

Report of the Remuneration Committee



Committee Chairman's statement

Introduction

I am pleased to introduce to you my fourth Remuneration Report as Chair of the Remuneration Committee ('the Committee').

In 2018 we've continued to build on the real progress we have made in the last few years to ensure our approach to pay fully reflects our Values and Principles. Getting the balance right in executive pay is not easy and not all members will agree with the choices we make, but our Committee continues to focus on what it believes is right and fair for our Co-op.

Financial performance is a crucial factor in executive pay and our business performed very well in 2018 especially considering the challenges faced. However, as a Co-op, the financial aspects are only one measure of the value we're creating as the UK's biggest consumer-owned co-op. Allan has given you more details on our Stronger Co-op Stronger Community strategy on page 5. We are proud that we are a different way of doing business and we reflect this in the way we set objectives, evaluate performance and ultimately pay our Executive team.

Background

Pay reform

Executive pay continues to make the headlines with scrutiny on pay arrangements that are deemed too generous, too difficult to understand and not aligned to driving long-term success or to an organisation's strategy and values.

There have been some important developments in 2018 to address these concerns. The Financial Reporting Council published the new UK Corporate Governance Code together with its revised guidance on Board Effectiveness and the Government set out changes to the UK directors' remuneration reporting requirements. These changes take effect for financial years, starting on or after 1 January 2019, and formally only apply to large companies with traded shares. We have decided that it is the right thing for our Co-op to voluntarily comply with both of these where it makes sense for us to do so, starting from now - and we are doing so a year early.

As part of these changes the Government has introduced mandatory reporting of the pay ratio between a firm's chief executive compared to the 25th, median and 75th percentiles of full-time employees. We have chosen to publish an additional ratio on this basis, as well as publishing our own ratio in the same way we have done for the last two years and you can find it on page 73.

As a Committee we are committed to making pay for our most senior colleagues less complex and clearer and we fully support the new reporting requirements.

How we report to you

We are a co-op owned by millions of members who are also our customers. We believe in being open with our members and for this reason we apply the reporting rules for large companies with traded shares where it is appropriate for our type of business. Indeed in some areas we go beyond the requirements, in particular by providing pay information for our full Executive, compared to just for board directors in large public companies which in our case would just be our Chief Executive and Chief Finance Officer. We also take on board Council's views and those of the wider UK co-op movement.

The Committee recognises that this report contains a lot of information, but we've tried to make it as clear as possible. It has two sections:

- i. Part I – Executive Pay Policy. We have included a summary of our pay policy. We asked our members to vote on our policy in 2016 and 90% voted for it and also to support changes to this policy in 2017 and 2018. We are going to provide our members with the opportunity to vote on our pay policy again this year and further details are provided on page 75. We pay our Executive in line with this policy, and how the Committee is applying the policy in 2019 is set out on page 79.
- ii. Part II – Annual Report on Remuneration, which covers how we applied the policy in 2018.

We have also included a Pay at a Glance section, on page 76, where we pull together the key information we believe you will want to see in a simplified format.

How we have engaged with our members

Our members have given the Committee the role of deciding what we pay our Executive. However, we strongly believe in listening to our members and act on their concerns wherever possible and appropriate to do so.

In 2018 we had a number of meetings with Council members to hear their views and to explain our thinking. At our 2018 Annual General Meeting (AGM) I gave an update on our approach to pay and answered members' questions. We continue to welcome feedback from you.

Our approach to pay

How we look at pay

We are committed to an approach to pay that is clear, visible and fair and allows all colleagues to share in the success of our Co-op. We need to be able to compete for talented executives with the right skills and values for our Co-op. We also need to reward high-performing colleagues for a job well done. We do this in a way we feel supports our Purpose and the Values of our Co-op.

How our pay links to strategy

Our aim is to clearly link our pay with our Co-op's strategy. We explain our strategy and business model on pages 4 and 5 and we have shown the clear link between our strategy and 2018 pay in the Pay at a Glance section on page 76.

Decisions and changes

The Committee decided that no annual salary increases should be made for our Executive in 2018.

In 2018 we simplified our approach to bonuses by moving to a single bonus plan – the Bonus Plan (BP), which replaced the Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP). In summary, the BP operates as follows:

- A one-year performance period, with performance assessed at the end of this period against measures which we believe are important to our Co-op. This includes financial performance, which remains important, but also reflects other areas we, and our members, care about like community and colleagues.
- A subsequent two-year deferral period so that the award is not all paid in one go – 50% will be paid two years later, ensuring that an element of the overall package links to the long term. It also works as a retention device as it's our intention that colleagues will only be eligible to receive the deferred payment if they are still working for our Co-op and not under notice.

To ensure performance measures are aligned across our Co-op we also launched the BP for colleagues who previously participated in our AIP.

The Committee also completed a review of how the decisions made by the Committee in 2018 conform to the Executive Pay Policy, and I'm pleased to confirm all decisions made were in line with the Executive Pay Policy.

What about our colleagues across our Co-op?

Our Committee and Board regularly discuss how we pay our colleagues across our Co-op for the great job they do. We recognise that a focus on wider employee pay is a key area of the new UK Corporate Governance Code, and are proud that we have been ahead of the curve in this area.

We're continuing to invest in customer-facing colleague pay. We increased hourly pay rates for Customer Team Members (CTMs) in Food stores by over 5% in 2018 meaning our minimum wage for all colleagues was £8.00 an hour. We have also further increased this rate to £8.38 an hour from 1st April 2019, which is an increase of another nearly 5%. After 1 April 2019 increase we will have increased hourly pay rates for our experienced CTMs by 24.5% in the last four years.

We have continued to pay above National Living Wage (NLW) and apply our rates to all colleagues, which means that, unlike many other employers, we have not reduced rates for younger colleagues or apprentices. We also still provide paid breaks, again unlike many other employers. NLW will continue to increase each year and we are aiming to ensure we remain well ahead of this.

So, we have made good progress with increasing customer-facing colleague pay in recent years but we want to do more and are continuing to find ways to do so. But we must get the balance right between our offer to members and customers, and our offer to colleagues, in order to meet our aims.

We want every colleague to feel proud to work here and be recognised for the part they play in our success. We also want them to know that we genuinely care about their wellbeing so we have doubled our efforts in providing a range of health and financial wellbeing support benefits.

43,000 colleagues are active members of our pension scheme. Many colleagues find pensions complex and difficult to understand. One of the aims of our wellbeing programme is to provide colleagues with a range of financial education tools to help them to make informed decisions on their personal finances.

We know that debt is a problem for many people in the UK and we've chosen to improve the support we give our colleagues to tackle this. We have a long tradition of supporting and promoting Co-op Credit Unions, which will continue, and we've added more support to our colleagues through a partnership with Neyber. By combining these resources as part of our wellbeing programme we can provide colleagues with a trusted source of information.

Pay ratio

With effect from financial years starting on or after 1 January 2019 the government will require large public companies to report the ratio of total pay and benefits between a firm's chief executive compared to the 25th, median and 75th percentiles of full-time employees. We have chosen to adopt this voluntarily and to do so a year early.

To calculate each percentile we have sorted all our colleagues in order of their total pay from high to low. We then split them into 4 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.

I have set out below our pay ratios calculated in line with the Corporate Governance code guidance.

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
2018	Option C	116:1	111:1	92:1

Under the options provided in the guidance to calculate the pay ratio, we have opted to use option C, which allows us to select, on an indicative basis, the 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 the Co-op given the size and complexity of our payroll systems.

A large proportion of our colleagues work in front line roles in our stores, and both the 25th percentile and the median comparators are CTMs in our food stores. In recent years we have invested heavily in increasing pay for our front line colleagues to ensure our pay is market aligned which is in keeping with our pay policy.

The new 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 two years we have 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 will continue to provide the ratio on this basis, and I have set out below the ratio between our highest paid executive and lowest paid colleague for 2017 to 2019 on base pay and for base pay plus target bonuses.

Year	Base pay only	Base pay plus on target bonuses
1 April 2019	44:1	99:1
1 April 2018	48:1	96:1
1 April 2017	51:1	101:1

We have seen an increase in the base pay plus on target bonus ratio for 2019 compared to 2018. This is due to the supported increase to our Chief Executives maximum bonus opportunity from 200% to 250% which was agreed at the 2018 AGM.

Gender pay reporting

We continue to promote and recruit to narrow our gender role gap - increasing the number of senior female colleagues - but because nearly 80% of colleagues are on fixed hourly 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.

2018 Bonus outturns

Payments under the 2018 BP are based on a combination of business and individual performance. Our Co-op performed well in 2018 and the majority of targets set were achieved. The 2018 balanced scorecard measures, their weightings and the final performance for each measure are detailed below:

2018 Balanced scorecard measures	Weighting	Performance
Financial		
Co-op Operating Profit	50%	Target +
Being Co-op		
Member - measures focused on our membership proposition	10%	Target
Community - measures focused on championing co-operation and engagement with community activities	10%	Target
Colleague - measures focused on building and maintaining colleague engagement	10%	Threshold +
Personal performance		
Assessment of how each Executive performs against their job requirements and our Ways of Being Co-op.	20%	Determined in reference to individual performance

Awards under the 2018 BP for our Executive were between 69.25% and 74.96% of their maximum opportunity. Not all of the 2018 BP awards is paid in one go – 50% will be paid in two years' time. Further details of the amounts paid to our Executive can be found on page 82, and the amounts deferred can be found on page 84.

The 2016-18 Long Term Incentive Plan (LTIP) consisted of four targets, the performance of which is shown below:

Target	Weighting	Performance
Ratio of Net Debt/EBITDA	40%	Target +
Membership spend as a percentage of total sales value	25%	Threshold
Co-op colleague engagement	25%	Threshold not met
Brand health	10%	Target +

The Committee decided that for the 2016-18 LTIP, 43.95% of the maximum award should be paid. See page 83 for more information.

Looking ahead

Over the last couple of years our Committee has been reviewing how we reward our Executive to ensure our approach to pay works for our Co-op. We have made significant improvements such as ensuring a better balance between fixed and variable pay. We've also simplified our approach to bonuses to make them simpler and improve transparency. We will continue to review our approach to ensure it works but as a Committee we believe our approach to pay for our Executive is in a good place as we continue to build on the great steps our Co-op has made in the last few years. We're not expecting to make any significant changes over the next few years but we do want to make sure the criteria we use to measure performance in our bonus plan is appropriate to help us succeed in delivering our Stronger Co-op and Stronger Communities strategy, and we particularly appreciate the help Council have given in setting the criteria for 2019.

Governance**Committee**

The Committee has worked hard this year and made a strong contribution. We said farewell to Peter Plumb who had served as an INED on this Committee for 3 years and chose to step down from our Board. I'd like to personally thank Peter for his valued contribution whilst in post.

My thanks to all the Committee members, and to the members of the Council Remuneration Working Group under Lesley Reznicek's leadership, for the insight and challenge they provided through the year - particularly in making sure our members' voice was always heard.

AGM

Members will be asked to approve the Annual Report on Remuneration and to approve our Executive Pay Policy for a further three years at our 2019 AGM. Both votes are advisory. While technically not binding, in the event of a vote against the Executive Pay Policy, our Board has committed to consult with the Council Remuneration Working Group about amendments to the policy, with a view to bringing an amended version forward for another vote at the 2020 AGM. In the meantime, the existing policy will remain in force until it is amended.

We would welcome your support by voting in favour of both the motions.

**Stevie Spring**

Chairman of the Remuneration Committee

2018 Pay at a Glance

This section provides an overview of our pay policy in action and payments made to our executives in 2018. Full details of our policy and what we paid in 2018 are set out on page 77.

Executive Pay Policy

Our Co-op is committed to a reward strategy that is clear, visible and fair, allowing us to compete for skills and talent and encourage and reward high performing colleagues, while also reflecting our Purpose and Values.

How 2018 pay aligned to our strategy

The following table describes how key elements of our strategy link to the way we reward performance. We are committed to a clear link between our reward structures and how our business performs, while maintaining a strong connection with our colleagues and supporting our Co-op Purpose and Values.

Co-op KPIs	Net budgeted profit	Debt	Reputation	Membership	Community	Colleague
	It's important we make profit to reinvest and support our future strategy and Purpose.	Maintaining responsible debt levels is an important part of our financial strategy. We must manage debt well but not at the expense of profit.	It's important that our Co-op continues to have a strong reputation and brand perception	We exist to create value for our members and the communities in which we trade.	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 play a significant role in ensuring we continue to deliver to our customers and communities.
Long Term Incentive Plan (LTIP)	✗	✓	✓	✓	✗	✓
Bonus Plan (BP)	✓	✗	✗	✓	✓	✓

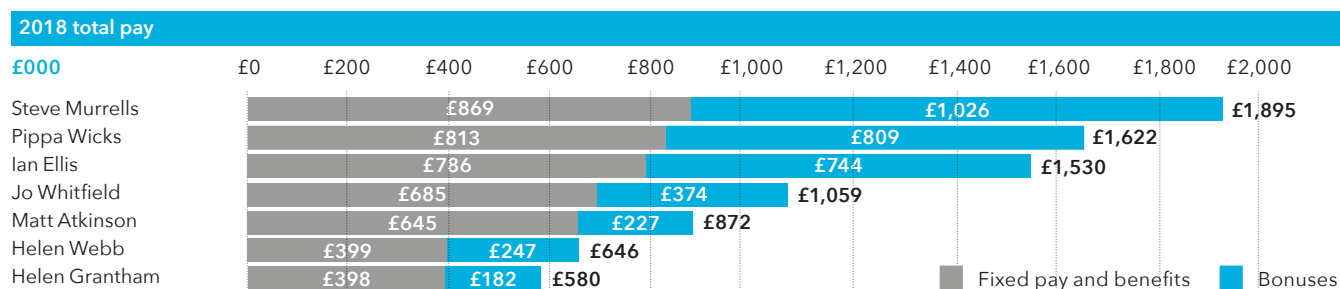
2018 pay

The key elements of pay for our Executive are:

Total Pay	Salary	Benefits	Pension	2018 Bonus Plan (BP)	2016-18 Long Term Incentive Plan (LTIP)
Total Pay is made up of different elements. Salary and benefits are fixed. BP and LTIP are variable and the amount an executive receives depends on the performance achieved.	Our Executive receives a salary for performing their core role.	The benefits provided are in line with what happens elsewhere and could include a car or car allowance, fuel in certain cases, relocation assistance, healthcare cover and life cover.	Opportunity to participate in Co-op's pension plan or receive a cash allowance instead.	Payments are based on a combination of business and individual performance. For 2018 our executives were paid between 64.25% and 74.96% of their maximum bonus opportunity. 50% of the award is deferred for two years.	Awards are cash based, have a three-year performance period, and the amount paid will depend on the level of performance against the measures and targets set at the start of the three-year plan.

2018 total pay

The chart below shows the pay which our executives received in 2018 and full details can be found in the Annual Report on Remuneration which starts on page 82.



Notes to chart

- The 2018 financial year ran from 7 January 2018 to 5 January 2019 which is a week shorter than the 2017 financial year which ran from 1 January 2017 to 6 January 2018.
- Matt Atkinson joined our Co-op on 16 October 2017 on a one day a week basis, changing to full time on 8 January 2018.

I Executive Pay Policy

Reward philosophy

Our Co-op is committed to an approach to pay that is clear visible and fair which allows us to compete for skills and talent while encouraging and rewarding high performing colleagues. It also must reflect the Purpose and Values of our Co-op.

This is supported by the following reward principles:

- 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 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	There is no maximum salary. Typically, salaries are reviewed annually. When reviewing salaries, the Committee will take account of: <ul style="list-style-type: none"> • Experience • Personal and business performance • Appropriate comparator business data • 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	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. Executives are also able to take advantage of benefits offered to all colleagues, for example childcare vouchers and discounts on certain products and services.
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	The following options are available: <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.

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.</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 maximum.</p> <p>Also see Note 1</p>

Notes to table

1. The performance measures for the 2019 Bonus Plan are shown on page 79.

Following the implementation of the BP in 2018 we no longer operate the LTIP. LTIP awards which have already been granted continue. This applies to those made in 2016 and 2017. If goals are met payments can still be made in 2018 and 2019 for these awards. No new awards will be made under the LTIP. For further details please refer to our previous Executive Pay Policy which can be found in our 2017 Report of the Remuneration Committee.

Implementation of the Pay Policy in 2019

Base salary

Annual base salaries for our Executive are set out below:

Executive member	2018 ¹ £000	2019 £000	Comments
Steve Murrells	750	750	Joined Executive 16 July 2012, promoted to Chief Executive 1 March 2017
Pippa Wicks	700	700	Joined Executive 1 April 2016, promoted to Deputy Chief Executive 1 March 2017
Ian Ellis	700	700	Joined Executive 4 September 2015
Jo Whitfield	550	550	Interim appointment to Executive 1 March 2017, promoted to Chief Executive, Food 17 July 2017
Matt Atkinson ²	110	450	Joined Executive 16 October 2017
Helen Webb	350	350	Joined Executive 18 April 2017
Helen Grantham	350	350	Joined Executive 11 January 2016, promoted to Group Secretary and General Counsel 1 July 2017

Notes to table

- Salaries are as at 1 January or appointment date to our Executive if later.
- Matt Atkinson joined our Co-op on 16 October 2017 on a one day a week basis. He changed to full-time on 8 January 2018 and his full time salary is shown for 2019.

We benchmark the total pay of our Executive using market data from a pre-determined comparator group comprising a selection of retail PLCs, mutuals and co-operatives as determined by the Committee.

The Committee has determined that no annual salary increases will be made in 2019 for our Executive.

Benefits

Our Executive will receive benefits in line with the current policy.

Pension

Our Executive will receive pension benefits in line with the current policy.

Bonus Plan

This was a new scheme introduced in 2018, and replaced the previous Annual Incentive Plan and Long Term Incentive Plan.

The table below sets out the maximum amount each Executive member can receive under this plan in 2019.

Executive member	Maximum BP opportunity as a % of bonusable pay
Steve Murrells	250%
Pippa Wicks	200%
Ian Ellis	180%
Jo Whitfield	150%
Matt Atkinson	150%
Helen Webb	150%
Helen Grantham	150%

Performance under this plan is assessed by reference to a number of measures which we believe are important to our Co-op. This goes beyond just financial performance and also covers other areas we know our members also care about like community and colleagues as well as personal performance. The 2019 balanced scorecard measures and their weightings are detailed below:

2019 Balanced scorecard measures	Weighting
Stronger Co-op	
Co-op Operating Profit	50%
Colleague – measures focused on building and maintaining colleague engagement	10%
Stronger Communities	
Member – measures focused on our membership proposition	10%
Community – measures focused on championing co-operation and engagement with community activities	10%
Personal performance	
Assessment of how each Executive performs against their job requirements and our Co-op ‘Ways of Being’.	20%

Key requirement

Underlying profit before tax is an important performance measure for us to enable us to deliver strategic objectives of our Co-op. If we do not achieve a minimum of 90% of our 2019 profit target then no payment will be made under this plan.

The Committee will look at performance at the end of each year and decide what should be paid under the BP scheme. The Committee can decide nothing is paid or that a payment is made 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 the recruitment of new members of our Executive

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 an appropriately-defined basket of external comparators, 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 extended periods away from family.
- **Forfeiture of previous bonus type awards.** Under exceptional circumstances and at its absolute discretion, the Committee will consider compensating a new executive for variable bonus awards lost from a previous employer. The exact type and amount of compensation will vary depending on the variable bonus plans operated by the previous employer. Any payments agreed under this policy will not be more generous than, and will mirror as far as possible, the terms of the forfeited awards and will be subject to performance criteria.

Entitlements of executives on leaving our Co-op

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 executive 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, a leaver is allowed to retain LTIP awards they already hold and whether any part of the BP payment for the financial year 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 of pay policies for our Executive and wider colleagues

For base salary, benefits and pension, the same market-aligned principles are applied to all colleagues. The stated policy is that total pay for good performance should be aligned to an appropriately defined basket of external comparators. That policy will apply to all colleagues.

Our Co-op's long-term ambition is for all colleagues to be eligible to participate in a bonus scheme. However, our primary focus is on making sure pay rates for all our customer-facing colleagues remain competitive.

Clawback provisions apply to the new BP and LTIP plans we have previously used. These enable the Committee to recoup 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.

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 86.

II Annual Report on Remuneration

What did our Executives earn in total during the year?

The table below shows the pay received by our Executives while appointed to our Executive during the 2018 financial year.

It is important to note that this financial year ran from 7 January 2018 to 5 January 2019 meaning it was a week shorter than 2017. This explains why, for example, the basic salary and benefits shown for Steve Murrells are lower in 2018 than 2017, even though there has been no change to either pay element.

Table 1a – 2018 pay for our Executives in post at 5 January 2019

Name of executive	Date appointed to Executive (Note 1)	Date stepped down from Executive (Note 1)	Period	Basic salary £000	Taxable benefits (Note 3) £000	BP (Note 4) £000	LTIP (Note 5) £000	Pension benefits (Note 6) £000	Other (Note 7,8) £000	Total £000
Steve Murrells	16 Jul 2012	-	2018 2017	750 764	44 43	696 645	330 518	75 76	- -	1,895 2,046
Pippa Wicks (Note 7)	1 Apr 2016	-	2018 2017	700 700	15 15	525 588	284 -	70 70	28 46	1,622 1,419
Ian Ellis	4 Sep 2015	-	2018 2017	700 713	16 16	436 381	308 376	70 71	- 34	1,530 1,591
Jo Whitfield (Note 7)	1 Mar 2017	-	2018 2017	550 422	15 11	306 142	68 -	48 42	72 76	1,059 693
Matt Atkinson (Notes 7 and 8)	16 Oct 2017	-	2018 2017	443 35	14 1	227 -	- -	44 3	144 -	872 39
Helen Webb	18 Apr 2017	-	2018 2017	350 254	14 11	182 103	65 98	35 25	- -	646 491
Helen Grantham	11 Jan 2016	-	2018 2017	350 328	13 12	182 38	- -	35 33	- 73	580 484

Notes to Table

- The date of appointment to or stepping down from the Executive may differ from the date service commenced or terminated with our Co-op.
- The 2018 financial year ran from 7 January 2018 to 5 January 2019, which is a week shorter than the 2017 financial year which ran from 1 January 2017 to 6 January 2018.
- Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
- BP payments for 2018 relate to payments under our new Co-op Bonus Plan. The amounts shown represent 50% of the earned award which is payable in May 2019. 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 BP.
- LTIP payments relate to cash payments made under the 2016-18 Long Term Incentive Plan.
- Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
- Other payments in 2018 financial year, which were agreed at the date of appointment, include:
 - Payments were agreed under the relocation policy to assist executives to stay close to their workplace during the working week. During 2018 Pippa Wicks received £27,822 and Matt Atkinson received £44,135.
 - A payment of £71,632 was made to Jo Whitfield as compensation for incentive scheme awards that she forfeited on taking a new position with our Co-op.
- Matt Atkinson joined our Co-op on 16 October 2017 on a one day a week basis, changing to full-time on 8 January 2018. A payment of £100,000 was made to Matt Atkinson to compensate for additional days worked in our Co-op prior to changing to full-time.

Will our Executive receive a salary increase in 2019?

The Committee has decided that there will be no annual salary increases in 2019.

What LTIP scheme interests do our executives hold?

Awards were made annually under the Long Term Incentive Plan (LTIP), and any payments due are made in cash, subject to the achievement of performance conditions over a three year period. Table 2a shows the maximum potential LTIP awards held by executives in post at 5 January 2019. Table 2b shows the maximum potential award under each plan for those who were executives at the time of leaving.

Lapsed awards include the portion of the award that did not pay out due to not fully meeting the performance conditions.

Table 2a - LTIP awards held by our executives in post at 5 January 2019

Name of executive	Notes	Award	Notes	Maximum award opportunity at start of the year £000	Awards vested in year £000	Awards lapsed in year £000	Maximum award opportunity at the year end £000
Steve Murrells		2017-2019	1	750	-	-	750
		2016-2018	2	750	330	420	-
Pippa Wicks		2017-2019	1, 5	692	-	-	692
		2016-2018	2, 5	646	284	362	646
Ian Ellis		2017-2019	1, 6	700	-	-	700
		2016-2018	2	700	308	392	-
Helen Grantham		2017-2019	1, 4	175	-	-	175
Helen Webb		2017-2019	1, 7	148	-	-	148
		2016-2018	2, 7	148	65	83	-
Jo Whitfield		2017-2019	1, 7	155	-	-	155
		2016-2018	2, 7	155	68	87	-

Notes to Table 2a

- The 2017-2019 LTIP awards are subject to performance conditions and the measures are:
 - Net debt to EBITDA ratio (50% weighting)
 - Membership spend as a percentage of total sales value (25% weighting)
 - Co-op colleague engagement (25% weighting)
- The 2016-2018 LTIP awards are subject to performance conditions, and the measures are:
 - Net debt to EBITDA ratio (40% weighting)
 - Membership spend as a percentage of total sales value (25% weighting)
 - Co-op colleague engagement (25% weighting)
 - Brand health (10% weighting)
- A 2017-19 LTIP grant was not made to Matt Atkinson due to starting after the cut-off to join the plan.
- Helen Grantham held an interim position during 2016 and therefore was not eligible to participate in the 2016-18 LTIP scheme.
- Adjustment has been made to Pippa Wicks' grant salary due to a change in working hours during the performance period.
- Ian Ellis will be retiring from our Co-op following the 2019 AGM. The Committee has determined that he is a qualifying leaver from 2017-19 LTIP scheme. His invested award will be pro-rated to time served as a member of the Executive during the performance period. The award remains subject to the original performance measures and the original performance periods.
- LTIP grants made while employed in previous roles in our Co-op which were not on our Executive.

Table 2b – LTIP awards for executives who left the Executive

Name of executive	Award	Notes	Maximum award opportunity at start of the year £000	Awards vested in year £000	Awards lapsed in year £000	Maximum award opportunity at the year end £000
Richard Pennycook	2016-2018	1, 2	521	229	292	-
Rod Bulmer	2016-2018	1, 3	361	159	202	-
Alistair Asher	2017-2019	1, 4	550	-	351	199
	2016-2018	1, 4	550	168	382	-

Notes to Table 2b

- Under the terms of their leaver arrangements the former Executive members in the table who left our Co-op retained parts of their LTIP awards that related to the period they were in employment. These remain subject to the original performance measures and the original performance periods. Payments are due on the vesting of these awards following the end of the performance period.
- The Committee has determined that Richard Pennycook is a qualifying leaver from 2016-18 LTIP scheme. His invested awards are pro-rated to time served as a member of the Executive during the performance period for each scheme. These remain subject to the original performance measures and the original performance periods.
- The Committee has determined that Rod Bulmer is a qualifying leaver from 2016-18 LTIP scheme. His invested awards are pro-rated to time served during the performance period for each scheme. These remain subject to the original performance measures and the original performance periods. Adjustment has been made to Rod's grant salary due to a change in working hours during the performance period.
- The Committee has determined that Alistair Asher is a qualifying leaver from both 2016-18 and 2017-19 LTIP schemes. His invested awards are pro-rated to time served during the performance period for each scheme. These remain subject to the original performance measures and the original performance periods.

What deferred BP awards do our Executives hold?

Awards are made annually under the Bonus Plan (BP), and any payments due are made in cash, 50% of all awards are deferred for two years. Table 3a shows the value of the deferred award held by executives in post at 5 January 2019.

Table 3a – deferred BP awards held by our Executives in post at 5 January 2019

Name of Executive	BP Award Year	Notes	Value of BP Award deferred £000
Steve Murrells	2018	1	696
Pippa Wicks	2018	1	525
Ian Ellis	2018	1, 2	436
Jo Whitfield	2018	1	306
Matt Atkinson	2018	1	227
Helen Webb	2018	1	182
Helen Grantham	2018	1	182

Notes to Table 3a

- The 2018 BP deferred award is 50% of the total 2018 BP award which is deferred for two years after the 2018 BP awards were made.
- Ian Ellis will be retiring from our Co-op following the 2019 AGM, so the 2018 deferred BP award will lapse and therefore not be paid.

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 4a – Pension entitlements for executives in post at 5 January 2019

Name of Executive	Date appointed to Executive	Years of Group Service	Period	Employer Contributions to Defined Contribution Pension £000	Payment in lieu of pension benefit £000	Total Pensions Benefits £000
Steve Murrells	16 Jul 2012	6	2018	-	75	75
			2017	-	76	76
Pippa Wicks	1 Apr 2016	2	2018	-	70	70
			2017	-	70	70
Ian Ellis	4 Sep 2015	3	2018	-	70	70
			2017	-	71	71
Jo Whitfield	1 Mar 2017	3	2018	7	48	55
			2017	6	36	42
Matt Atkinson	16 Oct 2017	1	2018	-	43	43
			2017	-	3	3
Helen Webb	17 Apr 2017	5	2018	-	35	35
			2017	-	25	25
Helen Grantham	11 Jan 2016	3	2018	-	35	35
			2017	-	33	33

Notes to Table 4a

- 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.
- Defined benefit accrual ceased in October 2015 for all colleagues.

What arrangements have been agreed for former Executives?

No Executives left during the 2018 financial year.

Non-executive directors' remuneration

This section of the report includes details of the payments made to the non-executive directors (NEDs) in office during 2017.

What are the fees for the NEDs for 2018?

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 2018. 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 2018, it was paid to The Co-operative Community Investment Foundation (Co-op Foundation). The Chair also has access to a pool car and driver for Co-op business if required. 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.

No additional fees will be paid to an executive who sits on our Board or on any of the operating division boards.

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.

What did the NEDs earn during the year?

The table below shows the fees paid to our NEDs during the 2018 financial year.

Table 5a - Non-executive members of our Board at 5 January 2019

Name of Executive	Notes	Board £000	Risk and Audit Committee Chair £000	Remuneration Committee Chair £000	Senior Independent Director £000	2018 Total £000	2017 Total £000
Allan Leighton (Chair)	1,3	See note 1	-	-	-	-	See note 1
Sir Christopher Kelly	2,3	60	-	-	15	75	76
Simon Burke	2,3	60	15	-	-	75	76
Stevie Spring	2,3	60	-	15	-	75	76
Lord Victor Adebawale CBE	3	60	-	-	-	60	61
Hazel Blears	3	60	-	-	-	60	61
Margaret Casley-Hayford	3	60	-	-	-	60	61
Paul Chandler	3	60	-	-	-	60	61
Gareth Thomas	3	60	-	-	-	60	38
Rahul Powar	4	24	-	-	-	24	-

Notes to Table 5a

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 2018, it was paid to The Co-operative Community Investment Foundation (Co-op 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. The 2018 financial year ran from 7 January 2018 to 5 January 2019, which is a week shorter than the 2017 financial year which ran from 1 January 2017 to 6 January 2018.
4. Rahul Powar was appointed as an Independent Non-Executive Director on 23 July 2018.
5. No additional fee is paid to the Chair of the Nominations Committee.

Table 5b - Former non-executive members of our Board who left during 2018 financial year

Name of Executive	Notes	Board £000	Risk and Audit Committee Chair £000	Remuneration Committee Chair £000	Senior Independent Director £000	2018 Total £000	2017 Total £000
Peter Plumb	1,2	23	-	-	-	23	61

Notes to Table 5b

- The 2018 financial year ran from 7 January 2018 to 5 January 2019, which is a week shorter than the 2017 financial year which ran from 1 January 2017 to 6 January 2018.
- Peter Plumb stepped down from our Board on 19 May 2018.

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: <https://www.co-operative.coop/investors/rules>.

Members of the Committee

Details of the Committee members and their attendance at meetings during 2018 are provided on page 60.

The Chief Executive, the Group Secretary and General Counsel, the Chief People 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 2018 the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £45,000 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 where appropriate. No external lawyers were used during 2018.