeral home and we added a further crematorium, all of which increase our environmental footprint.

A focus on refrigeration

We continue to take a proactive approach to refrigeration leak testing and maintenance across our estate, and this is helping to push down fugitive emissions. We are also using new refrigerants with a lower global warming potential, to reduce our associated carbon footprint. We will continue to explore gas replacement opportunities in line with refrigerant gas legislation alongside the potential installation of leak detection systems.

*Scope 1&2 emissions includes those associated with energy, car and service vehicle fleet and refrigeration. NB: Food distribution is outsourced and therefore not included in our carbon footprint.
Waste not, want not

Reducing the amount of waste we produce and recycling and reusing our resources is not only good for the environment, it also makes good business sense. As a food retailer, our key concerns are about food and plastic waste.

We have been running food donation trials with a number of stores and charity partners including local charity Foodcycle in Portsmouth. We have had success with some of these arrangements with safe, edible, surplus food being sent to charity each week. Our donations to Foodcycle, combined with food collected from other stores provided for over 6,800 meals. Other partnerships have proved more challenging with fluctuating waste volumes and the logistics of collecting from a number of small outlets. We will therefore continue to review and refine our approach in 2018 in partnership with these charities.

With the televising of David Attenborough’s plea for action in Blue Planet II and new government commitments to eliminate plastic waste, we are also renewing our focus on plastic waste and the part we can play in reducing this.

For many years, Co-op has been challenging itself to improve the amount of our packaging that can be recycled, balancing food hygiene, costs and recyclability. For example, the heat-seal layer has been removed from our cooked meat trays so the tray is now made of a single material which is easier and more cost effective to recycle.

Hockley Down Farm

Over the years we have been supporting the Wildlife Trusts with the purchase of land across our trading region to create connected areas of landscape and important corridors for wildlife, and also to safeguard green spaces and wildlife for local communities.

The most recent of these was a £10,000 donation to the Hampshire & Isle of Wight Wildlife Trust (HIWWT) to help them reach their fundraising target to buy a 31-acre farm, Hockley Meadows Farm in Twyford. The farm sits within a significant area of floodplain meadow, and supports key species such as the water vole, otter, marsh marigold and the rare southern damselfly.

We are now working with HIWWT to develop and trial a new carbon offsetting approach that allows us to invest funds in acquiring, restoring and protecting local land in a way that allows us to offset this against our business environmental footprint.
Working for wildlife

We are investing in preserving habitats and biodiversity at The Oaks Havant Crematorium and Clayton Woods Natural Burial Ground.

This was our fourth year of monitoring the benefits to wildlife at The Oaks, where the wildflower meadow and areas around the mounds are allowing a species-rich habitat to develop which is supporting a range of insects including butterflies, bumblebees, dragonflies and damselflies. In the woodland pond, rare floating club rush continues to thrive and birds are returning to nest in our bird boxes.

Our newly established bee hives are doing well in partnership with Local Flavours supplier Sinah Common Honey, and were the focus of 12 members’ trips in the Spring and Summer.

2017 was our first full year of monitoring at Clayton Wood, where the dense hedgerows offer great opportunities for sheltering and foraging to birds, insects and small mammals. In 2018, we will consider creating a specific wildlife pond, suitable for breeding amphibians, particularly great crested newts, dragonflies and damselflies. We’ve installed new interpretation boards to showcase the wildlife and the habitats created at the site.
Creating sustainable products and supply chains

We champion fair and ethical standards in our supply chains, celebrate British and local food, contributing to the local economy and employment, and source our products responsibly, so our customers know they are buying high quality products that are sustainably produced.

Fair and ethical dealings with our suppliers

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

Through our trading agreement with Federal Retail Trading Services, the buying group for co-operatives in the UK, we work to protect the rights of workers throughout our supply chains through an ethical trade programme that is guided by a Sound Sourcing Code of Conduct. The primary responsibility is towards Co-op brand suppliers and supply chains because there is the greatest opportunity to influence positive change and monitor performance. Further details can be found on the Co-op Food website: www.co-operativefood.co.uk/food-matters.

Work is planned in 2018 to improve sustainability in the parts of the supply chain we directly control, such as the procurement of goods and services we use but don’t sell – everything from bakery bags to printers, cleaning equipment to security services.

Our longstanding commitment to Fairtrade continues, supporting better prices, working conditions and terms of trade. Our focus remains on the core categories of wine, bananas, cocoa, coffee, tea, sugar and flowers where, in partnership with the Fairtrade Foundation, we can have the biggest impact on producers. Last year, for example, we moved all our chocolate confectionery into Fairtrade, with all cocoa used in Co-op products sourced on Fairtrade terms, returning over £400K annually to cocoa farming communities.

Tackling modern slavery

Southern Co-op was founded to help people help themselves, to address inequality, exploitation, and life-threatening poverty.

Regrettably, we still live in a world where people are treated as property and are bought and sold, abused and exploited. That’s why we are doing all we can to make sure that human trafficking or slavery has no part in the production or manufacture of the products we sell and the services we use. Our ‘slavery and human trafficking statement’ can be found on our website and outlines the steps we are taking to ensure no-one in our business or supply chain is subject to such practices www.thesouthernco-operative.co.uk/modern-slavery-act/.
Co-op Water

For every litre sold of Fairbourne Springs, the Co-op’s own-brand charity water, 3p is donated to The One Foundation to invest in clean water, sanitation and hygiene projects in countries like Kenya and Malawi. In January 2017 the 3p donation was extended to all own-brand still, sparkling and flavoured, water including vitamin water.

We’re switching all Co-op branded bottled water to 50% recycled plastic saving almost 350 tonnes of plastic annually.

Celebrating British and local food

All our own brand fresh meat, sandwiches, pies and ready meals are made with 100% British meat all year round.

In 2017, Southern Co-op was proud to celebrate 10 years of supporting local producers through our Local Flavours range. You can find more information on our approach to local sourcing in our Retail section.

Making healthy choices easier

We know that consumers are eating too much saturated fat, added sugars and salt and not enough fresh fruit and vegetables, so we are working hard to make healthy options accessible for everyone. So:

• Co-op brand ‘low fat’ or ‘reduced fat or sugar’ products are no more expensive than their standard equivalents;
• Over 30% of food price-based promotions include healthier products;
• Clear front-of-pack traffic light labelling is helping customers to make informed choices, and green dots on the front of products highlight high fibre, low fat or high protein products;
• Co-op brand products are being reformulated to reduce salt, sugar and fat.

Evolving our eco range

In End of Life Services we continue to evolve our eco range of coffins and caskets for cremated remains and burials providing an attractive, comforting and environmentally responsible alternative to traditional style coffins. These are hand-crafted from natural and biodegradable materials and are popular in particular for woodland burials. We also offer bio-urns made from cellulose and natural fibres designed to turn cremated remains of loved ones into a memorial tree.

Our woodland memorial orbs crafted from sustainable woodland timber at The Oaks are sourced from natural windfall in woodland locations nationwide which once established become home to mosses and insects contributing to the wildlife and health of the environment.
Community

We have a deeply-held sense of community and we are proud to employ, serve and support people in local communities across the south of England.

£1.26m given back to local communities in 2017
Love Your Neighbourhood

Our community programme, Love Your Neighbourhood (LYN), aims to create greener, safer, healthier and more inclusive communities across the south of England by empowering our stores, funeral homes and offices to support the causes that matter most locally.

Every site has its own budget to spend on loving their neighbourhood and community groups are encouraged to ask for our support. The programme is jointly funded from the proceeds of the carrier bag levy, and centrally from Southern Co-op’s community fund, which is agreed by a member vote at our AGM.

In 2017, we invested £407,369 in local charities and community groups – this is the equivalent of 8% of our Society’s pre-tax, pre-dividend profits.

As well as donating goods and cash to our local communities, our amazing colleagues also got behind their local fundraising partnerships. In 2017, they took part in raffles, sponsored walks, bake sales, sky dives and other fundraisers, raising an additional £127,228 for local causes. To encourage colleagues to give their time to local causes and events, we launched new guidelines for volunteering and community engagement to help colleagues understand how they can make the most of volunteering.

Our own investment in the community alongside colleague fundraising, member donations from their Share of the Profits, supplier donations and customer donations raised through funeral tributes, meant over £1.26m was given back to the local community in 2017.

Our colleagues in action

Funeral Co-ordinators at Cowplain raised over £1,500 for their charity partner, Hounds for Heroes, manning a stall at summer fetes and supporting a festive lights evening and Cosham Fire Station’s race night.

Colleagues in Alton were quick to offer their support to The Rhiannon Trust, set up in memory of their colleague, Beth Dye’s sister, to provide equipment for children with disabilities. Colleagues held various fundraisers, including £1,400 from a sponsored Sky Dive. Their next big event is to abseil Portsmouth’s Spinnaker Tower.

Retail colleagues in Bridgewater prioritised making elderly residents at Stockmoor Lodge care home welcome in the local community, attending a dementia friendly workshop and receiving an award in the Somerset Care Group’s annual awards.

In Portsmouth, Bereavement Centre colleagues chose to support a ‘Chop, Cook, Chat’ group (pictured above) that teaches basic cooking skills and combats social isolation in older men who have experienced a change in circumstances, such as bereavement. Linda Long, Community Developer Officer at Portsmouth City Council, said: “The pilot of ‘Chop, Cook, Chat’ was incredibly successful...we’re thrilled Southern Co-op has provided funds for us to start another four groups across the city as we know they’ll make such a difference to the health and wellbeing of older men in those communities.” To support those attending the groups once the 8 week programme has finished, ELS colleagues from our Southsea branch have gone on to create their own social cooking group to provide ongoing support.

Linked to our More Inclusive Neighbourhoods theme, our store manager in Ryde has participated in a work experience programme in store working with the Shaw Trust and Wheatsheaf Trust which has enabled 16 clients to learn more about careers in retail and seen 5 permanently employed in the store. Through this work, the store has made a further donation to a new council led project, Networkryde 147 which is a café for young people and disabled young adults to have fun and to access information on employability skills as well as other subjects such as IT and Duke of Edinburgh’s Award.
Regional campaigns

As well as supporting local causes chosen by each of our sites, we support four campaign partners linked to our Love Your Neighbourhood themes. These aim to inspire and provide further opportunities for our colleagues and members to get involved in their communities across our region. Each partner receives a donation from the carrier bag fund. Members also donated the odd pence in the pound from their share of the profits, to one or all of these regional charities and over 1,500 members elected to donate their full share of the profits to these charities.
Safer neighbourhoods
Stand Against Violence (SAV) works with young people to prevent violence, and we supported the second National Day of Non-Violence in September. The event remembers those who have lost their lives to violence. Our retail and Lakeside office colleagues were encouraged to wear red (SAV’s brand colour) and SAV badges to mark the occasion.

Our donation to SAV has supported the charity to deliver free workshops to schools close to our stores. It has also enabled them to recruit a new Education and Training Lead and a Fundraising Manager providing a transformational impact to the organisation. These pivotal roles have expanded the type of workshops the charity can offer and improved their income streams to provide long term sustainability to the charity.

Through the workshops delivered to 2,160 young people they have seen an 87% attitudinal change with 91.5% of young people stating they were against violence following delivery.

Healthier neighbourhoods
People increasingly recognise the importance of looking after their mental as well as their physical health. Our partnership with Solent Mind funds the charity’s work in supporting people who’ve experienced mental health issues. We also supported World Mental Health Day in October, hosting a workshop for Lakeside Office colleagues (see left) on how to look after mental health at work. Wellbeing drop-in sessions shared hints, tips and practical advice with colleagues on how to be more healthy and happy at work.

More inclusive neighbourhoods
For a second year, our funding has supported Scope’s End the Awkward campaign, which aims to tackle the awkwardness people feel about disability. A leaflet drop event took place at Lakeside in December to mark the International Day for People with Disabilities in an attempt to raise more awareness of the issue.

The charity has undergone a strategic review during 2017 and is launching new projects throughout 2018. As our current funding partnership with them lasts until July 2018, Scope took the decision in 2017 to wait and use the funds to support this new work, which will reach more people in our communities and engage more with businesses seeking to address diversity in the workplace.

Greener neighbourhoods
We are working with 10 Wildlife Trusts across our region to support their My Wild Neighbourhood campaign. The campaign aims to encourage children, young people and families to get outside and explore the wildlife and wild spaces in their neighbourhood. Activities have included kid’s wildlife clubs – complete with bug hunts, mud art and seed planting – as well as family events and youth ranger projects for 16-24 year olds. Our funding has enabled the Trusts to work collectively on a Facebook engagement campaign, something they have been unable to do previously. They estimated that with our support over 2,000 families have found out more about the wildlife on their doorstep and hopefully taken steps to get involved.

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Disaster relief

Southern Co-op supported Co-operatives UK’s emergency appeal for funds to support countries devastated by natural disasters in south East Asia and the Caribbean with a £10,000 donation. The fund is being used to help develop co-operative enterprises in the affected countries, helping communities rebuild their livelihoods after catastrophic natural disasters.

We were deeply saddened by the horrific nature of the terrorist attack on Manchester, particularly as this is the home of our Manchester Co-op Group colleagues and many of their members so we also gave our support to the Manchester Evening News fund for those young people and families affected.

Food education

As a major local food retailer, we want to help young people and their parents to eat healthily and understand the value of supporting local producers. We support a range of food education projects across the south of England. These have included running food workshops at Eco Young & Engaged (EYE) Project eco-summits in Chichester, Littlehampton and Worthing. Over 400 pupils from 30 different schools in these areas took part.

We also ran seven events in Hampshire for children aged 8+, as part of our partnership with Winchester County Council’s Market Towns Development project. The activities aim to encourage pupils and their parents to eat healthily and stress the importance of buying your products locally. Events such as Bishops Waltham Bites and The Denmead Apple Day have encouraged families to get involved and find out more about their local high streets.
Focusing on 

Supporting young people into work

For some years we’ve been working in partnership with community organisations to break down the barriers to getting young people into work.

Our three-year partnership with Portchester Community School, which concluded in 2017, was part of Business in the Community’s (BITC) Business Class programme connecting employers and schools. We have established a new relationship with Cantell School in Southampton, which is part of a new co-operative model with a number of primary schools in the area. We plan to work with them engaging students through projects such as Solent Inspires and supporting them in their co-operative venture. We have also created a partnership with Bridge Learning Campus in Bristol, again working with students on careers and work experience.

We held our second Women in Business event in 2017 to help inspire and raise the aspirations of young women. We welcomed 36 Year 10 girls and 9 women business leaders to Southampton Solent University for a day of speed networking and skills identification.

Senior managers from Southern Co-op and other local businesses also took part in a Question Time style panel with local schools during BITC’s Responsible Business Week in April.

CPRE Hampshire Countryside Awards

Southern Co-op was once again main sponsor for these annual awards which celebrate community groups across the region who are helping to create a beautiful living countryside that everyone can value and enjoy cprehampshire.org.uk/awards.

This year’s winner of the Community & Voluntary Award, which we also sponsor, was the Southampton-based Community Roots Allotment scheme. Southern Co-op judges loved the idea behind this project of ‘growing people through growing plants’, and how connecting with our natural environment, even in a small, tuck-away green space in a city centre, can benefit people’s wellbeing. They were blown away by the people engaged in the project and the difference this project is making to their lives.

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Our 220 retail stores are the most visible face of Southern Co-op. Serving local communities from Crediton, Devon to Ramsgate, Kent our stores provide high quality, good value food and groceries to over 170,000 customers every day.
As well as food stores, Southern Co-op has a number of post office stores, petrol forecourts, Starbucks and franchise stores, which support local ‘food heroes’ as well as the big names and own-brands our customers expect.

More stores, more customers

In 2017, we added an extra 16 stores to our footprint, bringing our total food stores to 220 at the end of the year. Eight of these stores were purpose-built for us in Southbourne - West Sussex, West End - Southampton, Old Sarum - Salisbury, Abbotswood - Hampshire, Burnham-on-Sea - Somerset, Newbury - Berkshire, Weymouth - Dorset and Ashford - Kent. We acquired two stores as a going concern in Minster Kent and Binfield Berkshire and a petrol filling station in Chichester. By opening these new stores, we’ve put Southern Co-op into more of our target areas, helping us grow our customer and member base in those locations.

We continue to look for the right sites in the right locations for new stores and opened a further 3 stores in the first quarter of 2018. However, in an extremely competitive and well-served market it is becoming much harder to identify new locations where we can expand profitably. In 2018 and beyond, we will only invest when we can find sites that are right for our customer offer and brand.

Right Store

We continued to build on our “Right Store” programme, which works to improve our efficiency in-store, whether that is in handling stock, cleaning our stores and serving customers.

We invested in a big roll-out programme driving simplicity and a reset of instore processes, which has paid dividends, by improving product availability and reducing the stock we hold in each store. Colleagues can replenish stock more efficiently, freeing up time to serve our customers and make each store clean, efficient and welcoming.

We’ve continued to develop our Colleague Matrix tool, which helps manage colleague time and tasks so that they can focus on delivering exceptional customer service in store. We are in the process of reviewing and simplifying every task our colleagues carry out in stores, while ensuring our stores trade safely and legally. For our petrol forecourt stores, we have developed a new procedures manual, which has been endorsed by the Petrol Retailers Association.

Closing stores responsibly

We know how important our stores are in their communities but, sadly, intense competition means that some struggle to compete. This means that from time to time we have to make the difficult decision to close loss-making stores. We only decide to close a store after lengthy consideration of the alternatives and, in 2017, we closed 3 stores. In each instance, we work closely with local communities to try and minimise the impact, and to find new uses for these sites, and of course we work to try and help our colleagues into new employment.
Grand designs in store

After many years of successful expansion, during which the design of our stores had changed relatively little, last year we set ourselves the challenge of creating a more appealing and aspirational shopping experience.

Before and during a trial phase in the early part of last year, we spent a long time listening to what customers want from their local food store. From product ranges to the store layout, to the type and quality of fixtures and fittings, we asked for and listened to feedback both internally and externally.

These views all contributed to our new store design, with three new look stores opening in 2017. The first store opened in Abbotswood in Romsey in April, and feedback from both customers and colleagues post opening has been very positive, with the store performing well ahead of our expectations.

In January, we opened a new store in Chislehurst (above) which took our new store concept to the next stage. We took the initial learnings from the two trial stores, and improved the zoning of the store for ease of customer shop and added some non food ranges that we hadn’t sold previously.

During 2018 we will continue to evaluate the success of these stores, listening to our customers and colleagues to understand how they meet our customers’ convenience shopping needs, so we can continue to make our stores fit for the future.
Ten years of **local flavours**

2017 was an exciting year for local food and drink suppliers, as we celebrated the 10th anniversary of our Local Flavours range. To mark the anniversary, a Southern Co-op Local Flavours VW campervan toured our region, showcasing 10 of the best artisan producers from 10 counties in 10 stores. The Local Flavours-branded campervan also made appearances at the Royal Isle of Wight County Show, the Hampshire Food Festival and the Sussex Food & Drink Awards Big Reveal. With tastings at every stop, it was a true celebration of all things local and a chance to show our on-going commitment to supporting artisan producers.

We continue to enhance the range of local products we offer in our stores, which include seasonal fruit and veg, locally caught and reared fish and meat, bakery goods, and beers, cheeses and chutneys. We introduced a comprehensive Local Flavours range to 11 new stores in 2017. Customers can now buy local products in 190 of our stores and in 2018, Local Flavours will feature more prominently in selected store refits.

Developing our relationships with all suppliers remains a key focus for us, whether it be More Foods, who supply 89 stores, or Sinah Common Honey who supply nine.

2017 saw record turnover for Local Flavours. Sales exceeded £6m for the first time and we recorded our highest ever weekly turnover in the run up to Christmas. Our most successful categories were the food-to-go offer, COOK, Isle of Wight tomatoes, cooked meats, pies, craft beers and cider and Montezuma’s chocolate. We also extended our whole food impulse range during the year resulting in 39% growth.
Moving forward with Franchise

We continue to develop the ‘Welcome’ franchise arm of our business, which diversifies our sources of income outside our own stores.

We now have 22 Welcome franchise stores, with franchisees benefiting from our buying power, marketing support, and retail expertise. During the year, we also introduced a new, EPOS platform and back office system.

Alongside our new franchisees, in 2017 we entered into a partnership with Denovo Retail Ltd. The new partnership and approach gives us the opportunity to bring co-operative food to as many local communities as possible. Customers of the newly franchised stores will continue to enjoy full access to the benefits of Southern Co-op membership and the national affinity membership programmes in place between the major retail co-operative societies. Under the terms of the new arrangement, the stores retain their Co-operative Food branding and will continue to participate in our Love Your Neighbourhood community programme, which is helping to build stronger, more resilient communities across the south of England. This gives us another exciting opportunity to grow our brand and business across our southern trading area.
Security a priority

We have seen a marked increase in security challenges for both our store colleagues and premises, in line with trends for the retail sector as a whole. We are particularly concerned about increasing threats of violence towards our colleagues, and overnight burglaries and ram raids on stores.

Our number one concern will always be the safety of our colleagues and customers. We are taking a series of immediate and longer term steps to deliver a safer working and shopping environment, with significant financial investment planned for 2018 to improve physical security for colleagues, and to help tackle the continuing security challenges we face.

As a co-operative, we believe working together in partnership is the most effective way of dealing with these issues. We are sharing incident intelligence and campaigning for a review of sentencing guidelines for violent convictions.

We are also actively engaged at both a regional and national level with partners including the police, the Home Office, Association of Convenience Stores, National Business Crime Solutions, among others, to combat the increase in retail sector crime. Over the last 12 months this partnership and community approach to dealing with the causes and impacts of retail crime has attracted great interest both regionally and nationally.

In Sussex, we now support six projects in partnership with the police, Local Authority, local businesses and other agencies in Eastbourne, Hastings, Bognor Regis, Littlehampton, Crawley and Haywards Heath. Our partnerships are putting Community Wardens into communities to deal with low-level business crime and associated issues such as street drinking, drug use and rough sleepers. As each area has its own challenges, each partnership is tailored to those local needs.

We are also part of a Co-op county-wide crime reduction partnership in Sussex, which aims to co-ordinate and support the development of further partnerships. Work is currently underway to develop similar projects in parts of Hampshire, Dorset and Bristol.

Giles York QPM
Chief Constable Sussex

1.63% growth in like for like sales

Focusing on

The warden services that Southern Co-op support really make a difference. I am aware of many incidents where wardens have been able to intervene directly to help protect those at risk within the retail sector.

I applaud Southern Co-op’s continued investment in our Sussex communities and their support for local policing as we work together to combat crime against staff and others in the community.

Sussex Business Warden
End of Life Services

Our End of Life Services’ colleagues help people plan for and manage one of the most difficult times in anyone’s life – bereavement.
We help bereaved families create a meaningful funeral for their loved ones. We manage two crematoria and a natural burial ground, with an emphasis on providing beautiful natural resting places. Our Bereavement Centre provides emotional, practical and social comfort to grieving families.

For the fourth year running, more people chose Southern Co-op as their funeral partner than they had in the previous year.

Plan your funeral in person or online

More people are choosing Southern Co-op funeral plans and this reflects the efforts we put into meeting the changing needs of our clients and their families through our End of Life Services.

We have opened one new funeral home in Whitchurch, Hampshire, bringing our total to 53. We plan to open a further four funeral homes in 2018 making our face to face services more accessible.

In our existing funeral homes, we have been working with an award-winning interior design agency to launch a new concept funeral home in 2018 with a view to rolling this format out in the future.

We have been developing our funeral services to allow them to be personalised to the individual being remembered. Although no one likes to think about their own funeral, an increasing number of people are choosing to prepare in advance, and design a personalised funeral service that is a celebration of their own unique life.

We are also making the most of digital technologies for funeral planning. Our funeralcare.co.uk website not only provides clients with access to information, but now allows them to buy plans online, so they have the comfort of knowing that their wishes will be taken care of when the time comes. This is encouraging younger people to consider, discuss and plan their own funerals earlier than they might previously have done.

Finally, our digital platform allows bereaved family and friends to create tributes and make charitable donations in memory of the deceased. Over £150,000 was donated via our platform last year. We will continue to develop our online services, to meet people’s end of life needs.
Resting places

The natural settings of our crematoria and natural burial ground are a sanctuary to the bereaved, with more people choosing our sites as resting places. We continue to look for new sites so that we can offer more people experiencing loss the comfort of sensitive support in a beautiful, natural environment.

The Oaks, Havant Crematorium

The Oaks, which opened four years ago, carried out 1,600 cremations in 2017, taking total cremations at the site to over 5,000. Its popularity has led us to plan additional landscaping around the site so we can offer clients a wider choice of memorial areas.

The Oaks also facilitates important conversations about death and bereavement for the local community, holding a number of open evenings and drop in sessions to support Dying Matters week, to talk about wills and donating your body to science. A Christmas memorial and wreath making service attracted 450 participants.
East Devon Crematorium

In early 2017, we took full ownership of East Devon Crematorium, to the east of Exeter. This has given us the opportunity to further extend our crematoria business in the south west of England. We are developing plans to expand our current offering to give clients more choice over the type of service and memorial they can choose. We continue to develop the site’s natural features. Two newly created ponds have attracted new wildlife to the site including kingfishers.

Bereavement Centre

Our Bereavement Centre continues to support, comfort and care for those dealing with bereavement. Through social and friendship groups, one to one support, study days, coffee mornings and walk and talk groups the centre has helped people deal with bereavement.

Focusing on

Clayton Wood Natural Burial Ground

Clayton Wood, our natural burial ground in the rolling hills of the South Downs, continued to establish itself within this specialist market. Providing a green alternative to a traditional cemetery or graveyard, the site will eventually become a protected new woodland within the South Downs National Park, and provide tranquil space for the bereaved, and for wildlife. A timbered oak service hall is available for both funeral and memorial services of any faith or belief.

Last year, we launched a new website (www.claytonwood.co.uk) which has been fundamental in raising the profile of this natural burial ground.

£18.1m

Total income
As well as our food stores and funeral homes, we have several other businesses that create value for our members, adding diversity to our income mix.
Property

Our property portfolio is made up of non-trading properties, such as flats above stores, surplus space attached to properties we rent out, and investment properties.

In 2017, we began to implement our new property strategy agreed in 2016, investing in a number of good quality commercial property assets. These will provide incremental rental income whilst further diversifying our overall revenue streams.

We have begun a long-term programme of work to realise additional value from property we own that is adjacent to, but not part of, our trading estate. Whilst this work will take some years to complete, our aim is to maximise the total return we can achieve from underused assets.

We are also implementing a new approach to maintaining and protecting the fabric of the many buildings we own or occupy. This rolling programme will prioritise which sites we invest in for the best returns; for example, by linking work to, say, our store fit out programme, we can create efficiencies and keep our costs low.

Co-operative Mobility (previously Co-operative Independent Living)

Co-operative Mobility is the updated brand for our online business which provides daily living aids to help people dealing with the challenges of age or ill health to remain independent as long as possible.

The new brand was introduced in the summer of 2017, along with a new enhanced website platform for the business. This has been accompanied by further investment in the range of products we offer to our customers, who continue to benefit from access to our in-house Occupational Therapist.

The business continues to operate in partnership with Complete Care Network.

Anyone for coffee?

This has been another year in which the performance of our small chain of Starbucks franchise sites continued to strengthen, with like-for-like sales 6.6% higher than the year before. We have been particularly pleased this year with the performance of our Nelson Gate Southampton site which recorded 16.1% growth in sales this year.

Although we have not added to our estate this year, we continue to work with the franchisor to drive additional trade through our existing outlets as they mature as Starbucks locations.
This summary financial statement does not contain sufficient information to allow as full an understanding of the results of the group and state of affairs of the group, as would be provided by the full annual financial statements.
**Director’s Statement**

**Director’s statement to the members of Southern Co-operative Limited**

We have prepared the summary financial statement, which comprises the group summary profit and loss account, group statement of comprehensive income, group summary balance sheet, and group summary of cash flow. The information presented as the summary financial statement in this report has been extracted by us directly from, and presented in a manner consistent with, the full audited annual financial statements.

**Respective responsibilities of directors**

We as directors are responsible for preparing the annual review and summary of financial statement in accordance with applicable United Kingdom law.

**Group profit and loss account for the 52 weeks ended 27th January 2018**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
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<tr>
<td>Cost of sales</td>
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<td></td>
<td>(310,116)</td>
<td>(282,393)</td>
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<td><strong>Gross profit</strong></td>
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<td>Administrative expenses</td>
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<td>Other operating income</td>
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<td>Gain/(loss) from changes in fair value of investment properties</td>
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<td>(321)</td>
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<td><strong>Group operating profit</strong></td>
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<td>Investment income and interest receivable</td>
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<td>Interest payable and similar charges</td>
<td>(2,132)</td>
<td>(1,359)</td>
</tr>
<tr>
<td><strong>Profit for the period before distributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions</td>
<td>5,288</td>
<td>5,470</td>
</tr>
<tr>
<td></td>
<td>(2,857)</td>
<td>(3,105)</td>
</tr>
<tr>
<td><strong>Profit for the period before tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>2,431</td>
<td>2,365</td>
</tr>
<tr>
<td></td>
<td>375</td>
<td>(362)</td>
</tr>
<tr>
<td><strong>Profit for the financial period</strong></td>
<td>2,806</td>
<td>2,003</td>
</tr>
<tr>
<td><strong>Group statement of comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) for the financial period</td>
<td>2,806</td>
<td>2,003</td>
</tr>
<tr>
<td>Unrealised gain/(loss) arising from valuation in respect of retirement benefits</td>
<td>1,574</td>
<td>(980)</td>
</tr>
<tr>
<td>Pension fund related deferred tax (charge)/credit</td>
<td>(293)</td>
<td>179</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>4,087</td>
<td>1,202</td>
</tr>
</tbody>
</table>
## Group balance sheet at 27th January 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>20,753</td>
<td>23,023</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>109,620</td>
<td>106,029</td>
</tr>
<tr>
<td>Investments</td>
<td>35,021</td>
<td>31,062</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>14,998</td>
<td>13,331</td>
</tr>
<tr>
<td>Debtors</td>
<td></td>
<td></td>
</tr>
<tr>
<td> Due within one year</td>
<td>10,268</td>
<td>8,662</td>
</tr>
<tr>
<td> Due after one year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>2,567</td>
<td>2,377</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>4,278</td>
<td>11,833</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts falling due within one year</td>
<td>(41,499)</td>
<td>(46,197)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net current assets/(liabilities)</strong></td>
<td>(9,388)</td>
<td>(9,994)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>156,006</td>
<td>150,120</td>
</tr>
<tr>
<td><strong>Creditors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts falling due after more than one year</td>
<td>(34,771)</td>
<td>(31,119)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>(1,392)</td>
<td>(1,633)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(744)</td>
<td>(1,035)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets excluding pension (deficit)/asset</strong></td>
<td>119,099</td>
<td>116,333</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pension asset/(deficit)</strong></td>
<td>2,492</td>
<td>1,168</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets including pension (deficit)/asset</strong></td>
<td>121,591</td>
<td>117,501</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>589</td>
<td>586</td>
</tr>
<tr>
<td>Revenue reserves</td>
<td>119,542</td>
<td>115,473</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the Society</strong></td>
<td>120,131</td>
<td>116,059</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,460</td>
<td>1,442</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>121,591</td>
<td>117,501</td>
</tr>
</tbody>
</table>
Group summary of cash flow for the 52 weeks ending 27th January 2018

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest paid</td>
<td>(305)</td>
<td>(554)</td>
</tr>
<tr>
<td>Net taxation paid</td>
<td>(269)</td>
<td>(136)</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td><strong>12,292</strong></td>
<td><strong>20,561</strong></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(3,469)</td>
<td>7,532</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>(16,378)</strong></td>
<td><strong>(25,081)</strong></td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td><strong>(7,555)</strong></td>
<td><strong>3,012</strong></td>
</tr>
<tr>
<td>Net funds as at the start of the year</td>
<td>11,833</td>
<td>8,821</td>
</tr>
<tr>
<td>Net funds as at the end of the year</td>
<td>4,278</td>
<td>11,833</td>
</tr>
</tbody>
</table>

Cash and cash equivalents comprise:
Cash at bank and in hand | 4,278 | 11,833 |

5 year summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of members ('000)</td>
<td>158</td>
<td>167</td>
<td>159</td>
<td>151</td>
</tr>
<tr>
<td>Turnover</td>
<td>431,190</td>
<td>393,823</td>
<td>366,786</td>
<td>350,505</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>12,661</td>
<td>11,758</td>
<td>13,031</td>
<td>15,021</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>17,107</td>
<td>17,364</td>
<td>18,145</td>
<td>20,762</td>
</tr>
<tr>
<td>Trading profit</td>
<td>5,593</td>
<td>5,606</td>
<td>4,843</td>
<td>4,637</td>
</tr>
<tr>
<td>Retained profit to reserves</td>
<td>2,806</td>
<td>2,003</td>
<td>4,314</td>
<td>(1,436)</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>165,394</td>
<td>160,114</td>
<td>139,204</td>
<td>136,927</td>
</tr>
<tr>
<td>Net current assets</td>
<td>(9,388)</td>
<td>(9,994)</td>
<td>4,952</td>
<td>490</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>156,006</td>
<td>150,120</td>
<td>144,156</td>
<td>137,417</td>
</tr>
<tr>
<td>Long term liabilities including pension liabilities</td>
<td>(34,415)</td>
<td>(31,119)</td>
<td>(27,828)</td>
<td>(28,492)</td>
</tr>
<tr>
<td>Net assets excluding pension liabilities</td>
<td>119,999</td>
<td>116,333</td>
<td>114,444</td>
<td>110,648</td>
</tr>
<tr>
<td>Share capital</td>
<td>589</td>
<td>586</td>
<td>615</td>
<td>618</td>
</tr>
<tr>
<td>Distributable reserves</td>
<td>119,542</td>
<td>115,473</td>
<td>110,435</td>
<td>104,855</td>
</tr>
<tr>
<td>Society funds</td>
<td>120,131</td>
<td>116,059</td>
<td>114,886</td>
<td>107,483</td>
</tr>
<tr>
<td>Minority interest</td>
<td>1,460</td>
<td>1,442</td>
<td>1,442</td>
<td>1,442</td>
</tr>
</tbody>
</table>

Next Year and Beyond...
To find out what’s planned over the next year, keep an eye on our website for ‘Our Plan’ launching later this year.