



You said, we did

Update on our 2017 AGM motions

Here's our update on our 2017 AGM motions

Agreeing changes to Executive Pay



Last year we asked our members to approve the following motion:

To authorise the Remuneration Committee to simplify the incentive arrangements for the Executive by adjusting the balance and design of the annual and long-term incentives provided the total quantum that can be received for annual and long-term incentives does not exceed the amount available under the present arrangements.

Since the meeting, our Remuneration Committee has worked hard to review the element of pay which links to how our Co-op performs. In the past we've had two plans - one looking at performance over a year and the other looking at a three year period.

As a result of the review we have changed and simplified our approach and from 2018 we will have one Bonus Plan ("BP") that replaces the current Annual Incentive Plan ("AIP") and Long Term Incentive Plan ("LTIP").

The new BP will operate in a similar way to the current Annual Incentive Plan but with three key changes:

- i. The maximum opportunity increases as individuals will no longer participate in the LTIP.
- ii. A deferral period is being introduced: not all of the award will be paid in one go - 50% will be paid two years later, which means we'll still have an element which is long-term.
- iii. The current AIP profit target will be replaced by a number of measures which we believe are important to our Co-op. This goes beyond just

the financial performance and will cover other areas we, and our members, think are important such as community and colleagues.

We have provided further details about our new BP in our Remuneration Report that is part of our 2017 Annual Report and Accounts, which you can find at co-operative.coop/annual-results

The changes to the BP are in line with our 2017 AGM motions and ensure the 200% maximum opportunity in place under the old Annual and Long Term Incentive schemes remains in place.

We are, however, asking members to vote on a 2018 AGM motion to amend our Remuneration Policy - supporting a change for our Chief Executive. This change would mean our Chief Executive's overall pay would be more in line with what he would receive for a similar role elsewhere. Rather than increase his base pay the Remuneration Committee believes it is better to increase the element of pay that links to performance. This will mean the maximum amount which our Chief Executive could be paid for this element of his pay will increase from 200% to 250% of base pay. No payment would be made if performance is not good enough, but depending on the level of results achieved a payment of between nil and 250% of salary could be made.

We won't be increasing the maximum amount any other members of the Executive could receive under the BP. In fact in all but one other case, the maximum is lower than the previous 200%. We've provided further details in our Directors' Remuneration Report.

Long Term Incentive Plan awards already made in 2016 and 2017 will continue. So 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.

Pay Gap

Last year, our members approved the following motion put forward by members:

This AGM notes that executive pay has increased significantly in the UK, whilst pay at the bottom for the lowest paid has largely stagnated. Co-operatives should be operating on a different basis that is more ethical and reflects greater equity within the workforce.

The Co-operative Group as a leading co-op in the UK should be setting the benchmarks which other co-operatives could adopt where appropriate. This ethical approach to pay ratios would be good business and make good co-operative sense reflecting our concern to ensure that our staff are fairly remunerated so as to keep delivering the business performance our society needs if we are to remain the public's convenience retailer of choice. We call upon the Board to review the current pay ratio from top to bottom and to set a strategy to narrow the differential to an appropriate level as reflects our co-operative principles and ethical approach to business, including progress towards a real living monthly wage for the lowest paid staff. We ask the Board to report on progress to the AGM in 2018.

Our Remuneration Committee and Board regularly discuss how we treat and pay our colleagues across our Co-op for the great job they do. We continue to pay above National Living Wage (NLW) and apply our rates to all colleagues. Unlike many other employers, we have chosen not to reduce rates for younger colleagues or Apprentices. We have also agreed to invest an additional £4m for our colleagues working in food stores and funeral homes in 2018.

This means we have increased hourly pay rates for our Customer Team Members by 6.1% in 2018 so their pay now starts at £8.02 per hour and rises to £8.18 per hour plus an extra £0.70 for colleagues based in London.

Last year we shared our pay ratio based on target earnings rather than actual. This is what we expect to be paid rather than what is actually paid. This approach makes sense to us and will make it easier for members to compare year on year to see how we are progressing with lowering the ratio. The Government are due to publish new regulations that require us to report on the ratio of pay between the company chief executive and their average UK worker. As a result we may have to change the way we report next year to meet the regulations.

This year the ratio between our highest paid executive and lowest paid colleague as at April 2018 is 1:48 on Base Pay only or 1:96 for Base Pay plus on target incentives.

The ratio between our highest paid executive and lowest paid colleague in April 2017 was 1:51 on Base Pay only or 1:101 for Base Pay plus on target incentives.

Modern Slavery



Last year our members overwhelmingly approved the motion below:

This AGM is saddened and horrified that more than 10,000 people are victims of Modern Slavery in the UK and:

- supports extending our Co-op's Bright Future partnership with City Hearts to other organisations who support victims of Modern Slavery;
- agrees our Co-op should raise awareness of the issue of Modern Slavery throughout the UK; and
- encourages our Co-op to campaign with members across the UK for greater support and opportunities for victims of Modern Slavery from local and central Government and from other co-operatives and businesses who can provide opportunities for victims to return to paid work.

Our Co-op has been a leader in campaigning against modern slavery and in the past year we have focussed on:

- 1) Offering victims of modern slavery paid work placements through our Bright Future programme
- 2) Lobbying the Government to increase the support provided to victims
- 3) Raising awareness of the issue among our members, communities and colleagues

We have a short summary of our work on Modern Slavery in 2017 which is available at [co-operative.coop/ethics/modern-slavery](https://www.co-operative.coop/ethics/modern-slavery)

Offering victims of modern slavery paid work placements through our Bright Future programme

- We set out to create 30 new work placements in the programme's first year and by the end of 2017 we'd created 14 placements within the Co-operative Group and a further placement at Central England Co-operative through our partnership with The Jericho Trust. In 2018 we're expecting another 19 placements to start.

- We set up our initial partnership with the charity City Hearts and in 2017 we extended this and set up partnerships with six more charities who are experienced in supporting survivors of modern slavery: the Snowdrop Project, Sophie Hayes Foundation, Kalayaan, Hope for Justice, the Medaille Trust and The Jericho Trust. We've also started discussions with four more charities (Olallo House, Bakhita House, Migrant Help and Black Country Women's Aid).
- We know that to make a real difference we need others to join us. We've told as many people as possible about Bright Future and we've encouraged them to take part. We've been delighted by the response. By the end of 2017, 12 businesses have joined us; these include four of our food suppliers, several independent Co-op societies and other retailers and businesses.
- We recognise that there's always room for improvement so we commissioned the University of Liverpool to carry out an independent interim review of Bright Future, to help us understand opportunities for the future of the programme. We published the review in November and we've shared it widely with those tackling modern slavery in the UK.
- Our next steps on Project Bright Future in 2018 include extending our partnership with City Hearts and supporting them to set up a National Matching System for businesses and charities, and recruiting more businesses to offer placements to victims. We will also be working with the Sophie Hayes Foundation to provide pre-employment training.

Lobbying the Government for better support for victims

- Bright Future will only ever be one part of the solution for victims of modern slavery. There are many people who, because of their emotional or personal situation, are not ready or legally entitled to work. Those individuals are at risk of homelessness, poverty and re-trafficking.
- We're working to help change this situation, by recommending a longer period of support for victims. In 2017 we engaged with Parliament on this issue including:
 - Supporting Lord McColl's Private Members' Bill on enhanced support for Victims of Modern Slavery and the #Freeforgood campaign
 - Taking part in the Expert Group set up by Baroness Lola Young on her Private Members' Bill on Transparency in Supply Chains
 - Taking part in the Business Against Slavery Forum at the invitation of the Home Secretary
 - Submitting evidence to the Work and Pensions Committee inquiry into Support for Victims of Modern Slavery and evidence to the Joint Committee on Human Rights inquiry into Human Rights and Business

- We've also engaged with a number of influential groups and individuals, including: the All Party Parliamentary Group on Human Trafficking and Modern Day Slavery, Scottish Government Implementation Group on Human Trafficking and Exploitation, Scottish Government Stakeholder Forum, the Office of the Anti-Slavery Commissioner, Anti-Slavery International, Human Trafficking Foundation, Salvation Army and Unseen.
- We have also been invited to share our experience and insight with a wide range of stakeholders including being a member of the Evening Standard Expert Panel on Slavery chaired by Cardinal Nichols and speaking at a UN Women Conference on slavery.

Raising awareness of modern slavery among members, communities and colleagues

- Although the issue of modern slavery has been getting more attention in government, business and the media, we know that the general public has little awareness of it.

According to our research 18% of people didn't know what modern slavery is - our campaign includes awareness raising activities.

- We're focusing first on our colleagues and members, as that's where we can have most impact. But we're also exploring opportunities to engage our customers and wider society.

In 2017 we:

- Held awareness raising activities on Anti-Slavery Day for colleagues in our support centre in Manchester. Stop the Traffik and Greater Manchester Police attended and gave advice on how to 'spot and stop' modern slavery.
- Included sessions on modern slavery at a number of Co-op 'Shape Your Community' member events across the UK.
- Included 'Spot it and Stop it' messages in our social media communications.
- Placed adverts in national newspapers to mark Anti-Slavery Day in October, enabling us to promote the UK Modern Slavery Helpline and provide guidance. Signed up to support London Evening Standard call to action on modern slavery.

In 2018 we're planning to increase our colleague, member and public awareness-raising activities further including carrying out further research to check people's awareness.

- Project Bright Future and our modern slavery campaigning have been recognised by the Government, the Independent Anti-Slavery Commissioner and key organisations working on modern slavery.
- We were awarded the Thomson Reuters Stop Slavery Award for global excellence in supplier engagement/capacity building and Bright Future.



In 2017, our members also approved a motion relating to Fairtrade:

We welcome the support for Fairtrade being demonstrated by the Co-op. However, following Brexit, farmers in developing countries face new uncertainties around future tariffs and their access to the UK market. To help provide clarity about our continuing Fairtrade commitment post-Brexit and to strengthen the UK Co-operative Movements leadership position on Fairtrade, we urge the Co-op not only to remain committed to its Fairtrade values, but also to provide an assurance of stability to its Fairtrade suppliers and to explore additional ways of supporting them.

This motion gave us the opportunity to reconfirm our commitment to our Fairtrade producers.

Cocoa, bananas, tea & coffee

Since our AGM and on the back of our 2017 commitment to source all cocoa in Co-op own brand products on Fairtrade terms, we have further strengthened our ingredient sourcing policy.

During 2018's Fairtrade Fortnight, we made a further announcement - we're now working towards sourcing not just all of the cocoa but all of the bananas, tea and coffee we use in Co-op branded products to benefit Fairtrade producers. This means we're now 100% aligned to Fairtrade's own four core food commodity categories.

Flowers

We're the first retailer to stock 100% Fairtrade roses in all our bouquets when they're sourced from Africa, and that means almost 35 million Co-op Fairtrade African roses will be sold each year.

Wine

We are the largest sellers of Fairtrade wine in the world and we continue to lead the way - working with major brands to convert to Fairtrade and becoming the first and only retailer to sell Lebanon's only Fairtrade wine.

Sugar

All of our own brand sugar remains 100% Fairtrade, ensuring that across all the seven core categories, we lead the field.

We continue to lead the way with our commitment to Fairtrade and remain the UK's largest convenience sellers of Fairtrade products.

- In 2017, we significantly outperformed the market (sales in 2016 were +18% compared to a national market growth of 8%) and our continued commitment is extending our position further.
- In 2017 we saw our Fairtrade sales increase by 14% compared to the national market of 7%. We now have 19% of the Fairtrade market - selling more Fairtrade than all supermarkets except Sainsbury's.
- We lead the convenience market with 80% market share. This is largely due to our range of over 100 Fairtrade products (in 3000ft shops) compared to Sainsbury's Local with 33 lines and Tesco Express with 11. The range declines of our competitors are largely due to Cadbury moving away from Fairtrade and in the case of Sainsbury's, their losses on own brand tea.

Supporting communities

Alongside Fairtrade, we have been investing in additional project support, including a graduate nurse training in Kenya; clean water provision in Kenya, Malawi and Cote D'Ivoire, in partnership with The One Foundation; and extending our support in the latter into the second year of the Women's School of Leadership.

Recycling



Our members also approved a motion on recycling:

This AGM recognises that while 85% of Co-op Members say that packaging recyclability is important to them currently two thirds of packaging in the UK on consumer goods goes unrecycled. Therefore, this AGM:

- supports our Co-op's aim to make 100% of our packaging easy to recycle, with an interim target of 80% easy to recycle by 2020;
- encourages our Co-op to work with people across the industry to seek better ways to package food and maximise the amount of packaging handled by re-cycling facilities in the UK; and
- agrees our Co-op should inform and guide shoppers about the positives and challenges behind recycling.

We're on track to reach our target of making all our packaging easy to recycle. We're now at 71% (by line) and our short-term goal is 80% by 2020. We have achieved this by introducing some market-leading innovations whilst also influencing the industry.

Market leading innovations

- We now make all our meat trays (red meat, mince and turkey trays) from one plastic, to make it easy to recycle.
- We've switched our pizza packaging bases from unrecyclable polystyrene to cardboard, saving 200 tonnes of unrecyclable poly-board from going to landfill each year.
- We've changed our produce trays from unrecyclable black plastic to clear - including moving our premium tomato trays from unrecyclable black plastic to printed card and our mushrooms into blue, recyclable plastic instead of black too.
- We now use clear trays instead of unrecyclable black plastic for Christmas chocolate selections.
- We trialled the UK's first 100% compostable tea bags for our 99 Tea brand, which we plan to roll out later this year.

Influencing the industry

- We influenced the UK recycling label system to reflect the asks of the recycling industry on labels, allowing many of the trays we use to be reclassified as easy to recycle.
- We contribute to the Rationalisation of Packaging Working Group - chaired by our Environment Manager this is a cross industry group focused on tackling packaging recyclability holistically.
- We publically supported a Deposit Return Scheme (DRS) system which is designed to increase the overall recycling of packaging, significantly reduce litter and help to tackle marine pollution.
- We've been vocal in the media about our product innovations and the need for more industry change and we have been a "go to" retailer for comment for the last 12 months particularly. Recent media coverage has included The Guardian's feature on retailer plastic packaging waste, The One Show's feature on coloured plastic and an interview with Sky News as part of their Ocean Plastics campaign.
- We're very pleased that the public policy debate is again focused on how we can work collectively as retailers, producers, citizens, and government (both nationally and locally) and commit to actions to reduce the impact of single-use plastics and boost recycling rates.



Co-operative Group Limited

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