

The report of the Remuneration Committee

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Introduction from the Committee Chairman

This is my eighth remuneration report as Chairman of the Remuneration Committee ('the Committee').

It covers another exceptionally challenging year for our Co-op. So again, we've tried to balance an outcome that rewards our colleagues fairly for the contribution they make every day while recognising the general market backdrop that we are all facing, not least double digit inflation, directly fuelled by the devastating and tragic war in Ukraine; and a cost of living crisis affecting all our members and customers, as well as our colleagues.

Our members have given the Committee the role of deciding what we pay, but we always listen to their views and regularly engage with representatives from Co-op's National Members' Council and listen closely to the wider membership, not least at our AGMs. The consistent message we get is that we should continue to reward leaders competitively and appropriately, while we do our very best to increase rewards for our lower paid colleagues.

The report contains a lot of information, but we've tried to simplify it within the guidelines of best practice reporting.

My introduction has all the key highlights and there are two further sections which detail:

- i. **Part I - Executive Pay Policy.** We've included a summary of the pay policy which 83% of members approved at our 2022 AGM.
- ii. **Part II - Annual Report on Remuneration.** Then we've shown how the policy has been applied in 2022.

We've also included a 'Pay at a glance' section on page 102, so you can see all the key information on our Executive team in a simple format.

Our approach

We always believe in being open with our members. So, we go beyond public company best practice and look at wider pay and reward principles for our entire colleague cohort, Operating Board and Executive.

Our performance

Against a challenging and bleak external backdrop, we are pleased that our Co-op enters 2023 in a much stronger financial footing than a year ago, especially when we consider the events of the past 12 months, which continue this year. In the face of levels of inflation many of us have never seen, we have taken the tough but necessary decisions to significantly cut operating costs in mitigation.

And we've re-prioritised our capital expenditure and investments. We've streamlined our business processes, and clarified strategies for each of our Food, Funeralcare, Insurance and Legal Services businesses. We also successfully sold our petrol forecourts business, which would require unaffordable investment, enabling us to strengthen our balance sheet and allowing us to focus on our core convenience business. The net result is a Co-op Group which has generated more cash, with net debt greatly reduced and with the foundations in place for us to return to sustainable growth in the years ahead.

The full details of how our Co-op performed are given in the 'Our financial performance' section on page 50.

Our colleagues

Once again, significant additional investment was made in frontline colleague pay, to recognise the vital role they play.

In April 2022, we aligned our minimum hourly rates to the Real Living Wage as set by the Living Wage Foundation (www.livingwage.org.uk) and we will again from April 2023. For Customer Team Members (CTMs) in our Food stores, this resulted in a 4.2% pay rise. We also increased the pay rate differential between CTM and Team Leader roles. Unlike many organisations, our hourly pay rates apply to all colleagues, including younger colleagues and apprentices.

We also wanted to help colleagues as much as we could through what we knew would be a challenging winter (with rises in energy prices), so we put in place two winter support packages for our frontline colleagues at a total cost of £12m.

Their wellbeing – indeed the wellbeing of all colleagues – continues to be a key priority and we've made progress again on how we support both their health and financial wellbeing.

We've continued our regular communication with colleagues talking to them about the wellbeing issues that matter most to them, focusing heavily on cost of living. In the year we have:

- Increased colleague discount on own brand food and household goods to 30% from 20 October to April 2023, helping to keep the cost of living low.
- Offered all colleagues not eligible for our bonus schemes three winter support payments of £50.
- Provided all colleagues for whom pay is collectively bargained with a £75 winter support payment. The majority of colleagues will have received both the £75 and the three £50 payments.
- Ensured colleague needs remain at the heart of our wellbeing support by surveying colleagues' financial wellbeing.
- By the end of 2022, more than 14,000 colleagues signed up to our Wagestream app and just under 4,000 have chosen to build a rainy-day fund with Wagestream.
- 15,000 colleagues have downloaded the YuLife app and the average number of daily steps recorded by participating Co-op colleagues far exceeds the YuLife average.
- Over 36,000 colleagues accessed mental health training.
- We also sent all of our frontline colleagues a booklet to show all of the benefits and support available to them, and how to access them.

At the end of 2022, more than 40,000 colleagues were members of our pension scheme. Our pension offer compares favourably to competitors' schemes and is available to all. We also take the social responsibility and sustainability footprint of our pension investments seriously. See our Co-operate Report for more information on the real progress we've made by focusing here.

Our pay outcomes

Bonus

Good financial stewardship - particularly managing our debt level - is the underpin performance measure within our annual Bonus Plan (BP). The Plan rules have a 'gateway' that requires our net debt/EBITDA ratio to be within 10% of our budget throughout the year in order for any bonuses to be paid. In 2022, that net debt / EBITDA gateway was met.

Our Co-op performed with resilience in 2022, against an extremely challenging market backdrop, and whilst some progress was made across our 2022 success indicators, the targets proved challenging to achieve in such uncharted times.

In determining the final outturn, the Committee reviewed each of the measures as set very robustly, but tried to balance the ambition to recognise an exemplary job in an another extremely challenging year.

Based solely on performance against the balanced scorecard measures covering profit, colleagues, community and membership, the bonus outturn was just below 'threshold'. The Committee did not retrospectively change those targets, even though the market had changed so dramatically since they were set. But the Committee did decide to use discretion against the proportion of bonus allocated to individual performance ratings to increase the outturn on the personal element of the scorecard. This went some way to recognise the significant extra effort of our colleagues to improve our position, particularly in the second half of our year.

As a result, awards under the 2022 BP for our Executive were between 36.2% and 41.20% of their maximum opportunity, with 50% of this award to the Executive (and senior leaders) paid now, with the remainder deferred for a further two years.

More information on the balanced scorecard measures can be found on page 108.

Deferred bonus payments

The second half of the 2020 BP award is now due to colleagues still employed by our Co-op and not under notice at the time of payment.

It will be paid in May 2023 to senior leaders in line with the scheme rules.

Further details of the amounts paid and deferred can be found on page 107.

Changes to the Executive

There were significant changes to our Executive team in 2022.

Our Group CEO Steve Murrells stepped down at the 2022 AGM after 10 years of service. Helen Webb stepped down in June 2022, Helen Grantham retired in July 2022 and, following her career break, Jo Whitfield stepped down in September 2022.

There were some contractual termination payments made to leavers. Further details can be found on page 111.

We are truly grateful for the contribution that these colleagues have made to our Co-op and thank them for their service. As a result of these changes, we reshaped our Executive. It currently consists of only our Group CEO, Shirine Khoury-Haq; Co-op Secretary & General Counsel, Dominic Kendal-Ward; and our (Interim) Chief Financial Officer, Mike Hazell.

But that Exec team are part of a wider senior 'Operating Board' which has been established to focus on our cross-Co-op strategic priorities. That Operating Board brings together up to 20 of our most senior leaders and decision makers, working together collaboratively on the decisions and actions we need to take to run our business effectively - and at pace. We haven't reported on this enlarged group as part of this Annual Report. Members have been specifically selected to focus on short and mid-term outcomes and, as a result, membership will vary in line with priorities, but this will be kept under review.

Gender pay gap reporting

We continue to promote and recruit to narrow our gender role gap - increasing the number of senior female colleagues - but, because over 80% of colleagues are on fixed hourly pay rates regardless of gender, our gender pay gap moves only marginally. The full report can be found here:

www.co-operative.coop/ethics/gender-pay-gap-report

The Committee

The Committee has worked hard this year. We've had to have a lot of extra meetings and discussions beyond the formal calendar, and every member has made a valuable contribution. My heartfelt thanks to all of them, and also to the members of the Council Remuneration Working Group under Lesley Reznicek's leadership. Their insight and challenge throughout the year made sure our members' voice was always in the room.

AGM

It remains important to us that our members make their views heard, so we would ask that you vote prior to the 2023 AGM, including upon the motion to approve the Annual Report on Remuneration. Please watch out for your voting email or letter.

I say every year that getting the balance right is never easy and this year we have had to make some particularly difficult choices. I hope you will be able to understand and endorse the choices and decisions, and I'd like to offer my thanks in advance for your vote to approve my report and vote in favour of the motions.



Stevie Spring

Chairman, the Remuneration Committee

Pay at a glance

This section provides an overview of our Executive Pay Policy and summarises the framework that will apply for our executives in 2023. Further details are set out on page 104 - 105.

Executive Pay Policy

The key elements of pay for our Executive are:

Total Pay	<ul style="list-style-type: none"> Salary and benefits are fixed Bonus Plan is variable and depends on performance
Salary	<ul style="list-style-type: none"> Our Executive receives a salary which reflects their core role We benchmark the total pay of our Executive using market data from similar businesses to ours, including a selection of retail PLCs, mutuals and co-operatives, as determined by the Committee
Benefits	<ul style="list-style-type: none"> The benefits provided are in line with the offering across Co-op and could include a car or car allowance, fuel in certain cases, relocation assistance in certain cases, healthcare and life cover
Pension	<ul style="list-style-type: none"> Opportunity to participate in our Co-op's pension plan or receive a cash allowance instead, in line with the wider workforce
Bonus Plan	<ul style="list-style-type: none"> Payments are based on a combination of business and individual performance 50% of the award is deferred for two years

The table below sets out the annual base salary and maximum amount each Executive member can receive under the Bonus Plan.

Executive member	2022 £'000	2023 £'000	Maximum BP opportunity as a % of bonusable pay
Shirine Khoury-Haq ¹	650	750	250%
Dominic Kendal-Ward ²	275	310	150%
Mike Hazell ³	-	575	90% ³

Notes to table

- On appointment as our Interim Chief Executive, Shirine Khoury-Haq's salary was increased to £750k, and her maximum bonus opportunity increased to 250%.
- On appointment as our Co-op Secretary & General Counsel, Dominic Kendal-Ward's salary increased to £275k, and his maximum bonus opportunity increased to 150%. After a six-month review period his salary was increased to £310k.
- Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement has been put in place linked to specific deliverables during his contract.

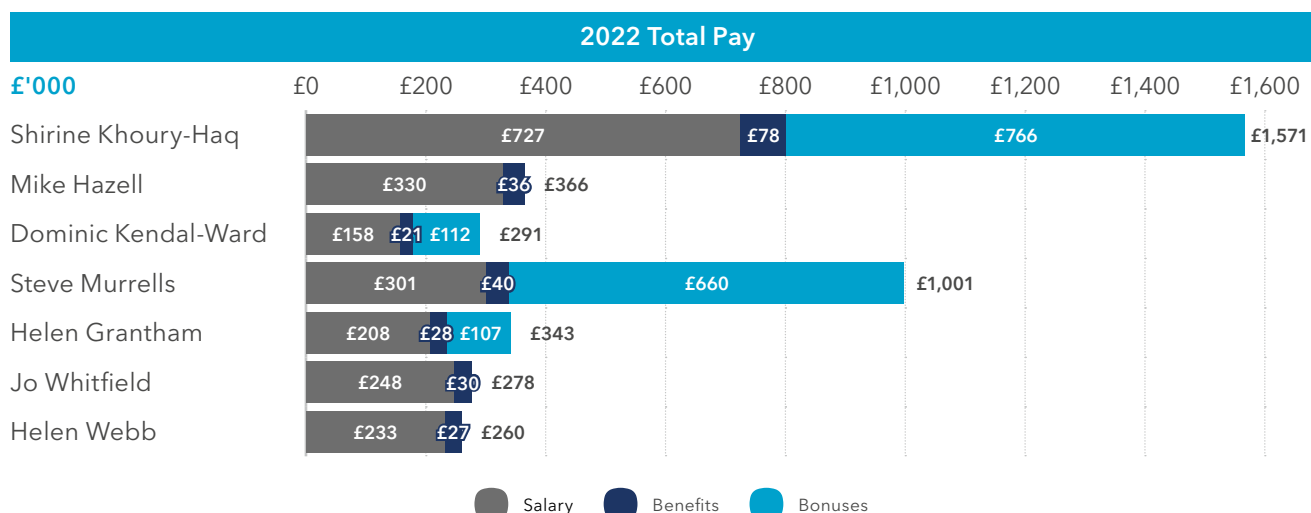
How our approach links to our strategy

Our bonus elements are linked to doing what matters most for our Co-op. We are committed to a clear link between how we pay our Executive and how our Co-op performs, while keeping a strong connection with our colleagues and supporting our Co-op Values and Purpose.

Operating profit	It's important we make profit to reinvest and support our future strategy and Purpose.
Debt	Maintaining responsible debt levels is an important part of that financial strategy.
Membership	We exist to create value for our members and the communities in which we trade.
Community	Supporting local communities where our members live, and where we trade, creates much of the shared value that makes our Co-op a better way of doing business.
Colleagues	Colleagues play a significant role in ensuring we continue to deliver to our members, communities and customers.

2022 pay outcomes

The chart below shows the pay which our executives received in 2022 and full details can be found in the Annual Report on Remuneration which starts on page 107.



Notes to chart

1. Steve Murrells stepped down from the Executive on 21 May 2022, Jo Whitfield stepped down from the Executive on 30 September 2022, Helen Grantham retired from the Executive on 31 July 2022 and Helen Webb stepped down from the Executive on 30 June 2022.
2. The bonus paid is the second half of the 2020 BP award and 50% of the 2022 BP award, which is payable May 2023. The other 50% of the 2022 BP award is deferred for two years and paid subject to still being employed by our Co-op and not under notice and the rules of the Bonus Plan.
3. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement has been put in place linked to specific deliverables during his contract.
4. The salary and benefits information shown for Dominic Kendal-Ward relates to the period since he joined our Executive, whereas the bonuses element reflects the full year as eligibility is based on position at the end of the year.
5. Salary information in the chart for Mike Hazell also includes other £5k payments paid as a commuting/travel allowance.

Executive Pay Policy

How we look at Executive pay

We are committed to the following approach to pay:

- We want to pay our Executive at a level which reflects the job they do, but do not want to overpay. We look at what other similar organisations pay and take this into account.
- We want to reward our Executive for achieving stretching goals as well as for their commitment to our Co-op Purpose and Values.
- We want a benefits package that reflects our Co-op Purpose and Values.

Summary of Executive Pay Policy

Our current Executive Pay Policy is summarised below.

Base salary	
Purpose and link to strategy	To set a level of pay for performing the core role that allows us to attract and retain talented leaders.
Summary and operation	We want to pay our Executive at a level that reflects the job they do, but do not want to overpay. We look at what other similar organisations pay and take this into account when setting our Executive's pay.
Maximum opportunity	<p>There is no maximum salary. Typically, salaries are reviewed annually. When reviewing salaries, the Committee will take account of:</p> <ul style="list-style-type: none"> • Experience • Personal and business performance • What other similar businesses pay their Executive • Increases being granted to other colleagues throughout the business
Benefits	
Purpose and link to strategy	To offer a benefits proposition to attract and retain talented leaders.
Summary and operation	<p>The benefits provided to our Executive will be in line with normal market practice and could include a car or car allowance, fuel in certain cases, relocation assistance, healthcare cover and life cover.</p> <p>Executives are also able to take advantage of benefits offered to all colleagues, for example: the cycle to work scheme, discounts on certain products and services, the Employee Assistance Programme.</p>
Maximum opportunity	There is no formal cap on the level of benefits that can be provided. However, this will represent a small proportion of the total pay.

Pension	
Purpose and link to strategy	To provide the same percentage level of pension benefits to all colleagues across our Co-op, that provides an income in retirement.
Summary and operation	Our Executive are able to join our Co-op Defined Contribution pension plan or receive a cash allowance in lieu of pension provision.
Maximum opportunity	<p>The following options are available:</p> <ul style="list-style-type: none"> • Defined Contribution employer pension contributions of up to 10% of salary • Cash alternative of up to 10% of salary if the lifetime limit has been exceeded

Bonus Plan	
Purpose and link to strategy	To motivate and reward achievement of key business performance measures which support the delivery of our Purpose and Values.
Summary and operation	<p>Our Executive will be eligible for a payment under a Bonus Plan (BP) agreed by the Committee.</p> <p>The performance measures and targets for each annual BP cycle will be set at the start of each year. Payments will be based on a combination of business and individual performance.</p> <p>50% of any award is subject to a two-year deferral period. Not all of the award will be paid in one go – 50% will be paid two years later.</p> <p>Payments made under the BP are subject to malus and clawback provisions.</p>
Maximum opportunity	<p>The maximum possible bonus opportunity under the BP is 250% of salary for the Chief Executive and between 150% and 180% for the remaining members of our Executive.</p> <p>The maximum amount payable under the BP varies by Executive member and is set at an appropriate level in accordance with our reward philosophy. Target performance bonus is 50% of the maximum.</p>

Clawback provisions apply to the BP and enable the Committee to claim back part or all of a payment under these arrangements if our Co-op's results were materially misstated, should have been assessed materially differently or where an individual ceases to be employed by our Co-op as a result of misconduct. Malus provisions allow, under specific circumstances, that the Committee can decide that an award which has not yet paid out should lapse.

To ensure payments are affordable, the BP has a financial underpin which must be achieved for any payments to be made. The Committee will look at performance at the end of the period and assess the BP outcomes. It can provide a BP payment between nil and the maximum opportunity for each executive depending on performance. The Committee has discretion to adjust targets, performance results or payments (up to the maximum or down to zero) for exceptional events, which they were not aware of at the time of granting the award.

Policy for Executive recruitment

The pay package for any new executive will be set using the same policies that apply to current executives, benchmarked externally by role. This means that the Committee would set a total pay package that is aligned to what other similar businesses pay for similar roles, while ensuring that it pays no more than is necessary to secure the individual.

The following additional items of pay may be considered when recruiting an executive:

- **Relocation.** The Committee will consider contributing towards relocation costs for an executive who needs to move home to be closer to their place of work or stay close to their place of work during the working week. When applicable, this is provided under a relocation policy that seeks to provide appropriate financial assistance based on the nature of the move and individual circumstances, without encouraging people to spend long periods away from family.
- **Giving up of outstanding incentive awards.** Under absolutely exceptional circumstances, the Committee may consider compensating a new executive for incentive awards lost as a direct result of leaving their previous employer to join Co-op. The exact type and amount of compensation will vary depending on the incentive plans operated by the previous employer. Any payments agreed under this policy will be no more generous than the arrangements lost, will mirror the original terms as far as possible and will typically be subject to relevant performance criteria.

Policy for Executive leavers

In the event of termination, the Committee will review and approve all payments due to an executive with the aim of minimising the costs to our Co-op. Payments will be based on contractual and statutory obligations, including legal fees. Where negotiated, a contribution towards career support may be made.

The notice period in newly recruited executives' service contracts will not exceed six months. Current executives' contracts can be terminated by a maximum of six months' notice. Where it is better for our Co-op for an individual to remain under a contract of employment but not to work their notice, they are placed on garden leave and only contractual payments are made. Where an individual is not required to work their notice and receives a payment in lieu, our Co-op is only obliged to pay base salary. The payment in lieu would not include any benefits or bonuses.

The Committee can agree that the salary in lieu of the whole or part of the notice period can be paid in instalments. The Committee has the right to reduce the payments of salary in lieu of notice by the amount of income from a new role.

The Committee has discretion to determine whether, and to what extent, any part of the deferred BP payment should be made in respect of the period they have been employed. In exercising its discretion, the Committee will take account of the reasons for leaving, performance and contractual commitments.

Comparison

For base salary, benefits and pension, the same market-aligned principles are applied to all colleagues.

Fees for Non-Executive Directors

Fees for non-executive Board directors are determined by the Non-Executive Fees Committee of Council. Fees are described in the section Annual Report on Remuneration on page 112.

Annual Report on Remuneration

What did our executives earn in total during the year?

The table below shows the pay received by our executives during the 2022 financial year.

Table 1a - 2022 pay for our executives in post at 1 January 2023

Name of executive	Period	Fixed Pay			Performance Related Pay		Other (Note 5) £'000	Total £'000
		Basic salary £'000	Taxable benefits (Note 1) £'000	Pension benefits (Note 2) £'000	Bonus Plan (Note 3) £'000	Deferred Bonus Plan (Note 4) £'000		
Shirine Khoury-Haq	2022	727	5	73	372	394	0	1,571
	2021	650	4	65	0	117	0	836
Dominic Kendal-Ward	2022	158	8	13	65	47	0	291
	2021	-	-	-	-	-	-	0
Mike Hazell	2022	325	7	29	0	0	5	366
	2021	-	-	-	-	-	-	0

Notes to Table 1a

- Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
- Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
- Bonus Plan amounts shown represent 50% of the 2022 BP earned award which is payable May 2023. The other 50% is deferred for two years and paid subject to still being employed by our Co-op and not under notice and the rules of the Bonus Plan. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement has been put in place linked to specific deliverables during his contract.
- Deferred bonus awards relate to the 2020 BP. Half of the award was paid in May 2021 and the other half will be paid in May 2023 subject to still being employed and not under notice.
- Other payments include a commuting/travel allowance.
- The fixed pay information shown for Dominic Kendal-Ward relates to the period since he joined our Executive, whereas the performance-related pay element reflects the full year as eligibility is based on position at the end of the year.

Table 1b - 2022 pay for executives who left our Executive during the 2022 financial year

Name of executive	Period	Fixed Pay			Performance Related Pay		Other (Note 6) £'000	Total £'000
		Basic salary (Note 1) £'000	Taxable benefits (Note 2) £'000	Pension benefits (Note 3) £'000	Bonus Plan (Note 4) £'000	Deferred Bonus Plan (Note 5) £'000		
Steve Murrells	2022	301	11	29	0	660	0	1,001
	2021	750	29	75	0	615	0	1,469
Jo Whitfield	2022	248	5	25	0	0	0	278
	2021	650	14	65	0	283	0	1,012
Helen Webb	2022	233	5	22	0	0	0	260
	2021	450	10	45	0	181	0	686
Helen Grantham	2022	208	8	20	0	107	0	343
	2021	350	13	35	0	152	0	550

Notes to Table 1b

- Basic salary includes a payment on leaving for unused holiday entitlement.
- Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
- Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
- No 2022 Bonus Plan payments have been made to Steve Murrells, Jo Whitfield, Helen Webb and Helen Grantham.
- No deferred 2020 Bonus Plan payment has been made to Jo Whitfield and Helen Webb. Steve Murrells will be treated as a qualifying leaver and receive his 2020 deferred award in May 2023. Helen Grantham will be treated as a qualifying leaver and receive a partial award for her 2020 deferred award in May 2023.
- Steve Murrells stepped down from the Executive on 21 May 2022, Jo Whitfield stepped down from the Executive on 30 September 2022, Helen Grantham retired on 31 July 2022 and Helen Webb stepped down from the Executive on 30 June 2022.

2022 BP outturn

The following table shows our performance for each section of the 2022 balanced scorecard

2022 Balanced scorecard measures	Weighting	Performance	
Win as Co-op	% of maximum weighting	Outturn	Summary
Co-op Operating Profit	50%	Miss	<ul style="list-style-type: none"> Our Co-op performed with resilience in 2022, against an extremely challenging market backdrop Achieving operating profit growth was a challenging target given the market headwinds, including significant underbudgeted in-year energy and salary inflation. Based on performance against the 2022 budget the result for the financial element of the 2022 BP scorecard is below threshold
Fairer for our Members and Communities			
Member – measures focused on creating and sharing value; driving member engagement, creating value with our members and sharing it with their communities	20%	Target +	<ul style="list-style-type: none"> During 2022, we delivered incremental activity across a number of key areas Member participation continued to grow and reflects our growing understanding of what motivates members to participate, especially in our community We also saw strong growth in members redeeming digital personalised offers with over one million members redeeming a digital offer. Based on performance against the 2022 targets, an outturn of Target + was achieved
Fairer for our Colleagues			
Colleague – measures focused on building and maintaining colleague engagement	10%	Miss	<ul style="list-style-type: none"> We went ahead with our annual Talkback survey during original timescales despite the timing coinciding with significant restructuring. We chose to do this in order to give colleagues a voice during a difficult time despite knowing that the activity we were undertaking would have a significant impact on our colleague engagement There are some key strengths in our experience metrics. Colleagues are also increasingly positive about our inclusivity, with 81% feeling Co-op is a place where people from diverse backgrounds can succeed Our drop in our engagement score in 2022 meant performance against this measure is below threshold
Personal performance			
Assessment of how each member of the Executive performs across the year	20%		<ul style="list-style-type: none"> Determined in reference to individual performance. Measures include specific objectives such as overall financial performance, cultural achievements such as inclusion and leadership, transformation programme delivery and sustainability targets

In determining the final outturn, the Committee reviewed each of the measures as set very robustly but tried to balance the ambition to recognise an exemplary job in an another extremely challenging year.

Based solely on performance against the balanced scorecard measures covering profit, colleagues, community and membership, the bonus outturn was just below 'threshold'. The Committee did not retrospectively change those targets, even though the market had changed so dramatically since they were set. But the Committee did decide to use discretion against the proportion of bonus allocated to individual performance ratings to increase the outturn on the personal element of the scorecard. This went some way to recognise the significant extra effort of our colleagues to improve our position, particularly in the second half of our year. This upward discretion meant that outturn of the 2022 BP was around threshold.

What deferred BP awards do our executives hold?

Awards are made annually under the BP and any payments due are made in cash, with 50% of all awards paid in two years' time. The table below shows the value of the deferred award held by executives in post at 1 January 2023.

Table 2a - deferred BP awards held by our executives in post at 1 January 2023

Name of executive	BP award year	Value of BP award deferred £'000	BP deferred award due in year (Note 1) £'000
Shirine Khoury-Haq	2022	372	-
	2021	0	-
	2020	-	394
Dominic Kendal-Ward	2022	65	-
	2021	10	-
	2020	-	47
Mike Hazell	2022	-	-
	2021	-	-
	2020	-	-

Notes to Table 2a

1. The Bonus Plan rules apply in respect of payments being made.
2. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement has been put in place linked to specific deliverables during his contract.

Table 2b - deferred BP awards for executives who have left our Executive

Name of executive	Bonus Plan award year	Value of Bonus Plan award deferred (Note 1) £'000
Steve Murrells ¹	2021	0
	2020	660
Jo Whitfield ²	2021	0
	2020	343
Helen Webb ²	2021	0
	2020	238
Helen Grantham ³	2021	0
	2020	107

Notes to Table 2b

1. Steve Murrells will be treated as a qualifying leaver and will receive his 2020 deferred award in full in May 2023.
2. The deferred BP awards were forfeited when Jo Whitfield and Helen Webb stepped down.
3. Helen Grantham will be treated as a qualifying leaver and will receive a partial award for her 2020 deferred award in May 2023.

What pension benefits are our executives entitled to?

The table below shows the pension entitlements for our Executive. The figures shown reflect the period that the individuals were appointed to our Executive.

Table 3a - Pension entitlements for executives in post at 1 January 2023

Name of executive	Date appointed to Executive	Years of group service	Period	Employer contributions to Defined Contribution pension scheme £'000	Payment in lieu of pension benefit £'000	Total pensions benefit £'000
Shirine Khoury-Haq	5 Aug 2019	3	2022 2021	2 2	71 63	73 65
Dominic Kendal-Ward	13 Jun 2022	5	2022 2021	13 -	0 -	13 -
Mike Hazell	9 Jun 2022	0	2022 2021	1 -	28 -	29 -

Notes to Table 3a

1. All pension scheme members have the option of paying additional voluntary contributions to their respective pension scheme. Neither any contributions paid nor any benefits arising from them are shown in the above table.
2. Defined benefit accrual ceased in October 2015 for all colleagues.
3. Pension figures for Dominic Kendal-Ward are based on the period from when he joined our Executive to the end of the financial year.

Table 3b - Pension entitlements for executives who left our Executive during the 2022 financial year

Name of executive	Date stepped down from Executive	Years of group service	Period	Employer contributions to Defined Contribution pension scheme £'000	Payment in lieu of pension benefit £'000	Total pensions benefit £'000
Steve Murrells	21 May 2022	9	2022 2021	- -	29 75	29 75
Helen Grantham	31 Jul 2022	6	2022 2021	- -	20 35	20 35
Jo Whitfield	30 Sep 2022	6	2022 2021	2 3	23 62	25 65
Helen Webb	30 Jun 2022	8	2022 2021	- -	22 45	22 45

What arrangements have been agreed for former executives?

Jo Whitfield stepped down from our Executive on 30 September 2022. Her earnings whilst she was a member of our Executive team up to 30 September 2022 are shown in Table 1b. The terms of her settlement agreement included an amount of £364,000 for contractual pay in lieu of notice and termination payments totalling £344,000.

Helen Webb stepped down from our Executive on 30 June 2022. Her earnings whilst she was a member of our Executive team up to 30 June 2022 are shown in Table 1b. The terms of her settlement agreement included an amount of £225,000 for contractual pay in lieu of notice and a termination payment of £253,000.

Steve Murrells stepped down from our Executive on 22 May 2022. His earnings whilst he was an Executive up to 22 May 2022 are shown in Table 1b. The terms of his settlement agreement included an amount of £375,000 for contractual pay in lieu of notice. His deferred 2019 bonus payment was paid in full in May 2022 and he will be treated as a qualifying leaver for the 2020 deferred bonus payment due in May 2023.

Helen Grantham retired from our Executive on 31 July 2022. Her earnings whilst she was a member of our Executive team up to 31 July 2022 are shown in Table 1b. In line with the bonus plan rules, Helen will be treated as a qualifying leaver for the 2020 deferred bonus payment due in May 2023 and will receive a prorated award.

Pay ratio

Large public companies are required to report the ratio of pay between a firm's chief executive compared to the 25th, median and 75th percentiles of full-time employees.

To calculate each percentile, we've sorted all our colleagues in order of their total pay from high to low. We then split them into four equal groups to work out the percentiles i.e. if there are 101 colleagues, the 25th highest paid colleague is used for the 75th percentile, the 51st highest paid colleague for the median and the 75th highest paid colleague for the 25th percentile.

The pay ratios, calculated in line with the Corporate Governance Code guidance, are set out below.

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
2022	Option C	91:1	76:1	62:1
2021	Option C	76:1	71:1	64:1
2020	Option C	122:1	117:1	102:1
2019	Option C	83:1	76:1	62:1

Under the options provided in the guidance to calculate the pay ratio, we've opted to use option C. This allows us to select comparator colleagues for the 25th, 50th and 75th percentiles. All three options would give us a very similar result, and option C is the most practical and appropriate for Co-op given the size and complexity of our payroll systems.

A large proportion of our colleagues work in frontline roles in our stores, and both the 25th percentile and the median comparators are CTMs in our Food stores.

The Government pay ratio calculation is based on actual pay received. It therefore can change a lot, as bonus payments are likely to vary each year given that they are linked to both business and personal performance.

In addition, for the last six years we've shared our pay ratio based on target earnings rather than actual, as this approach makes sense to us and we believe it will make it easier for members to compare progress over time. We'll continue to provide the ratio on this basis, and the ratio between our highest paid executive and lowest paid colleague for 2018 to 2023 on base pay, and for base pay plus target bonuses is set out below.

Year	Base pay only	Base pay plus on target bonuses
1 April 2023	35:1	79:1
1 April 2022	39:1	87:1
1 April 2021	40:1	91:1
1 April 2020	43:1	96:1
1 April 2019	44:1	99:1
1 April 2018	48:1	96:1

On appointment as our Chief Executive, Shirine Khoury-Haq's salary increased to £750k, and her maximum bonus opportunity increased to 250%, which is the same remuneration package as our previous CEO Steve Murrells. The reason for the reduction in the pay ratio is that our CEO pay and on-target earnings has remained static whereas we've increased the pay of the comparator role, which is a Customer Team Member (CTM) in our Food Stores, by 10.1% from 1 April 2023.

Non-Executive Directors' remuneration

This section of the report includes details of the payments made to the Non-Executive Directors (NEDs) in office during 2022.

What are the fees for the NEDs for 2023?

NED Role	Fees
Chair	<ul style="list-style-type: none"> The basic fee for the Chair role is £250,000 per annum. There has been no change in annual fee between 2015 and 2022. No additional fees are paid
Independent Non-Executive Directors (INEDs)	<ul style="list-style-type: none"> The basic fee for an INED is £60,000 per annum The following additional fees apply: <ul style="list-style-type: none"> - Senior Independent Director £15,000 - Chair of Risk and Audit Committee £15,000 - Chair of Remuneration Committee £15,000 There is no additional fee for the Chair of Nominations Committee or for being a member of any committee
Member Nominated Directors (MNDs)	<ul style="list-style-type: none"> The basic fee for an MND is £60,000 per annum The same additional fees for the INEDs apply to MNDs who are Chairs of a committee. There is no additional fee for being a member of any committee

Since his appointment date, the Chair has waived his fee of £250,000 per annum. Instead this is paid direct by our Co-op to charity. In 2022, it was paid to The Co-operative Community Investment Foundation. No other benefits will be provided for the Chair or any other NED member of our Board.

All NEDs are entitled to reimbursement of all reasonable and properly documented travel, hotel and other expenses incurred in performing their duties, in accordance with the terms of our Co-op's expenses policy.

None of the NEDs, by virtue of their Board position, participated in any of our Co-op's incentive plans or pension schemes, nor did they receive performance-related payments during the period.

The NEDs' letters of appointment are available for inspection on request.

How long are directors appointed to our Board for?

Appointments to our Board are for the following periods:

- The INEDs (including the Chair) were initially appointed for two-year terms subject to election and re-election in accordance with the Rules. We amended our Rules in 2018 so that all INEDs and Executive Directors have to retire from office at each third AGM following their election/re-election. Our Board and the Council have the right to agree otherwise in order to avoid a situation where more than half of the other Directors (excluding the Member Nominated Directors) would be retiring from office at the same AGM.
- On this basis, any new appointments or re-appointments for INEDs are generally for three-year terms, subject to INEDs being able to serve a maximum of nine years. Executive Directors do not have a maximum term of office.
- MNDs were initially appointed for two-year terms and could serve a maximum of three terms, subject to the Member-Nominated Director Election Regulations. Following the 2018 Rule amendments, MNDs are generally appointed for three-year terms and can serve a maximum of nine years.

What did the NEDs earn during the year?

The table below shows the fees paid to our NEDs during the 2022 financial year.

Table 4a - Non-executive members of our Board at 1 January 2023

	Notes	Board £'000	Risk and Audit Committee Chair £'000	Remuneration Committee Chair £'000	Senior Independent Director £'000	2022 total £'000	2021 total £'000
Allan Leighton (Chair)	1	See Note 1	-	-	-	See Note 1	See Note 1
Sir Christopher Kelly	2, 3	60			15	75	75
Stevie Spring	2	60		15		75	75
Simon Burke	2	60	15			75	75
Lord Victor Adebawale		60				60	60
Kate Allum		60				60	39
Margaret Casely-Hayford		60				60	60
Paul Chandler		60				60	60
Sarah McCarthy-Fry		60				60	60
Rahul Powar		60				60	60

Notes to Table 4a

1. Since his appointment date, the Chair has waived his fee of £250,000 per annum. Instead this is paid direct by our Co-op to charity. In 2022, it was paid to The Co-operative Community Investment Foundation.
2. The Risk and Audit Committee Chair, the Remuneration Committee Chair and the Senior Independent Director each receive an additional fee of £15,000 per annum.
3. Sir Christopher Kelly receives an additional £60,000 fee as the Chair of the Board of Co-op Insurance Services Limited.
4. No additional fee is paid to the Chair of the Nominations Committee.
5. Kate Allum was appointed on 15 May 2021.

Table 4b - Former Non-Executive members of our Board who left during the 2022 financial year

During the year, there were no changes to our Non-Executive members of the Board.

For details of fees paid to Independent Non-Executive Directors on the boards of subsidiary businesses, please see the relevant accounts, which are available on request from the Secretary.

Role of the Committee

The Committee is responsible for determining and overseeing the Executive Pay Policy for our Co-op to ensure a consistent approach across our Co-op and its subsidiaries.

Terms of reference

The terms of reference of the Committee are available on our website:
www.co-operative.coop/investors/rules

Members of the Committee

Details of the Committee members and their attendance at meetings during 2022 are provided on page 80.

The Chief Executive, the Group Secretary and General Counsel, the Chief People and Inclusion Officer and members of the Reward team are also invited to attend the meetings of the Committee, but are not present when their own remuneration or terms and conditions are being considered. Other individuals are invited to attend for specific agenda items when necessary.

The Committee members are all non-Executive. They have no personal financial interests in the Committee's decisions and they have no involvement in the day-to-day management of our Co-op. Our Board believes that all members of the Committee are independent for the purpose of reviewing remuneration matters.

Independent advice

In carrying out its responsibilities, the Committee has access to independent advice as required. During 2022, the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £44,450 excluding VAT.

Deloitte are a signatory of the Remuneration Consultants' Code of Conduct, which requires their advice to be objective and impartial.

The Committee takes legal advice from our Co-op's internal Legal team and also from external legal advisers.