



Ethnicity Pay Gap Baseline Report

2021/2022



Our Ethnicity Pay Gap Report, Shirine Khoury-Haq – Interim Group Chief Executive

It's my honour as Interim CEO to introduce this report, on behalf of my hard-working colleagues, who have gone to great effort to collate and prepare this information.

They, like me, have a passion for greater diversity and inclusion at our Co-op; a drive to establish even greater respect between colleagues – based upon all aspects of our identities – and we're all clear that our Co-op has no time for discrimination of any kind within our businesses.

This is the first time we've reported on our ethnicity pay gap. It's the product of our detailed commitments to racial equality and inclusion, which we published in 2020, but its motives can be traced as far back as 1844 – inclusivity has been part of our Co-op since it formed.

This report itself is a snapshot of our pay gap figures, taking into account all colleagues that were employed by Co-op on 5 April 2021. Making this detail available to the public continues to hold us to account, to make things fairer for our colleagues, as part of our vision, *Co-operating for a Fairer World*.

It's also testament to ongoing efforts to further evolve our culture, so that we can work co-operatively with our members, customers, suppliers and partners as a Group that better reflects those communities it works with and serves.

This report has been truly enlightening to us – and I don't just mean in terms of the final data. As one of the first standalone ethnicity pay gap reports to be published, the process and preparation has been challenging. And I say that freely, in the same way that I will say we still have plenty of work to do at Co-op to create true equality.

I encourage anyone reading this report to be as candid about diversity and inclusion within their own business, but also to reach out for details on our learnings and our approach, which we can share, as an act of co-operation.

We feel so strongly about the importance of this work and what it can achieve, that we're asking Government to make reporting like this mandatory for business.

“We want every colleague who works for the Co-op to feel like they belong, know that they are adding value and helping us achieve our vision”



As I've said, this is our first year of reporting on ethnicity pay, and so we don't have comparative data. Instead we are focusing on what the report shows, which is that colleagues from ethnic minorities make up 14% of our colleague population and that the majority of our ethnic minority colleagues work in our Food business.

Approach to pay

Co-op is committed to being open and fair in how we pay our colleagues. This helps us to compete for skills and talent, encourage and reward those doing a great job and reflects our Co-op purpose and values.

What is ethnicity pay gap reporting?

Pay gaps measure the difference in average hourly pay between different groups. Unlike equal pay audits, which look at the difference in pay between people with different characteristics doing the same job, pay gap reporting looks at the wider picture across our workforce.

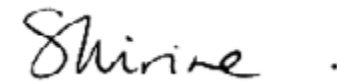
At its simplest, the ethnicity pay gap will show the difference in the average pay between all our minority ethnic colleagues and our white colleagues. Much like the gender pay gap has done before, highlighting gaps will enable us to do the right thing, set more focused targets and increase ethnicity representation across our leadership levels.

Our commitments to Co-op colleagues around progression

- We will double the representation of Black, Asian, and minority ethnic leaders and managers by the end of 2022, moving from 3% to 6%, and then to 10% by 2025.
- We will require diverse shortlists for all leadership roles - no exceptions, and we'll partner with organisations that'll help us to reach talent from Black, Asian or minority ethnic backgrounds.
- We will actively collect and monitor data which enables us to track progress and reduce inequalities within our internal systems and processes when it comes to promotion and opportunities.

These commitments form part of our overall [commitments to racial equality and inclusion](#)

Thank you for reading and being part of our drive to create greater diversity and inclusion within our Co-op and within our communities.



Shirine Khoury-Haq
Interim CEO



The context of our Ethnicity Pay Gap reporting

Co-op is committed to being open and fair in how we pay our colleagues. This helps us to compete for skills and talent, encourage and reward those doing a great job and reflects our Co-op purpose and values.

Our ethnicity pay gap figures take into account all colleagues that are employed by the Co-op as at April 2021.

We had 62,240 relevant colleagues in 2021, of which 42,223 colleagues shared their ethnicity with us, which represents 67.8% of our workforce.

Over the last year, we've done a lot of work with our colleagues to ensure that the data we hold about them is accurate.

We are focused on increasing representation across all our roles and grades in our Co-op, both to ensure that our workforce is truly representative of the communities that we serve, but also to ensure that we are making good progress against our commitments to racial equality and inclusion.

Factors influencing our Ethnicity Pay Gap

81% who work for Co-op are paid an hourly rate regardless of their race, age, disability or any other protected characteristics. Therefore a part this report is based on colleagues who are paid an annual salary – 19%.

Representation and distribution of ethnic minority colleagues across our grading structure are factors that influence the ethnicity pay gap. As a result of more colleagues from ethnic minority background updating their ethnicity data, the distribution of Ethnic Minority colleagues within our leadership population has moved from 3 per cent to a new baseline of 6.0 per cent.

High numbers of Ethnic Minority colleagues in lower paid roles and fewer Ethnic Minority colleagues in the higher grades negatively impacts on our pay gap.



Learnings and challenges we've faced

With mirroring the gender pay gap reporting methodology, we said it wasn't really fit for purpose to calculate Ethnicity Pay Gap, because it is not a simple exercise of interchanging the words 'Gender' and 'Ethnicity'. We took the time to really understand and work through complexities like sample sizes impacting the calculations, where we now know any fluctuation in future colleague population sizes can lead to a big change in our overall Ethnicity Pay Gap results.

Secondly, we also learnt that because the calculations were being completed on an aggregate (average) basis, this made the formula so broad that it didn't allow us to fully understand our ethnicity profile, neither does it provide us with the information we require to track how we are progressing against our commitments.

Thirdly, there are multiple realities, identities and lived experiences within the term 'Ethnic Minority' and to understand the level of disparities, we looked at specific ethnic groups. In comparison, the gender pay gap report there are only two differentiator (Male or Female). When it comes to ethnic minorities there are over 16 different ethnic groupings in the UK.

We also learnt that this methodology had, by aggregating, the potential to mask issues like representation, systemic biases and when we examined our data further, the process of producing a Ethnicity Pay Gap is, in some ways, more indicative but worth it.

Our Ask: We're using our voice and intent to work with the Government to not only mandate Ethnicity Pay Gap reporting as something all businesses of scale should do, but to give all businesses a uniform approach and formula to make sure the reporting is not only uniform, but comparable, and helps businesses make the necessary changes.

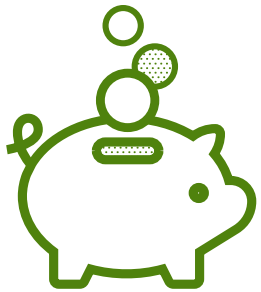




Key findings of our Ethnicity Pay Gap

Key findings of our Ethnicity Pay Gap

The report is based on the data shared by 67.8% of our colleagues about their own personal identifiers, including ethnic background (33% have yet to share this information).



Our mean ethnicity pay gap is **3.1%**, telling us that colleagues from an ethnic minority background earn on average less than their White colleagues.



Our mean bonus pay gap is **50.0%**, telling us that colleagues from an ethnic minority background received on average less than their White colleagues.



Our ethnic minority female colleagues have the highest mean pay gaps at **16.3%** and are the lowest represented group in our workforce population at only **6.3%**. (Based on colleagues who have shared their data.)



A large proportion of those ethnic minority leaders work within the food store business and are from a South Asian background. We see fewer Black leaders represented across the business at **1%**, so it was important for us to make that distinction when thinking about pay gaps.



Our Food Store Manager population have above average ethnic minority representation at **11.9%**. Both within and outside London their roles represents a negative pay gap (meaning on average they earn more than the average White colleague).





Our Ethnicity Pay Gap calculations

Our calculations

Ethnicity Pay Gap (EPG) shows the difference in the average hourly rate of pay between our ethnic minority colleagues and our White colleagues.

Ethnicity Pay Gap is expressed as a percentage of the average earnings of our White colleagues, regardless of their role.

An Ethnicity Pay Gap can be driven by several factors including a lack of ethnically diverse colleagues in senior positions.

How we've calculated our Ethnicity Pay Gap

We started to report on ethnicity pay gaps in the same way that organisations are required to report on gender pay gaps. However, we have carried out additional analysis, as we believe that whilst providing some insight, it does not allow us to see the full picture.

This is because calculations are completed on an aggregate (average) basis and this, alongside our quartiles being so broad, doesn't allow us to fully understand our ethnicity profile, nor does it provide us with the information we require to track how we are progressing against our commitments.



3.1%
Ethnic minority
Mean pay gap



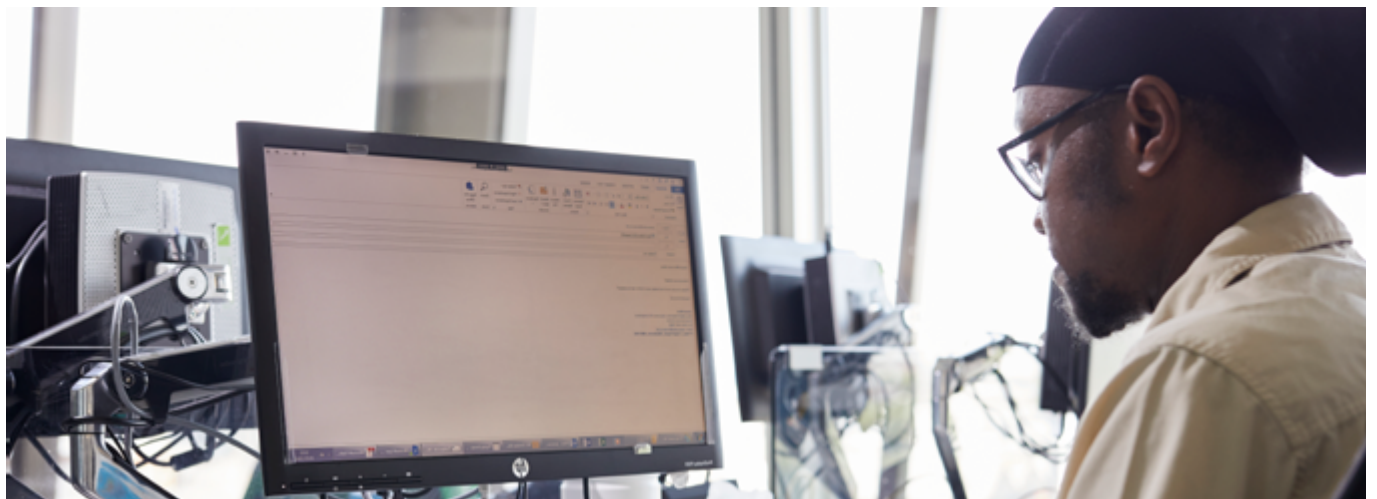
-4.6%
Ethnic minority
Median pay gap

The mean Ethnicity Pay Gap is a measure of the difference between the mean hourly rate of pay of white full-pay relevant colleagues and that of full-pay relevant colleagues from ethnic minority background.

The mean bonus gap is the difference between the mean bonus pay paid to white relevant colleagues and that paid to relevant employees from ethnic minority background.

The median is the figure that falls in the middle of a range when the wages of all relevant colleagues are lined up from lowest to highest paid. The median ethnicity pay gap is a measure in the difference between the median hourly rate of pay of white full-pay relevant colleagues and that of full-pay relevant colleagues from ethnic minority background.

The median bonus gap is the difference between the median bonus pay paid to white relevant colleagues and that paid to relevant employees from ethnic minority background.



Our colleagues and where they sit in the pay range

Ratio of colleagues in pay quartiles

We have arranged our colleagues in order from the highest to the lowest paid and then divided them into 4 groups of equal numbers.

The principle reason there is an increase in ethnic diversity in the upper middle quartiles is due to the additional allowance we pay to our colleagues who work in London. This means more London-based colleagues are in the higher quartiles, and this population is more ethnically diverse than our national profile.

Top Quartile	84.10% White	15.90% Ethnic Minority
Upper Middle Quartile	76.32% White	23.68% Ethnic Minority
Lower Middle Quartile	90.69% White	9.31% Ethnic Minority
Lower Quartile	92.06% White	7.94% Ethnic Minority

Bonus Pay

About 8,000 colleagues are eligible to participate in our bonus plan, which are predominately head office roles in our graded colleague population and our food store managers. Having lower representation of ethnic minority colleagues in our senior positions is impacting our mean bonus gap.

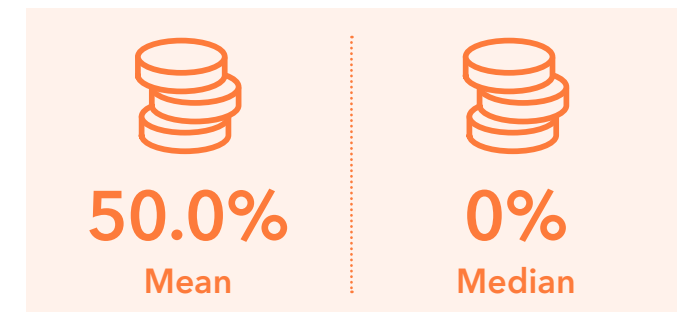
To recognise the commitment of our front line colleagues during the first lockdown period in 2020, 56,000 colleagues received a 'Thank You' package which included a £100 cash payment. The reason our median bonus gap is 0% is due to the comparative roles in both categories being a CTM who all received a £100 'Thank You' bonus. This 'Thank You' payment also has a big influence on the % of colleagues who received a bonus.



% Who Received Bonus Pay



Ethnic Minority Colleagues' Bonus Pay



A close-up portrait of a man with a full black beard and glasses, wearing a black headset with a microphone. He is smiling broadly, showing his teeth. He is wearing a tan-colored, textured cardigan over a dark shirt. The background is a blurred office or call center environment with other people and computer monitors visible.

Additional Analysis: Looking at our
Ethnicity Pay Gap in more detail

Additional analysis

To understand where to focus our efforts and drive meaningful change, we've carried out additional analysis and:

- Introduced an Intersectional lens overlaying gender & ethnicity, giving us an opportunity to understand what aggregated pay gap figures masked and where a true redress of balance was required
- Broke down the data by a further subsection for our grading structure (i.e. work levels) so we could compare like-for-like within our 'Salary population' excluding Customer Team Members and Team Leaders in our Food stores, along with our other hourly fixed rate roles, regardless of their protected characteristics (see table A). These make up nearly 81 per cent (32,181) of our Pay Relevant employees.
- Our mean and median bonus gap is skewed due to the comparative roles in both categories being a Customer Team Member, who all received a 'Thank you' bonus. By stripping out these one-off payments, we find what our true bonus pay gaps looks like.

Table A

Fixed Rate Colleagues	Headcount
Food Operations	29,105
Logistics Operations	668
Funeralcare Operations	1,804
Member Pioneers	604

Table shows our fixed rate colleagues who have been excluded from this additional analysis section of our Ethnicity Pay Gap calculations.



Looking at our pay gap data in more detail

Intersectionality - gender and ethnicity

Intersectionality means looking at how various social identities (protected characteristics) are interconnected. Looking at the intersectionality between race and gender, we can see that there are differences in the median rates of pay between white male and female colleagues and colleagues from an ethnic minority background.

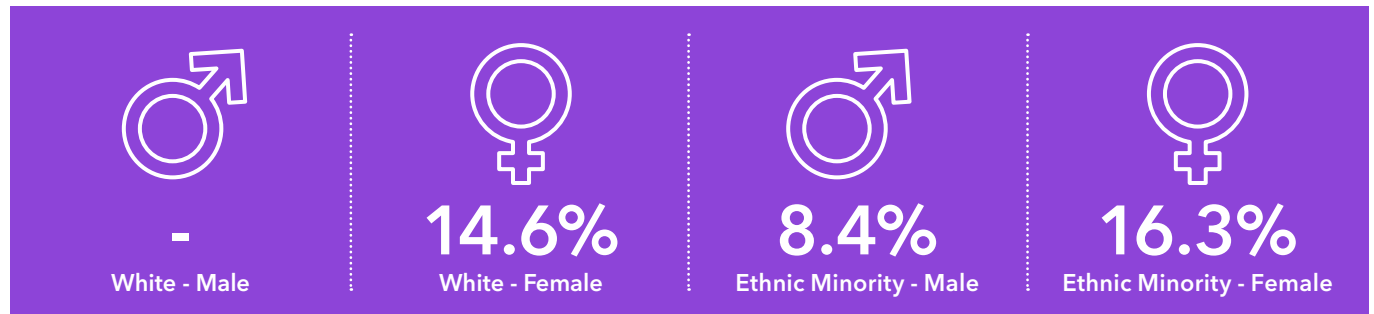
This table shows the relationship between race and gender could disadvantage females more if they are from an ethnic minority background. However, gender still appears to be the biggest contributing factor and overlapping marginalised identities show that ethnic minority females are highly under represented and face higher pay gaps compared to ethnic minority men.

To understand the disparities further, we looked at specific ethnic groups, and found that there were significant pay gaps within colleague populations who identify as:

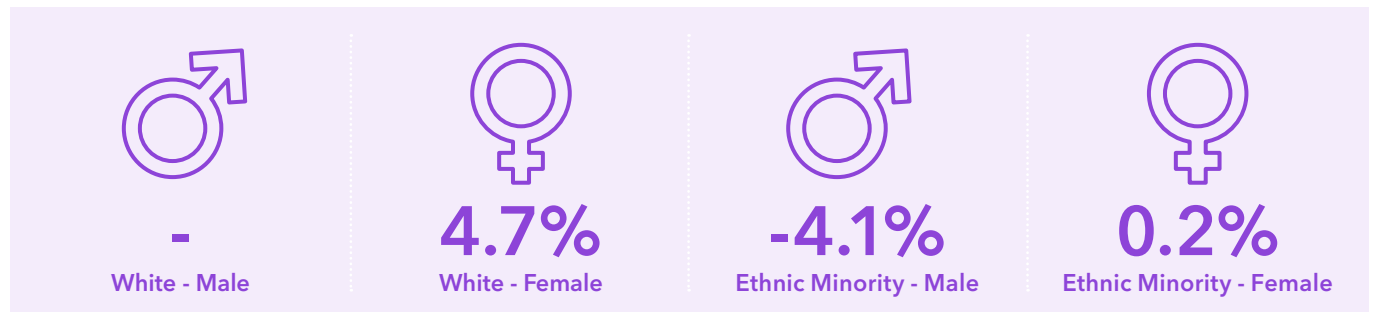
- White Gypsy & Irish Travellers - 8.9%
- Mixed heritage colleagues of 'White and Black Caribbean' background - 6%
- African or Bangladeshi - 4.4%

Whereas colleagues of Chinese and Irish backgrounds have a negative pay gap, meaning on average they earn more than the average White colleague.

Mean Pay Gap



Median Pay Gap



The main driver for intersectional gaps is that there is a lack of ethnic minority female representation at a senior level.

Looking at our data in more detail (continued)

Nearly 81 per cent of our pay relevant colleagues are on fixed rates of pay, regardless of their protected characteristics and these include our Customer Team Members and Team Leaders in our Food stores, along with our other hourly fixed rate roles. As a result of this, we've decided to look the pay gaps within our salaried population which excludes those colleagues on fixed rates of pay.

When we look at the pay gap analysis, it is important to call out how the headcount figures skew the data. For example, if we look closely at our work level 5 population, we are comparing a population of 67 ethnic minority colleagues to that of 911 colleagues from white or other white backgrounds. Which approximately means for every 17 white colleagues, we have 1 ethnic minority colleague. Although on the surface it appears as though the pay gap favours ethnic minority colleagues, the methodology points to a representation issue rather than a pay gap issue.

Our highest pay gaps are at work levels 2 and 6, and the biggest driver for these is sample size within each population. For example, at work level 2, the sample size is quite small with only 20 colleagues in that population. Our highest rate gaps in our data completion rates are within our Leadership and Head Office population which, if improved, could result in fluctuations in the mean and median gaps.



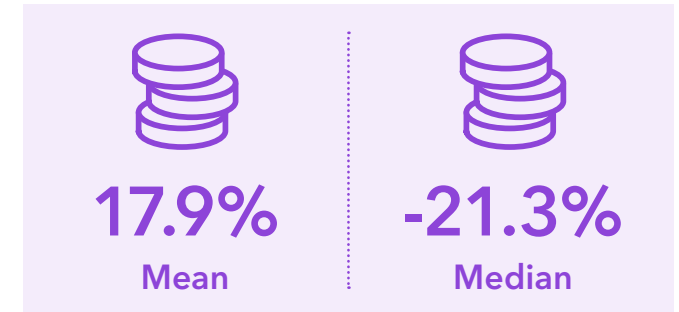
Bonus pay gap after excluding our colleagues on fixed rates of pay

If we exclude the 56,000 £100 'thank you' payments from the bonus calculation it significantly changes our bonus gap figures. With the 'thank you' payments stripped out 19 per cent of White colleagues and 9.2 per cent ethnic minority colleagues are eligible to participate in our bonus plan, which are predominately head office roles in our graded colleague population and our food store managers. The mean gap has reduced to 17.9 per cent and the median gap is at a negative -21.3%

% Who Received Bonus Pay



Ethnic Minority Colleagues' Bonus Pay





Our ethnicity actions

What we are doing to address our Ethnicity Pay Gap

A significant driver of our ethnicity pay gap, simply put, is that we lack representation of ethnic minority colleagues at a senior level, and this will continue to be a focus for us going forward.

Our board and executive team are fully committed to reducing our ethnicity pay gaps and understand that this will require sustained effort from us as an organisation. The board and the executive team fully endorse the range of initiatives detailed in this report to ensure that we do all we can to close our ethnicity pay gaps.

Our ethnicity actions

We know that, whilst we have a good representation of ethnic minority colleagues in frontline and support roles, there's a need and a desire to ensure that our leadership population reflects our communities more strongly and accurately. We want to ensure that ethnic minority candidates know that we're actively looking to grow a diverse leadership population that reflects the communities we serve as a business.



Diverse shortlists for all leadership roles

Our focus in 2021 has been on creating diverse talent pipelines that naturally translate to diverse shortlists for Co-op jobs at all levels. We've planned and delivered more diversity and inclusion (D&I) related careers content than ever before, profiling a wide range of Co-op colleagues, networks and initiatives, and showing how people from all kinds of minority groups can thrive here. By showing prospective candidates that Co-op is a place where they'll be welcomed, included and offered the opportunity to build a rewarding career, we're building diverse talent pipelines and creating diverse shortlists for all our businesses.

Training & up-skilling

We've upskilled all resourcing colleagues, working in partnership with D&I consultants The Clear Company to make sure all our recruiters are educated and able to challenge stakeholders on diverse shortlisting. We're engaging Co-op leaders proactively to help them understand the demographics of their communities, and what building a team that represents their community means in practice.

Our HR Resourcing teams are also working closely with our Strategic Workforce Management team and Procurement on a tender process for a "recruit, train, deploy" model which can help us bring in under-represented groups.

Partnering with organisations that'll help us to reach talent from ethnic minority backgrounds

We've partnered with Black Young Professionals Network to help introduce more young black leaders to Co-op. This partnership is enabling us to build a pipeline of talented people who'll eventually help us shape the future of Co-op as part of our next generation of senior leaders.

Advancing Diverse Talent programme

We've created an Advancing Diverse Talent programme for our ambitious colleagues who identify as ethnic minority background. It's been successful, with colleagues joining from all business areas, functions and locations across our Co-op. The ambition is to build a more diverse leadership pipeline by equipping emerging leaders with the skills to navigate organisational culture with a clearer perspective on their own potential, building confidence, feeling empowered and expanding their professional strengths.



RACE AT WORK

Our journey to anti-racism

We are unlocking the conditions for our leaders with a focus on education and empathy. In 2021 we ran 6 cohorts of 'Race at Work' for our senior leaders, which is our immersive and interactive offerings hosted and created by Wonderous People with a focus on white privilege, unconscious bias, and building racial equity in the workplace. 'Race at Work' explains how individually we can be anti-racist and to create team commitments in making Co-op anti-racist. Our Board is due to complete it in March 2022. To further support Co-op becoming an anti-racist organisation, we will also be rolling this out to the remaining leaders at work level 1-3.

Our Colleague Network Rise

The Rise Network is our colleague network that supports ethnic minorities and allies across the business. Our colleague network raises cultural awareness and amplifies the voices of our minority ethnic colleagues, which plays a massive part in creating an inclusive culture at Co-op. In 2021, the Rise Network has played a leading role in listening

and advising the business on better engaging our colleagues, customers, and members on events such as Ramadan, Eid, Rosh Hashanah, Diwali and Black History Month. The Network plays a key role in supporting our Co-op on its journey to becoming an anti-racist organisation to create a fairer world for everyone.



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It's what we do