

Report of the Remuneration Committee

The report of the Remuneration Committee

Introduction from the Committee Chairman



This is my sixth Remuneration Report as Chairman of the Remuneration Committee ('the Committee').

It covers an exceptionally challenging year where we've tried hard to balance an outcome that rewards our colleagues fairly for the massive effort they've all made in helping us overcome those challenges; yet recognises the general market dynamic that food retailers have enjoyed unprecedented growth through the pandemic. We've also balanced the particular challenges faced by a convenience retailer with a large and geographically diverse store estate as well as those experienced by our non-food businesses, in particular our funerals business.

We are a co-op owned by millions of members who are also our customers. 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 the Co-op Council and listen closely to the wider membership, not least at our AGM.

Getting the balance right is not easy and not every member will agree with the choices we make.

We believe we've struck a fair balance and I hope you will agree and endorse our decisions by voting to approve this report at the AGM.

The report contains a lot of information, but we've tried to make it as clear as possible. My introduction has all the key highlights and there are two further sections with the details:

- i. Part I - Executive Pay Policy. We've included a summary of the pay policy which nearly 90% of members approved at our 2020 AGM.
- ii. Part II - Annual Report on Remuneration. Then we've shown how this policy has been applied by the Committee in 2020 as set out on page 95.

We've also included a 'pay at a glance' section on page 89, so you can see all the key information in a simple format.

Our approach

We always believe in being open with our members. So, we go beyond the reporting rules for large companies with traded shares. For example, we tell you what our full Executive team earned, not just our Chief Executive and Chief Financial Officer.

Our main focus is on Executive pay. However, we also look at wider pay and reward principles for all our colleagues. We have particularly considered the more than 8,000 in our One Co-op annual Bonus Plan.

We compete for talent every day.

Talent with not just the right skills but the right values.

So, we try to reward high-performing colleagues for a job well done, only if it supports our Purpose, our Values and our Strategy.

Our performance

As a business providing essential services, we saw our revenues rise substantially. At the same time, our operating costs increased significantly as we adapted to new ways of working and supported our most vulnerable colleagues. But the final financial outcome exceeded our stretch financial targets.

Further details of how our Co-op has performed is given in 'Our financial performance' section on page 36.

Additionally, colleagues right across our Co-op have shown incredible commitment and resilience with many becoming local heroes in our communities. Never before has our Vision for 'Co-operating for a Fairer World' been delivered so directly and we are committed to making sure that the way we set objectives and evaluate and reward performance reflects all aspects of our Vision and strategy.

Our colleagues

The Committee is delighted that from 2021 we're further improving pay for our frontline colleagues by aligning hourly rates to the Real Living Wage (RLW), as set by the Living Wage Foundation. For Customer Team Members (CTMs), this means an increase from £9 to £9.50 per hour. This is a significant additional investment that recognises the vital role that our frontline colleagues play. The RLW rate will apply to all colleagues, including younger colleagues and apprentices.

They've all done an amazing job this year going above and beyond throughout the crisis. To recognise that commitment during the first lockdown period, 56,000 colleagues received a 'Thank You' package which included a £100 cash payment, a £50 Co-op gift card and an extra day's holiday.

We also increased our colleague discount to 20% on own brand goods at all times and 20% on branded goods at 13 pay day events a year, to further improve what was already a valued colleague benefit and to provide a meaningful 'everyday' financial uplift.

And before Christmas we ran a '12 days of Togetherness' campaign with a different initiative launched each day. All colleagues were connected to this with themes of saying thank you, providing support and demonstrating kindness. This included colleagues receiving £50 on their membership card and an exclusive discount day of 50% off all Co-op branded goods.

These initiatives cost around £25m. It was the right thing to do and we know that you agree.

Colleague wellbeing continues to be a priority, and this has particularly been the case throughout the pandemic where we all needed to feel well supported to manage both our health and financial wellbeing. We have regularly connected with colleagues through our 'Co-op Care' communications which included guidance and advice on how to cope with the impact of Covid on mental, physical and financial wellbeing. We offered all our colleagues a free flu jab and over 10,000 took up the offer.

Beyond this:

- Our wellbeing platform offers a growing range of self-help wellbeing resources, and colleagues can also use it to give peer-to-peer recognition.
- We've continued the programme to deliver mental health training to all our managers and this is

becoming part of our core manager induction.

- We introduced a virtual health service which provides all colleagues and their families access to GP services 24/7, mental health, complex medical case, nutrition and fitness support services.
- We partner with Stepchange, Neyber, Co-operative Credit Union and Keep Credit Union to bring quality financial guidance to colleagues.
- We launched a Pay Advance service, in partnership with Wagestream, which gives our colleagues access to their accrued pay between pay days.

Colleagues are at the heart of all that we do on wellbeing. We will continue to be led by what they tell us matters most and we'll use colleague focus groups to shape future investments.

43,000 colleagues are active members of our pension scheme. Our pension offer already exceeds the minimum required, but we also give those who don't meet automatic enrolment criteria the opportunity to join and receive the same level of benefit. And we've made meaningful progress increasing the social responsibility and sustainability footprint of our pension scheme investments (see page 32 for more information).

Our pay outcomes

Bonus

When we launched our 2020 Bonus Plan ("BP") the pandemic was already beginning to impact our businesses. The Committee agreed that a balanced scorecard combining financial, membership, colleague and community objectives was still the right focus but faced into the challenge of setting appropriate targets in such unchartered times. We made it clear to all participants that the specific measures and targets within the 2020 BP scorecard would be considered in the round given the real likelihood of outcomes being distorted - positively and negatively - by the uncertainties that the pandemic was creating. We expressly reserved the right to apply judgement and use discretion to assess the overall performance, taking into consideration all material factors that impacted the results.

In determining the final outturn, the Committee reviewed each of the measures set very robustly, taking into account the pandemic's headwinds and tailwinds - balancing too the ambition to ensure colleagues are rewarded fairly for an exemplary job in an extremely challenging year.

Based solely on performance against the balanced scorecard measures, the bonus outturn was just short of "stretch". However, after much deliberation, the Committee decided to use discretion downwards to reduce the outturn on the scorecard.

This was accompanied by a strong recommendation that a greater proportion of the bonus pot be allocated to the 8,000 colleagues below our most senior leaders and the Executive.

As a result, awards under the 2020 BP for our Executive were between 65.41% and 70.41% of their maximum opportunity, depending on personal performance assessment.

And remember, under our BP, only 50% of this award to the Executive and Senior Leaders is paid now, with the remainder deferred for a further two years.

Deferred bonus payments

The second half of the 2018 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 2021 to Senior Leaders in line with the scheme rules.

Further details of the amounts paid and deferred can be found on page 95. More information on the balanced scorecard measures and the final outturn can be found on page 96.

Changes to the Executive

Pippa Wicks stepped down in June 2020 and no termination or deferred bonus payments have been made.

Following a reorganising of the Executive, Shirine Khoury-Haq has taken on the role of Chief Executive, Life Services as well as carrying out her existing duties as Chief Financial Officer. The Committee increased Shirine's salary from £610k to £650k with effect from 1 September 2020 to reflect the end of her probation year as CFO and to recognise her increased responsibilities.

Gender pay reporting

We continue to promote and recruit to narrow our gender role gap - increasing the number of senior female colleagues - but because 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 - <https://www.co-operative.coop/ethics/gender-pay-gap-report>.

The Committee

The Committee has worked very hard this year with many extra meetings and discussions beyond the formal calendar.

Each and every member has made a valuable contribution. My thanks to all of them, and to the members of the Council Remuneration Working Group under Lesley Reznicek's leadership, for the insight and challenge they provided throughout the year making sure our members' voice was always heard.

AGM

As in 2020, we are planning a largely digital AGM event to ensure everyone stays safe. It remains important to us that our members make their views heard and we would ask that you vote prior to the meeting, including on the motion to approve the Annual Report on Remuneration. Please watch out for your voting email or letter. The vote is advisory.

My thanks in advance for your vote in favour of the motion.



Stevie Spring

Chairman, the Remuneration Committee

2020 pay at a glance

This section provides an overview of our Executive Pay Policy and summarises the pay that our executives received in respect of their 2020 performance. Further details are set out on page 95.

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 BP is variable and depends on performance
Salary	<ul style="list-style-type: none"> Our Executive receives a salary which reflects their core role
Benefits	<ul style="list-style-type: none"> The benefits provided are in line with the offering across the Co-op and could include a car or car allowance, fuel in certain cases, relocation assistance, 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

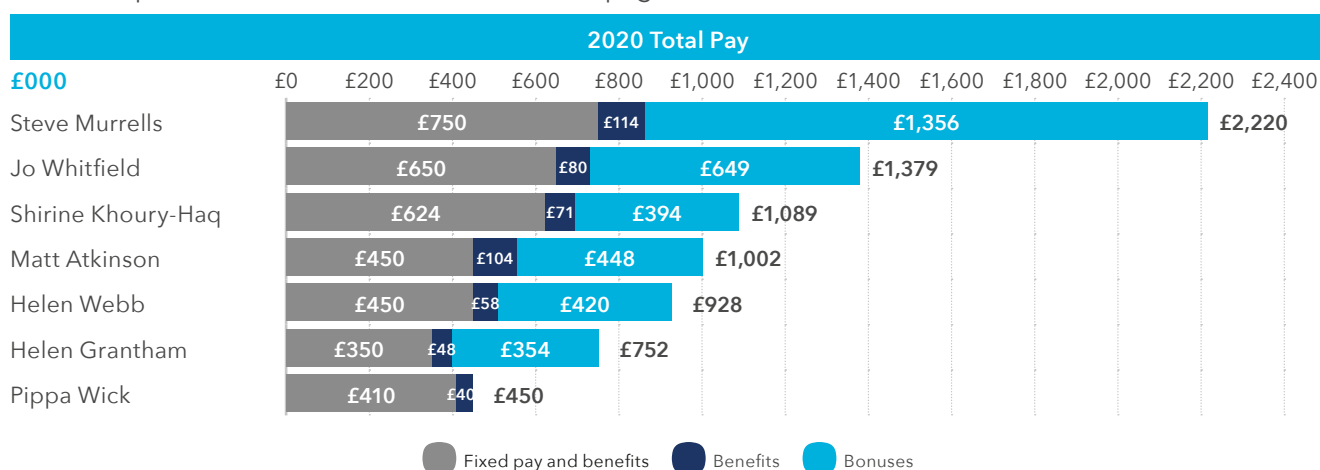
How our approach links to our strategy

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.

Net budgeted 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 our 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 customers and communities.

2020 pay outcomes

The chart below shows the pay which our executives received in 2020 and full details can be found in the Annual Report on Remuneration which starts on page 95.



Notes to chart

1. Pippa Wicks stepped down from the Executive on 30 June 2020.

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 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 • 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	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 the cycle to work scheme, discounts on certain products and services and the Employee Assistance Programme.
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 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	Our Executive will be eligible for a payment under a Bonus Plan (BP) agreed by the Committee. 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. 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. Payments made under the BP are subject to malus and clawback provisions.
Maximum Opportunity	The maximum possible bonus opportunity under the BP is 250% of salary for the Chief Executive and between 150% and 200% for the remaining members of our Executive. 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.

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.

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 the 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 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, 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 100.

Implementation of the Executive Pay Policy in 2021

Base salary

Annual base salaries for our Executive are set out below.

Executive member	2020 £000	2021 £000	Comments
Steve Murrells	750	750	Joined Executive 16 July 2012, promoted to Chief Executive 1 March 2017
Shirine Khoury-Haq	610	650	Joined Executive 5 August 2019. Salary increased from 1 September 2020 to reflect increased responsibilities
Jo Whitfield	650	650	Interim appointment to Executive 1 March 2017, promoted to Chief Executive Food 17 July 2017
Matt Atkinson	450	450	Joined Executive 16 October 2017
Helen Webb	450	450	Joined Executive 18 April 2017
Helen Grantham	350	350	Joined Executive 11 January 2016, promoted to Group Secretary and General Counsel 1 July 2017

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 and pension

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

Bonus Plan

The table below sets out the maximum amount each Executive member can receive under this plan in 2020.

Executive member	Maximum BP opportunity as a % of bonusable pay
Steve Murrells	250%
Shirine Khoury-Haq	180%
Jo Whitfield	150%
Matt Atkinson	150%
Helen Webb	150%
Helen Grantham	150%

The 2021 BP balanced scorecard measures and weightings will be consistent with those used for the 2020 plan, as set out in more detail on page 96.

To ensure payments are affordable, the BP will again have a financial underpin which must be achieved for any payments to be made. The Committee will look at performance at the end of 2021 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.

The Committee are continuing to look at how the scorecard can evolve in future years so that it speaks to our key objectives and priorities. But at the same time all metrics must be measurable and colleagues feel they are able to play their part and contribute to the overall result. Discussions are ongoing with the Executive and Council Remuneration Working Group and this includes how we might better reflect our 'Co-operating for a Fairer Planet' aims with specific annual sustainability targets.

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 2020 financial year.

Table 1a - 2020 pay for our executives in post at 2 January 2021

Name of Executive	Period	Basic salary £000	Taxable benefits (Note 1) £000	Pension benefits (Note 2) £000	BP (Note 3) £000	2018 Deferred BP Award (Note 4) £000	Other (Note 5) £000	Total £000
Steve Murrells	2020	750	39	75	660	696	0	2220
	2019	750	45	75	615	-	0	1485
Jo Whitfield	2020	650	15	65	343	306	0	1379
	2019	602	15	54	283	-	0	954
Shirine Khoury-Haq	2020	624	9	62	394	0	0	1089
	2019	258	6	24	117	-	292	697
Matt Atkinson	2020	450	15	45	221	227	44	1002
	2019	450	15	45	196	-	82	788
Helen Webb	2020	450	13	45	238	182	0	928
	2019	402	14	40	181	-	0	637
Helen Grantham	2020	350	13	35	172	182	0	752
	2019	350	13	35	152	-	0	550

Notes to Table 1a

1. Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
2. Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
3. BP amounts shown represent 50% of the earned award which is payable in May 2021. 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.
4. Deferred Bonus Awards relate to the 2018 BP. Half of the award was paid in May 2019 and the other half will be paid in May 2021 subject to still being employed and not under notice.
5. Matt Atkinson received £44k under the relocation policy to assist in staying close to the workplace during the working week which was used to rent a flat.

Table 1b - 2020 pay for executives who left our Executive during the 2020 financial year

Name of Executive	Period	Basic salary (Note 1) £000	Taxable benefits (Note 2) £000	Pension benefits (Note 3) £000	BP (Note 4) £000	2018 Deferred BP Award (Note 5) £000	Other £000	Total £000
Pippa Wicks	2020	410	6	34	0	0	0	450
	2019	700	13	70	424	-	0	1207

Notes to Table 1b

1. Basic salary includes a payment on leaving for unused holiday entitlement
2. Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
3. Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
4. No 2020 BP payment has been made to Pippa Wicks.
5. No 2018 Deferred Bonus Award has been paid to Pippa in line with the scheme rules.
6. Pippa Wicks stepped down from the executive on 30 June 2020.

How were the 2020 BP payments calculated?

2020 Balanced scorecard measures	Weighting		Performance
Stronger Co-op	% of maximum weighting	Outturn	Summary
Co-op Operating Profit	50%	31.25% (Target +)	<p>Our Co-op's revenue was up 5.6% to £11.5bn, an increase of £0.6bn on 2019.</p> <p>Our underlying profit before tax, which excludes the impact of non-trading items, was up to £100m - an increase of £65m.</p> <p>The Committee applied a discretionary reduction to the outturn, reducing from stretch (full 50% weighting achieved) to just above target.</p>
Colleague - measures focused on building and maintaining colleague engagement	10%	5% (Target)	<p>Despite the impact of the pandemic, our colleague engagement score was maintained at the same level as 2019.</p> <p>We saw an uplift in Net Promoter Scores which shows how our colleagues prioritised and valued support from their manager during the pandemic.</p>
Stronger Communities			
Member - measures focused on our membership proposition	10%	4.16% (Threshold +)	<p>Our performance was impacted by Covid and this manifested through dramatic changes in member and customer habits.</p> <p>Co-op membership has proven to be resilient and through the evolution of our membership offer (by the end of 2020 the Co-op app was installed 1.3m times and 500,000 members selected a digital offer in the last quarter) we now have a strong foundation to build on.</p>
Community - measures focused on championing co-operation and engagement with community activities	10%	10% (Stretch)	<p>A very strong performance against the targets set with colleagues across the business working together to maximise the impact of our community activity.</p> <p>We firmly positioned our "Co-operating for a Fairer World" vision at the heart of our community response with all measures outperforming.</p>
Personal performance			
Assessment of how each Executive performs against their job requirements, Leadership index, Co-op behaviours and our Ways of Being	20%	-	Determined in reference to individual performance

Personal performance is an assessment of how the Executive performs against their job requirements and Co-op behaviours. These will vary by Executive responsibilities and include:

- Overall performance against plan.
- Leading through Covid-19.
- Operating model and managing costs.
- Transformation programmes.
- Sustainability.
- New membership launch.
- The Vision – ‘Co-operating for a Fairer World’.
- Endless inclusion and leadership culture.

Additional Key requirement

Managing our debt levels is also an important performance measure to enable us to deliver the strategic objectives of our Co-op. Net debt/EBITDA had to be within 10% of our plan throughout the 2020 plan for any payments to be made, and this was achieved.

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 2 January 2021.

Table 2a - deferred BP awards held by our executives in post at 2 January 2021

Name of Executive	BP Award Year	Value of BP Award deferred £000	BP Deferred Award due in year (Note 1) £000
Steve Murrells	2020	660	-
	2019	615	-
	2018	-	696
Shirine Khoury-Haq	2020	394	-
	2019	117	-
Jo Whitfield	2020	343	-
	2019	283	-
	2018	-	306
Matt Atkinson	2020	221	-
	2019	196	-
	2018	-	227
Helen Webb	2020	238	-
	2019	181	-
	2018	-	182
Helen Grantham	2020	172	-
	2019	152	-
	2018	-	182

Notes to Table 2a

1. The Bonus Plan rules apply in respect of payments being made.

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

Name of Executive	BP Award Year	Value of BP Award deferred (Note 1) £000
Pippa Wicks	2019	424
	2018	525

Notes to Table 2b

1. In line with the BP rules, the deferred BP awards were forfeited as Pippa resigned.

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 2 January 2021

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	8	2020 2019	- -	75 75	75 75
Shirine Khoury-Haq	5 Aug 2019	1	2020 2019	3 2	60 23	63 25
Jo Whitfield	1 Mar 2017	5	2020 2019	4 6	61 54	65 60
Matt Atkinson	16 Oct 2017	3	2020 2019	-	45 45	45 45
Helen Webb	17 Apr 2017	7	2020 2019	-	45 40	45 40
Helen Grantham	11 Jan 2016	5	2020 2019	-	35 35	35 35

Notes to Table 3a

- 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.

Table 3b - Pension entitlements for executives who left our Executive during the 2020 financial year

Name of Executive	Date left the Executive	Years of Group Service	Period	Employer Contributions to Defined Contribution Pension £000	Payment in Lieu of Pension Benefit £000	Total Pensions Benefits £000
Pippa Wicks	30 Jun 2020	4	2020 2019	-	34 70	34 70

What arrangements have been agreed for former executives?

No additional arrangements have been agreed for Pippa Wicks. No other Executive left during the 2020 financial year.

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
2020	Option C	122:1	117:1	102:1
2019	Option C	83:1	76:1	62:1
2018	Option C	116:1	111:1	92:1

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 the 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. The reduction in 2019's pay ratio was largely due to no payment being made under the 2017-19 LTIP. Whereas the increase in 2020's ratio compared to 2019 is largely due to the deferred 2018 BP award being paid in May 2021. The BP replaced the LTIP plan that we previously had in place.

In addition, for the last four 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 2017 to 2021 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 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
1 April 2017	51:1	101:1

No changes were made to the Chief Executive's on target earnings in 2020, whereas we increased the pay of the comparator role, which is a Customer Team Member (CTM), by 5.5%.

Non-Executive Directors' remuneration

This section of the report includes details of the payments made to the Non-Executive Directors (NEDs) in office during 2020.

What are the fees for the NEDs for 2021?

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 2020. 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 2020, it was paid to The Co-operative Community Investment 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.

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 2020 financial year.

Table 4a - Non-executive members of our Board at 2 January 2021

	Notes	Board £000	Risk and Audit Committee Chair £000	Remuneration Committee Chair £000	Senior Independent Director £000	2020 Total £000	2019 Total £000
Allan Leighton (Chair)	1, 4	See note 1	-	-	-	-	See note 1
Chris Kelly	2, 3	60	-	-	15	75	75
Simon Burke	2	60	15	-	-	75	75
Stevie Spring	2	60	-	15	-	75	75
Lord Victor Adebawale		60	-	-	-	60	60
Hazel Blears		60	-	-	-	60	60
Margaret Casely-Hayford		60	-	-	-	60	60
Paul Chandler		60	-	-	-	60	60
Sarah McCarthy-Fry		60	-	-	-	60	38
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 2020 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. Chris 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.

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 2020 are provided on pages 67 and 68.

The Chief Executive, the Group Secretary and General Counsel, the Chief People and Services 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 2020 the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £44,175 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 advisors.