

**The Midcounties Co-operative Limited
Minutes of the Annual General Meeting of members held at
Chateau Impney Hotel & Exhibition Centre
Droitwich Spa, Worcestershire, WR9 0BN
Saturday, 7 May 2016**

Directors present

**Ruth FitzJohn – President
Steve Allsopp
Isobel Burbidge
Olivia Birch
Bernadette Connor
Judith Feeney
Ellie Freeman
Patrick Gray
Margaret Jarvis
Matthew Lane
Donald Morrison
Jean Nunn-Price
Louise Pevreal
Barbara Rainford
Helen Wiseman
Vivian Woodell**

656 members present (including Directors & Officers)

Society Officers present:

**Ben Reid, Chief Executive
Edward Parker, Secretary & Head of Governance
The Executive Team**

16/01 Welcome

Ruth FitzJohn welcomed members to the meeting. She introduced members of the Board, the Membership Strategy Committee and the Executive team.

An overview of the day was given.

Before the formal business of the meeting commenced, a short video was shown. The video was an iteration of the video shown to members at the 2015 Half Year Meetings which had been produced by the International Co-

operative Alliance to celebrate the power of co-operation. The new video had a more UK flavour, while still keeping the messages around co-operation. It would be launched during the Co-operatives Fortnight in June 2016.

16/02 Forums

Presentation and discussion sessions were held on (i) Energy, (ii) Fairtrade, (iii) CSR and (iv) Engagement. In the last of these sessions, a set of governance oriented questions had been prepared for discussion between members and directors.

Annual General Meeting

16/03 Agenda

The President opened the formal Annual General Meeting of the Society. She ran through the agenda for the day.

16/04 Voting and tellers

Electronic handsets were used for the purposes of voting. Each member entitled to vote had been provided with a handset. Edward Parker advised members how the handsets worked and a number of practice votes were taken.

A list of 12 tellers was handed to the President for noting. Members were informed that tellers would be used to count votes cast if the handset system failed.

16/05 Special Meeting

The meeting adjourned while a Special Meeting was held to consider and approve a number of revisions to the Society's Rules.



16/06 Approval of minutes

The minutes of the Annual General Meeting held on 9 May 2015 were approved:

For	Against	Abstain
310 (99.68%)	1 (0.32%)	30

The minutes of the Half Year Meetings held on 14-22 October 2015 were noted. Formal approval of these minutes would be sought at the Half Year Meetings in October 2016.

16/10 Matters arising

There were no matters arising.

16/11 Annual Report

.1 Introduction

Ruth FitzJohn introduced the Society's Annual Report for the financial year ended 23 January 2016. She highlighted the following:

The Food Retail industry as a whole was still in a period of transformation as customers switched away from larger supermarkets to smaller stores for their shopping and the discounters Aldi and Lidl continued to grow. The Society's Food business had responded with a number of initiatives, and it was pleasing to report that like-for-life sales growth in the Society's Food Retail Group had been well above market since Q4 last year.

In Co-operative Energy, the implementation of a new system had caused some real difficulties and the business had disappointed many members and customers with poor service levels. However, the issues had largely been solved and the right platform was in place for further growth.



The Society's Healthcare business had been adversely impacted by reductions to spending in the pharmacy sector by government. However, the Society's Funeral, Travel and Childcare groups had all performed well and were positioned to continue growing in the year ahead.

The awards and recognition received by the Society deserved particular mention:

- 5 star rating in Business in the Community's Corporate Responsibility Index 2015
- Fair Tax reaccreditation
- The Queen's Award for Enterprise in Sustainable Development.

.2 Presentation

Ben Reid presented the Society's results and performance for the year:

- sales up 3.1% to £1.247bn
- profit £15.5 million
- net assets increased to £174 million
- net borrowings down from £49 million to £36 million
- subject to members' approval, £3.8m to be distributed to and on behalf of members

The Board had developed an Imagined Future for the Society which was shaping strategy going forward.

He commented on the trading performance and developments in the key trading groups, and certain financial and non-financial metrics for the Society overall:

Food

- Six new stores had been opened in the year
- the Society's flagship store at Chipping Norton had had a major relaunch
- the large store strategy had been further developed
- enhancements to product range and services and sales based ordering for fresh products had been introduced



- store segmentation had been refined

Energy

- 227,000 customers (+6.6% vs. last year)
- sales increase to £253 million (+11%)
- implementation of new customer care system
- creation of customer advisory panel and two training academies
- 30 renewable energy generation agreements
- winner of EU Sustainability Energy Europe Award
- sponsorship of Energy Community Conference

Funeralcare

- sales increase to £30 million (+11% vs. last year)
- 7,000 funerals conducted
- vehicles logistics centre opened
- client support literature and information reviewed

Childcare

- sales increase to £28 million (+8% vs. last year)
- record trading profit
- first national TV advertisement aired
- parent panel established
- new operational IT system implemented

Key financial metrics

- operating profit - £15.5m
- net assets before pension deficit - £212m
- net debt and gearing - £36m (21%)

Key non-financial metrics

- Customer Loyalty Index – 75 points
- percentage of trade with members – 42%
- percentage of colleagues with NVQ2 equivalent or above – 87%



- percentage of waste recycled – 85%

The Society's involvement within its local communities had been very active, with distributions totalling £1.2m made to local community projects. Members, colleagues and customers had donated over 24,000 products to food banks. Colleagues had delivered over 26,500 volunteering hours to support local communities, and over one thousand young people had been involved in the Society's Regional Community activity.

.3 Questions on the Annual Report

In response to questions, the following was noted:

- answers were provided on questions of clarification in the report and accounts
- pre-need funerals – pre-need plans were invested in whole of life policies with Royal London; any shortfall in funding to meet the costs of the funeral was taken by the Society; the plans were attractive to many as they fixed the price of a funeral – a considerable expense
- pensions – the Society's former career average pension scheme fund was held in a separate trust based arrangement
- zero hour contracts – colleagues on zero hour contracts received the colleague distribution based on the number of hours they worked.

.4 Auditor's Report

Reference was made to the auditor's report which was unqualified and therefore taken as read.

In response to questions, the following was noted:

- re-election of auditors – the Society's Rules required the audit to be tendered at least every 10 years; the last tender was in 2013; the Audit & Risk Committee was set to consider the position of KPMG as auditors later in the year. It was suggested the Committee consider moving from a 10-year to a 5-year frequency for tenders; this would be discussed by the Audit Committee at its next meeting.



.5 Approval of the Annual Report

The Annual Report and Accounts for the year ended 23 January 2016 were proposed, seconded and approved.

Members voted as follows:

For: 315 (97.83%)	Against: 7 (2.17%)	Abstain: 18
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16/12 Approval of distributions

.1 Presentation

Peter Dubois, Chief Financial Officer, gave a presentation on the proposed distributions to be made to the Society's stakeholders.

It was noted the share of profits and colleague dividend payments would be paid to members and colleagues in a single payment in November 2016 to coincide with the run up to Christmas.

.2 Questions

No questions were raised.

.3 Approval

The following distributions of profits earned for the year ended 23 January 2016 were proposed, seconded and approved:

- Share of profits payment at £1,461,000 equating to a payment of 0.5 pence per point earned

For 274 83.03%	Against 56 16.97%	Abstain 5
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– Membership development at £752,000

For	Against	Abstain
295	36	7
89.12%	10.88%	

– Community Support at £269,000

For	Against	Abstain
322	12	4
96.41%	3.59%	

– Developing young people at £53,000

For	Against	Abstain
320	17	2
94.96%	5.04%	

– Co-operative development at £210,000

For	Against	Abstain
298	33	7
90.03%	9.97%	

– Campaigns Fund at £50,000

For	Against	Abstain
242	84	14
74.23%	25.77%	

– Colleague distribution at £652,000

For	Against	Abstain
317	17	6
94.91%	5.09%	

16/13 Remuneration Report

.1 Presentation

Olivia Birch, Chair of the Remuneration Committee, presented the Society's Remuneration Report for the year ended 23 January 2016.



The following was highlighted:

- the Society's remuneration policy for the Executive sought to reflect the co-operative principles of fairness and equity
- while base salaries were set at around the median for members of the Executive, incentive pay was set significantly below the median compared to executives in comparable PLCs
- as a result, total pay for members of the Executive was also significantly below that found in PLCs.

.2 Questions

In response to questions the following was noted:

- pay ratio between the highest and lowest paid – the actual ratio was not a direct outcome of a formal policy to keep within a set ratio, but rather the result the Society's other policies around pay and incentives; the ratio was considerably lower than in the wider market
- disclosure – it was acknowledged that the increased levels of disclosure around executive pay had the potential to ratchet executive pay upwards; the Remuneration Committee was alert to the matter, and vigilant in ensuring that pay for the Executive was in line with co-operative principles.

.3 Advisory vote

An advisory vote on the Remuneration Report was taken. The report was endorsed by members:

For	Against	Abstain
249	51	28
83.00%	17.00%	



16/14 Membership Strategy Committee

Pat Juby, Chair of the Membership Strategy Committee gave an update on the activities of the Committee over the year.

Clare Downs, Vice-Chair of the Committee gave a short presentation covering Members' Days and the community and low level grants made by the Society to support the communities where it traded.

16/15 Directors' Fees Proposal

The President presented a proposal put forward by the Board seeking to increase the fees paid to the Society's Board directors and members of the Membership Strategy Committee and Pension Trustee board.

The last major review of director fees had been agreed by members at the 2007 AGM. Since then, the Society's business had grown significantly both in terms of complexity and size. Gross sales had increased from £595m to £1.2bn. Additionally, following the crisis caused by the near collapse of Co-operative Bank in 2013, the co-operative movement as a whole had been subjected to an increased level of scrutiny around its performance and governance arrangements.

The above had impacted on the work of the Board and its Committees, increasing significantly the level of complexity involved and the time commitment required of directors.

On this basis, the Board felt it was fair to put forward revisions to the fees paid to the Society's elected members.

Slides were shown to explain the elements of the proposal. The proposed increases were as follows:

	Current (£)	Proposed (£)	
Board of Directors (16 directors)			
Director	7,710	9,200	+19.3%
Vice-President (+20%)	9,252	11,040	+19.3%
President (+40%)	10,794	12,880	+19.3%



Remuneration Committee (6 directors)			
Committee member	489	600	+22.7%
Audit & Risk Committee (6 directors)			
Committee member	489	600	+22.7%
Vice-Chair (+10%)	538	660	+22.7%
Chair (+20%)	587	720	+22.7%
Pension Trustee (4 directors, 4 elected pension scheme members)			
Trustee fee	955	1,000	+4.7%
Chair (+40%)	1,337	1,400	+4.7%
Membership Strategy Committee (2 directors, 10 elected members)			
Committee member	489	600	+22.7%
Chair (+20%)	587	720	+22.7%
Grants panel (5 Committee members)	245	300	+22.5%
Environmental Steering Group (1 director position on the Steering Group in receipt of a fee)			
Steering Group member	489	600	+22.7%

The Board also proposed an increase in the attendance allowance paid to directors for attendance at pre-approved external events. The rates had last been agreed in 2007.

Daily 'attendance allowance'		
Up to 5 hours (incl .travel)	25	35
5 hours or more (incl. travel)	50	70

If approved, increases would become effective as of 1 July 2016. Fees would then be increased on a yearly basis in line with the annual NACO rise awarded to management grades and reviewed formally every five years.

Comments from the floor on the proposal were made. One member felt that the Society's recent performance did not merit an increase in fees. However, others were of the view that the fee level paid to directors was very low when compared to, for example, commercial enterprises and local councils.

The proposals to increase the fees were approved:



For
256
84.21%

Against
48
15.79%

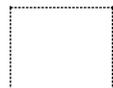
Abstain
7

16/16 General questions and views from members

Answers to written questions received from members prior to the meeting had been included in the information pack provided to members. A copy is attached for the formal record together with the responses to written questions received following the meeting itself.

In response to questions from the floor, the following was noted:

- Chipping Norton – the store was performing well following the considerable investment made; the store provided a template for a number of the Society's other large stores; significant effort had gone into training colleagues prior to the launch of the refurbished store
- food distribution – the service the Society currently received from Co-operative Group was not satisfactory; the current distribution arrangements with the Group had been extended for a limited time period while it improved its distribution network; it was possible the Society might look to set up its own distribution warehouse if the Group was not able to deliver an appropriate service to the Society
- gender balance – while the gender balance on the Board was predominantly female, the reverse was the case on the Executive; however, the tier of management below the Executive was much more balanced; the Board was in the process of refreshing its diversity policy
- member engagement – the Society was committed to improving its engagement with members at every opportunity; there were no significant budget limitations for this activity
- Co-operative Group member engagement – the Society had strong links with the new democratic structures in Co-operative Group and was supportive of the Group's efforts to engage with its members at the grass roots



- packaging, waste and carrier bag levy – the Society was committed to its environmental targets; effort was being focused on increasing the amount of recyclable packaging used; there had already been a 70% reduction in the number of carrier bags given out in stores; the proceeds were reinvested in the communities in which the Society traded
- Fairtrade – the Society was committed to Fairtrade; it had recently led a motion, submitted by the independent societies to Co-operative Group for consideration at its AGM; Fairtrade product could only be stocked through FRTS; all the Society’s stores should have a Fairtrade instant coffee offer; a significant amount of work was being undertaken to use Fairtrade ingredients where possible; it was important that Fairtrade products sold well so the producers could benefit.

16/16 Any other business

.1 Raffle draw

The President announced the winners of the raffle draw carried out earlier in the day.

16/17 Meeting close

Ruth FitzJohn thanked members for attending the meeting. The dates for the forthcoming Member Days and Half Year meetings were noted.

The meeting closed.

Date(s) of next meeting(s):

2016 Half Year Meeting(s): Swindon, 12 October; Shropshire, 13 October; Gloucester, 17 October; Kidderminster, 18 October; West Midlands, 19 October and Oxford, 20 October.

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President

(date)