

28<sup>th</sup> February 2018

Catherine Horton  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London  
EC2Y 5AS

Dear Ms Horton

### **ACS Submission: Proposed Revisions to the UK Corporate Governance Code**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Financial Reporting Council consultation on amending the Corporate Governance Code. ACS represents 33,500 local shops and forecourt sites across the country including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Londis.

Convenience retailers trade in communities across the UK and it is important that their customers trust their business credentials. By the very nature of our sector we serve local communities and most of our members trading in villages or local parades, with most of their consumers coming from within a quarter of a mile of the store. Therefore, we are very close to our customers and employees, working alongside them every day and frequently adapting our retail offer to meet their needs.

The convenience sector has diverse ownership models with some publicly listed retailers, some large privately-owned wholesale and retail businesses and co-operative ownership models. However, 74% of convenience stores are owned and operated by independent retailers of various sizes, many of which are members of a symbol group through which they receive wholesale supply and marketing support<sup>1</sup>.

### **Employee, Supplier and Customer Representations**

Retailers engage with employees, suppliers and customers in a number of ways:

- Employees – some retailers conduct surveys of their employees, and many will undertake informal consultations to understand their levels of satisfaction with their roles and areas in which they can improve their working environments.
- Customers - some members have informal customer panels to review the provision of products and services in stores and larger retailers will invest in formal polling and focus groups of their customers.
- Suppliers - retailers engage with suppliers through normal commercial negotiations and informal discussions about business development opportunities.

We would not support amendments to the Corporate Governance Code which mandate how retailers engage with their workforce or other stakeholders. Guidance on how retailers can ensure workforce views are represented at board level is welcome and allows businesses to develop their own mechanisms to ensure workforce representation.

A positive example of businesses that consult closely with stakeholders in our sector is the symbol group businesses model, for example Spar UK or Nisa Retail. These groups operate

<sup>1</sup> ACS Local Shop Report 2017

national and regional guild meetings or forums to consult with retailers about strategic objectives of the business, future trends and how to strengthen their offer to retailers.

## **Pay and Employment**

Most staff employed in our sector pay the National Living Wage as entry level skills requirements for working retail environments are relatively low. The convenience sector has a wide range of skills and therefore a wide range of pay rates. We understand the Government intends to introduce delegated legislation on pay ratio reporting and would welcome further consultation from the FRC on how to amend the Code to reflect this after the legislation is passed.

We know that staff seek employment in our sector not just because of pay rates but because it fits with other life commitments. 72%<sup>2</sup> of employees in our sector have other commitments outside work, meaning they often work on a part-time basis, with 35% working less than 16 hours and 29% less than 30 hours per week<sup>3</sup>. Employees also welcome the hyperlocal source of employment the convenience sector offers, the average journey time to work is 12 minutes with an average travel cost of £1.65 per day<sup>4</sup>.

## **Voluntary Code for Private Business**

Publicly listed companies already have extensive obligations to report on their executive pay and employee engagement. We do not believe the existing Code could be easily transferred to a voluntary code for large privately-owned businesses as this would place significant bureaucratic burdens on them. Different approaches would be required for different business ownership models depending upon the relationship between owners and managers in the business. We would not recommend blanket proposals across all large privately-owned businesses such as the recent application of the Modern Slavery Act.

We are therefore cautious about a voluntary code for large privately-owned businesses. The development of the new code should closely review which elements of the UK Corporate Governance Code could be more widely applied and be as light touch as possible to encourage business take up. A published employee or turnover threshold to become covered by a voluntary code would be challenging as this does not always provide an accurate overview of the size of the business. In convenience retailing most businesses will have large turnovers and a wide range of employee numbers depending on whether some stores are franchised or if distribution functions to stores are outsourced.

We look forward to working with the Financial Reporting Council on strengthening the existing corporate governance framework and developing a voluntary code for privately-owned business. For more information on this submission, please contact Steve Dowling, ACS Public Affairs Executive, via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk) or call 01252 515001.

Yours sincerely,

James Lowman  
Chief Executive

<sup>2</sup> ACS Colleague Survey 2017

<sup>3</sup> ACS Local Shop Report 2017

<sup>4</sup> ACS Colleague Survey 2017