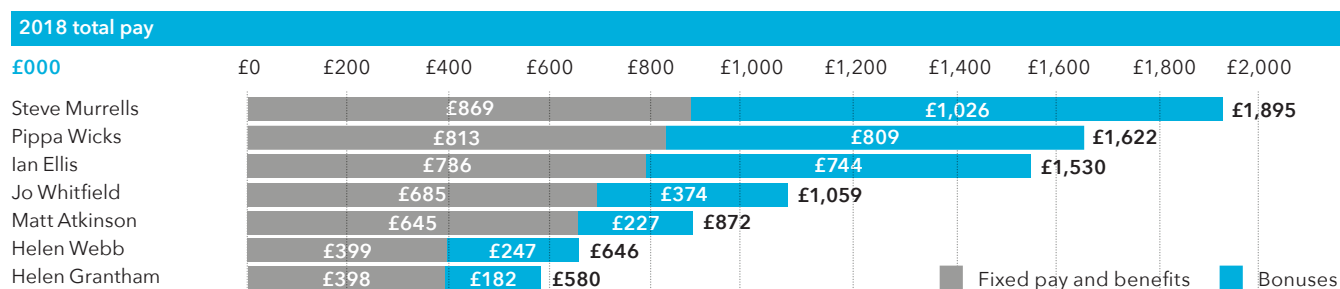


## 2018 total pay

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"> <li>• Experience</li> <li>• Personal and business performance</li> <li>• Appropriate comparator business data</li> <li>• Increases being granted to other colleagues throughout the business</li> </ul>
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"> <li>• Defined Contribution employer pension contributions of up to 10% of salary.</li> <li>• Cash alternative of up to 10% of salary.</li> </ul>

## 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 <sup>1</sup> £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 <sup>2</sup>	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
<b>Stronger Co-op</b>	
Co-op Operating Profit	50%
Colleague – measures focused on building and maintaining colleague engagement	10%
<b>Stronger Communities</b>	
Member – measures focused on our membership proposition	10%
Community – measures focused on championing co-operation and engagement with community activities	10%
<b>Personal performance</b>	
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.