

**Co-operative Group Limited
(‘Co-op’)**

Matters Reserved for the Board

INTRODUCTION

It's important that the Board and Executive are clear on what matters should come to the Board for its approval. This will prevent the Executive taking actions where it is appropriate for Board approval to be given first. It also allows the Executive to be clear on when it can progress with matters without needing to seek approval first. It is important to get this right so that risk is well managed, while ensuring the organisation can be run effectively, efficiently and decisions taken promptly and the Board can effectively hold the Executive to account.

This approach is in line with best practice corporate governance. This document has been produced having reviewed the UK Corporate Governance Code and the Co-operative Corporate Governance Code, ICOSA's guidance and template schedule of matters reserved for the board, and also having taken account of our Rules and Regulations.

This document sets out what the Co-op Board has reserved for its decision. It also covers some key areas which are not specific decision points, but where the Board has a key role (including under our Rules) for ensuring our Co-op is well run. We have aimed to be clear by using objective measures so far as possible. There is some use of “material” or more subjective language where the Executive will consider, in the round, whether a matter should be referred to the Board and they will seek guidance from the Chair if needed.

Where Board approval is required it may delegate approval on a general or specific basis to Board Committees, Executive Management or others in line with the Co-op's Rules. It may also delegate matters to a Board Committee for review/input and reserve final decision to the Board as a whole.

All Matters Reserved are subject to any relevant regulatory and/or statutory requirements and approvals and Co-op's Rules ('Rules'). If there is any conflict between this document and the Rules, the Rules shall apply.

This document does not set out where consultation with or approval of Council is contemplated under the Rules. The Group Secretary will ensure this is obtained where required.

Co-op in the context of this document refers to Co-op and its subsidiaries.

Reserved matters which relate to matters which require formal approval of the board are unshaded, with other areas which cover the Board's role more generally are shaded in grey. It is expected that the Ethical Decision Making Tool would be applied to any matter requiring approval under the Board which is not of a routine nature (e.g. approval of the annual report or the budget, capital or corporate structures, or appointments).

1. Strategy and Management		
1.1	Responsibility for the overall leadership of the Co-op.	
1.2	Approval of the Co-op's strategic aims and objectives, determining a strategy for the Co-op consistent with the Purpose and Values and Principles, making recommendations to members jointly with Council for any revised Purpose and meeting the needs of its members.	
1.3	Holding the Executive to account in the performance of its duties, taking into account the views of the Council.	
1.4	Approval of the annual operating and capital expenditure budgets and any material changes to them.	
1.5	Reviewing performance in the light of the Co-op's strategic aims, objectives, business plans and budgets and ensuring any necessary corrective action is taken.	
1.6	Oversight of the Co-op's operations in accordance with the strategy ensuring: <ul style="list-style-type: none"> • Competent and prudent management; • Sound planning; • An adequate system of internal control and a risk and internal audit framework which provides adequate assurance as to the protection of the Co-op's assets, the health, safety and welfare of customers, members and staff; • Compliance with all relevant laws and regulations and the maintenance of the reputation of Co-op; and • Adequate accounting and other records. 	
1.7	Approval of acquisitions or disposals of companies or businesses or assets outside the ordinary course of business which: <ul style="list-style-type: none"> • For acquisitions, are for a consideration in excess of £25m if budgeted and £10m if unbudgeted; • For disposals, are for a consideration in excess of £25m; 	

		<ul style="list-style-type: none"> • Are otherwise considered material by the Executive or where the Board has previously requested that Board approval be sought.
	1.8	Approval of any extension of the Co-op's activities into new business areas or outside the UK or involving a material change in Co-op Group strategy.
	1.9	Approval of any decision to cease to operate all or any material part of the Co-op's business or to cease Co-op's activities in a business area.
	1.10	Approval of entry into a strategic Joint Venture Agreement or Partnership ⁱ

2.	Structure, Capital and Borrowing	
	2.1	Approval of changes relating to the Co-op's capital structure.
	2.2	Approval of major changes to the Co-op's corporate structure.
	2.3	Approval of changes to the Co-op's overall management and control structure ⁱⁱ .
	2.4	Approval of the Co-op's Treasury policies (which are currently delegated to the Risk and Audit Committee) and approval of any committed or uncommitted borrowing facilities.

3.	Financial Reporting and Controls	
	3.1	Approval of the Annual Report and Accounts and any preliminary announcement of the final results.
	3.2	Approval of the Half Yearly Report and Accounts.
	3.3	Determining whether there are Profits Available for Distribution and notifying the Council accordingly in line with Rule 120. Exercising the other rights of the Board under Rule 120.
	3.4	Approval of any significant changes in accounting policies or practices (which may be delegated to the Risk and Audit Committee).

4.	Internal Controls	
	4.1	<p>Ensuring maintenance of a sound system of internal control and risk management including:</p> <ul style="list-style-type: none"> • Approving the Co-op's risk appetite statements; • Receiving reports on and reviewing the effectiveness of the Co-op's risk and control processes to support its strategy and objectives and risk tolerances; • Approving procedures for the detection of fraud and the prevention of bribery; • Undertaking an annual assessment of these processes; and • Approving an appropriate statement for inclusion in the Annual Report.

5.	Contracts/expenditure	
	5.1	Approval of contracts which are material strategically or by reason of size including those for goods not for resale with a value in excess of £25m.
	5.2	Approval of contracts which bear a disproportionately high level of risk to the Co-op.
	5.3	Approval of any budgeted capital spend over £25m and unbudgeted capital spend over £10m.
	5.4	Approval of any Parent Company Guarantee with a value over £10m.

6.	Communication	
	6.1	Convening of each Annual General Meeting, including the approval and provision of notices, issuing of voting papers and proposal of motions for resolution and conduct of proceedings at the meeting (subject to the Rules).
	6.2	Convening of any Half Year Meeting and any Special General Meeting in accordance with the Rules.

7. Board Membership and Other Appointments		
	7.1	Approval of appointments of Independent Non-Executive Directors and Executive Directors to the Co-op Board and any other matters relating to Board membership which are delegated to the Board in line with the Rules.
	7.2	Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the business and on the Board.
	7.3	Following recommendation from the Nominations Committee, approve the appointment of Co-op Chair.
	7.4	Appointment or termination of the Chief Executive and Group Secretary.
	7.5	Nomination of one of the Independent Non-Executive Directors to be the Senior Independent Director.
	7.6	Following recommendation from the Nominations Committee, approval of the membership and Chairmanship of Board Committees.
	7.7	Following recommendation from the Nominations Committee, continuation in office of Independent Non-Executive Directors and the Chairman at the end of their term of office, when they are due to be re-elected by the AGM or otherwise.
	7.8	Continuation in office of any director at any time including suspension or termination of service of an executive director as an employee subject to law, their service contract and Co-op's Rules.
	7.9	Following recommendation from the Risk and Audit Committee, appointment, reappointment or removal of the external auditor to be put before the members for approval at Co-op's General Meeting.

8. Delegation of Authority		
	8.1	Approval of the division of responsibilities between the Chair and the Chief Executive.
	8.2	Subject to the Rules, establishing Board Committees, approving their terms of reference and approving any changes to those terms.

	8.3	Approval of the delegated levels of authority (which may be delegated to the Risk and Audit Committee).

9. Governance and Compliance Matters		
	9.1	Commissioning a formal and rigorous review of its own performance and that of its Committees and individual directors (the Annual Board Evaluation) in conjunction with the Nominations Committee.
	9.2	Determining the independence of Non-Executive Directors and Member Nominated Directors for the purposes of Rule 47.2.
	9.3	Reviewing the Co-op's corporate governance arrangements as detailed in the Rules.
	9.4	Authorising Directors' conflicts of interests where permitted by the Rules.
	9.5	Approval of any changes to the Rules in accordance with the Rules
	9.6	Approval of all Regulations and policies required to be approved by the Board under the Rules.
	9.7	Approval of all material Co-op policies including those previously recommended for approval by the Co-op Way Policy Committee including: <ul style="list-style-type: none"> • Health and Safety Policy; • Ethical Trade and Human Rights; • Business Ethics and Behaviours; • Colleague Wellbeing; • Healthy Living; • Diversity and Inclusion; • Food and Farming; • Community; • Environment and Resource Use; • Relating to the Market Abuse Regime;

		<ul style="list-style-type: none"> • Bribery Prevention; • Whistleblowing; and • Code of Business Conduct
	9.8	Approving the Schedule of Matters Reserved for the Board.
	9.9	Approval of political donations or subscriptions of any value.

10.	Other	
	10.1	Management of the Co-op's brand and approval of any arrangements to license any Co-op brand.
	10.2	Approval of any material changes to the membership scheme of the Co-op.
	10.3	Oversight of the Co-op's relationship with its associated organisations.
	10.4	Approval of any material changes to the Co-op's pension scheme and any material financial impact to the pension scheme will be subject to Board review.
	10.5	Oversight of the social and ethical framework and the Co-op's strategy regarding communities and arrangements for member engagement, participation and education in line with the Rules.
	10.6	Approval of Council's Three Year Plan, Budget for Council and the Ways of Working Charter.
	10.7	Receiving regular updates from the Council President.

Agreed by the Board on 24 March 2021
Subject to annual review.

ⁱ This is not intended to cover commercial partnerships but formal partnerships of group significance

ⁱⁱ Note the development, implementation and maintenance of the overall risk management framework is delegated to the Audit Committee