

CO-OPERATIVE GROUP LIMITED
NON-EXECUTIVE DIRECTORS' FEES COMMITTEE

Terms of Reference

**(as approved by the Council of Co-operative Group Limited on 9 April 2016
and by the Co-operative Group Board on 30 March 2016)**

1. SCOPE

This document sets out the Terms of Reference of the Non-Executive Directors' Fees Committee ("Committee") of Co-operative Group Limited ("Group"). The Committee is a committee of the Council of the Group (the "Council"). These Terms of Reference have been agreed by the Council and the Remuneration Committee of the Group (the "Remuneration Committee").

2. INTERPRETATION

Capitalised terms used but not defined in these Terms of Reference shall have the meaning given to them in the Group's Rules (as amended from time to time) (the "Rules").

3. ROLE OF THE COMMITTEE

3.1 The role of the Committee is to determine the fees payable to the Group Chair, Senior Independent Director, Independent Non-Executive Directors and Member Nominated Directors of the Group Board (the "Non-Executive Directors"). In setting fees, the Committee will act independently, having regard to the Group's remuneration policy and other factors set out in these terms of reference, and shall be guided by the supporting principles in section Q of the Corporate Governance Code for Consumer Co-operative Societies, in particular:

- (a) The Committee should judge where to set Non-Executive Director fees in relation to other organisations of a similar size, turnover and nature;
- (b) The Committee should be sensitive to pay and employment conditions elsewhere in the business; and
- (c) In light of the need to continue to attract the best people to be able to rebuild the society, the fees of Non-Executive Directors should be sufficient to attract individuals of the appropriate calibre but should not be excessive.

3.2 In setting the fees of Non-Executive Directors, the Committee shall take into account the following factors:

- (a) that the remuneration arrangements have regard to the remuneration policy set by the Remuneration Committee and the advice and guidance provided by the Remuneration Committee, including in relation to the need to attract individuals of the appropriate quality for an organisation of the size and complexity of the Group;

- (b) that the remuneration arrangements have regard to the advice, guidance and any proposals provided by the Member Nominated Director Joint Candidate Selection and Approval Committee ("MNDJC"), Nominations Committee and/or the professional search organisation (as the case may be) including in relation to the responsibilities and time commitment of each Director and the particular roles as specified in the Rules to be performed by the Director, including: the particular responsibilities of the Group Chair and Senior Independent Director; the appointment to any committee of the Board and the role as chair of such committee; the skill sets required for the role to be played in the case of an Independent Non-Executive Director; and the relevance of such appointment to addressing particular risks and/or opportunities affecting the Group;
- (c) appropriate market comparisons, practice and benchmarking data including ; reliable, up to date, information about remuneration and reward policy and practice in other organisations of comparable size and complexity;
- (d) to the extent applicable, the prevailing requirements of the UK Corporate Governance Code, the Corporate Governance Code for Consumer Co-operative Societies or other similar requirements or regulations; and
- (e) any advice received from the Risk and Audit Committee in relation to the appointment of Directors.

4. MEMBERSHIP

- 4.1 Members of the Committee shall be appointed by the Council in accordance with the Group's Rules.
- 4.2 The Committee shall initially comprise no more than five members chosen by and from the Council, of whom at least one shall be an Independent Society Member representative.
- 4.3 The members of the Committee shall elect one of their number as Chair of the Committee. In the absence of the Chair, the members present at any meeting of the Committee shall elect one of their number to chair the meeting.
- 4.4 The Council Secretary or his or her nominee shall be the secretary of the Committee.
- 4.5 Each member of the Committee shall disclose to the Committee:
 - any personal interest in any matter to be decided by the Committee; or
 - any potential conflict of interest otherwise arising.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Council) shall resign from the Committee. If appropriate, any member so conflicted shall withdraw from the Committee for the time being. In such case, the Committee may appoint a suitably qualified alternate Council Member in their place on a short term basis.

5. MEETINGS

- 5.1 The Committee shall meet at such times as the Chair of the Committee shall require or at the express request of the Nominations Committee or the MND Joint Selection and Approvals Committee. If either the Nominations Committee or the MND Joint Selection and Approvals Committee requests a meeting, the Committee shall meet within 28 days of the request being made.
- 5.2 The quorum for meetings of the Committee shall be three members present throughout the meeting in person or by telephone. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.3 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee.
- 5.4 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be provided to each member of the Committee no later than seven clear days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.
- 5.5 A member of the Committee may participate in a committee meeting by telephone.
- 5.6 The Committee may also invite such other attendees as it deems necessary or appropriate to enable it to discharge its responsibilities as set out in the Terms of Reference. In practice, it is expected that the following shall attend meetings of the Committee as required and at the invitation of the Committee, namely:
 - (a) The Chair of the Remuneration Committee;
 - (b) The Group Secretary.
 - (c) The Chair of the MNDJC
 - (d) The Chair of the Nominations Committee; and
 - (e) A member of the professional search organisation
- 5.7 The secretary of the Committee shall prepare minutes of any meeting of the Committee, including the names of those present and in attendance, and, after approval and signature by the chair of the Committee, shall circulate the minutes to all members of the Committee.

6. VOTING

In the event of an equality of votes, the chair of any meeting of the Committee shall have a casting vote. Where the chair of the Committee uses his/her casting vote, this should be disclosed in the minutes of that meeting and the chair's report to the Council.

7. GOVERNANCE AND RESOURCING

- 7.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group Secretariat department for assistance as required.
- 7.2 The Committee is authorised by the Council to employ the services of such advisors as it deems necessary to fulfil its responsibilities, including employing remuneration specialists, but within the supporting infrastructure budget allocated to the Council in accordance with Rule 106.5(a).
- 7.3 These Terms of Reference (as amended, if appropriate), shall be made public and a copy of the current version of these Terms of Reference shall be published on the Group's external website.

8. ACCESS TO INFORMATION

- 8.1 The Committee is authorised to seek any information it requires from any officer, employee, contractor or advisor of the Group in order to fulfil its duties.
- 8.2 In particular:
 - (a) The Committee shall have access to the Remuneration Committee's advisors and/or independent advice for benchmarking data and other related market information; and
 - (b) The Committee is authorised to commission any reports or surveys which the Committee deems necessary to enable it to fulfil its responsibilities providing that this falls within the supporting infrastructure budget allocated to the Council in accordance with Rule 106.5(a).

9. CONFIDENTIALITY

- 9.1 Confidential information will be provided to the Committee as a matter of course. Such information will often be in advance of information being made available to either the Board, the Council, Members as a whole or the wider public and can include information not made public at any stage for employment or other reasons. It is in the interests of the Group that appropriate confidentiality is maintained and that the communications are carefully controlled to manage external public relations and to take cognisance of employee and trade union consultation, some of which will include statutory requirements.
- 9.2 Committee members must treat as confidential any information communicated to them by the Remuneration Committee, MNDJC, Nominations Committee, the professional search organisation or any other officer, employee, contractor or advisor of the Group.

- 9.3 Third parties to whom confidential matters must not be disclosed include, but are certainly not limited to, customers, members of the Council (save in accordance with the formal reporting provisions in paragraph 10 below), members of other sub-national structures, employees of the Society and its subsidiaries, competitors, the media and the general public.
- 9.4 The Group Secretary can provide guidance to Committee members on issues of disclosure.

10. REPORTING

Subject to paragraph 9:

- (a) The Committee will report to and be accountable for its activities to the Council. It will normally report on its activities at the meetings of the Council, the Remuneration Committee, MNDJC and the Nominations Committee immediately following its meeting.
- (b) Minutes of all Committee meetings shall be circulated to the Council, the Remuneration Committee, MNDJC and the Nominations Committee unless it would be inappropriate to do so as determined by the Committee having regard to confidential information and guidance provided by the Group Secretary.
- (c) The Chair of the Committee shall report on Committee business and highlight issues together with any related recommendations to the Council, the Remuneration Committee, MNDJC and the Nominations Committee.
- (d) The Committee will provide details of its activities to be included in the Group's Annual Report and Accounts and the Council Annual Statement.

11. REVIEW

These terms of reference will be subject to review on an annual basis.