

The report of the Remuneration Committee

Introduction from the Committee Chairman

This is my seventh Remuneration report as Chairman of the Remuneration Committee ('the Committee'), and one of the most difficult to write.

The exceptional commercial challenges we faced in to, particularly during the second half of 2021, at a time when we were committed to investing in our business, meant that we ended the year in a weakened financial position. This has weighed heavily on some difficult decisions that we have made as a committee, on behalf of our members.

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 Members' Council and listen closely to the wider membership, not least at our AGMs. The consistent message we get is to continue to reward competitively and appropriately at the most senior levels, to try and do our very best wherever we have the opportunity, to increase rewards for those not on the very highest salary and bonus bands.

This is one of the years when we have used our power of discretion to do just that with the bonus outturn.

The report contains a lot of information, but we've tried to simplify it within the guidelines of best practice reporting.

My introduction has all the key highlights and there are two further sections which detail:

- i. **Part I – Executive Pay Policy.** We've included a summary of the pay policy which we will ask members to vote on at the 2022 AGM. This is unchanged from the one you approved at the 2019 AGM, but, following best practice, we put this up for approval every three years.
- ii. **Part II – Annual Report on Remuneration.** Then we've shown how the policy has been applied in 2021.

We've also included a 'Pay at a glance' section on page 86, so you can see all the key information on our Executive team in a simple format.

Our approach

We always believe in being open with our members. So, we go beyond public company best practice and tell you what our full Executive team earned, not just our Chief Executive and Chief Financial Officer.

We also look at wider pay and reward principles for our entire colleague cohort.

Our performance

2021 was another extremely challenging year for our Co-op. Profit before tax substantially reduced. Investment, particularly in our Food business, impacted underlying profitability exacerbated by well documented supply chain issues across the entire retail sector and only partially offset by improving profitability in the much smaller Funeralcare, Insurance and Wholesale businesses; and further cost savings in central supporting functions.

The full details of how our Co-op performed is given in 'Our financial performance' section on page 31.

Our colleagues

Once again, significant additional investment was made to our frontline colleague roles to recognise the vital role they play.

In April 2021, we aligned our minimum hourly rates to the Real Living Wage as set by the Living Wage Foundation (www.livingwage.org.uk), as we will from April 2022. For Customer Team Members (CTMs) in our Food stores, this resulted in a 4.2% pay rise. We also increased the pay rate differential between CTM and Team Leader roles. And our hourly pay rates apply to all colleagues, including younger colleagues and apprentices.

Yet again, those frontline colleagues have continued to do an amazing job; and yet again this year in very difficult circumstances. In recognition, they received £20 on their membership card and an increased colleague discount in December.

Their wellbeing – indeed the wellbeing of all colleagues - continues to be a key priority and we've made progress again on how we support both their health and financial wellbeing. Our monthly 'Wellbeing Wednesday' newsletter focuses on the things that colleagues tell us are most important to them.

In terms of specific activities in the year:

- We've made mental health training available to all people managers. Over 1,500 have now voluntarily chosen to take up the training and, in 2022, we're making attendance mandatory for all our Retail managers.
- We've launched Wagestream to all colleagues which has seen 10,400 colleagues supported with access to their earned pay between pay days and 2,400 colleagues opening a savings account paying 5% interest. The feedback on this initiative has been fantastic - more than 7,000 colleagues have told us Wagestream has reduced stress and improved their finances.
- We've sent all of our colleagues a clear booklet to show all of the benefits and support available to them, and how to access them.

We always put the colleague voice at the heart of our wellbeing programme, and we'll continue to be led by what they tell us matters most, using colleague focus groups to shape future investments.

More than 40,000 colleagues are members of our pension scheme. Our pension offer compares very favourably to competitors schemes and is available to all. We also take the social responsibility and sustainability footprint of our pension investments seriously. See our Co-operate Report for more information on the real progress we've made by focusing here

Our pay outcomes

- **Bonus**

Good financial stewardship - particularly managing our debt level - is an underpin performance measure within our annual Bonus Plan. The Plan rules have a 'gateway' that requires our Net debt/EBITDA ratio to be within 10% of our budget throughout the year in order for any bonuses to be made. There were times during the year that this was not the case. And by the close of 2021, our net debt increased to £920 million on declining profits. So while this level remains within our current banking facilities, we need, and now have, clear plans to reduce this significantly over the next three years.

Against our other targets for community and membership, we did make progress and, in the round, could have paid near threshold level bonuses to the (c.8,500) colleagues in the Plan .

More information on how we performed for each balanced scorecard measure and the final outturn can be found on page 92.

After a great deal of deliberation, the Committee made the difficult decision to determine that the financial gateway test had not been met. Consequently, no payments would be payable under the 2021 Bonus Plan.

However, in line with our reward philosophy, members of the Committee determined they would use discretion to enable the accrued bonus to be paid to all of our colleagues (including our Food Store Managers) who participate in the Plan, so excluding only our most senior leaders. The funds accrued through the year for Executive and Co-op Leader bonuses has been reallocated to the bonus pot and will therefore serve to uplift the amount paid to colleagues at lower earning grades.

- **Deferred bonus payments**

The second half of the 2019 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 2022 to senior leaders in line with the scheme rules.

Further details of the amounts paid and deferred can be found on page 91.

Changes to the Executive

Matt Atkinson stepped down in June 2021 and some contractual termination payments were made. No deferred bonus payments were made. Further details can be found on page 91.

Jo Whitfield will be taking a career break in 2022. This will reduce her bonusable pay for 2022, upon which the 2022 Bonus Plan will be calculated.

And, most importantly, our Group CEO, Steve Murrells steps down at this AGM after ten sterling years' of service to our movement. We shall miss him, but we welcome Shirine's promotion to Interim CEO. Shirine moves onto the Group CEO package.

Gender pay gap reporting

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

The Committee

The Committee has worked hard this year. We've had to have a lot of extra meetings and discussions beyond the formal calendar, and every member has made a valuable contribution. My heartfelt thanks to all of them, and also to the members of the Council Remuneration Working Group under Lesley Reznicek's leadership. Their insight and challenge throughout the year made sure our members' voice was always heard.

AGM

It remains important to us that our members make their views heard, so we would ask that you vote prior to the 2022 AGM. And I hope you will be able to support and endorse our decisions by voting to approve this report.

To remind you, we will be asking our members to approve both the Annual Report on Remuneration and our Executive Pay Policy for a further three years. Both votes are advisory. So, while technically not binding, in the event of a vote against the Executive Pay Policy, my committee and our Board have committed to consult with the Council Remuneration Working Group about changes, with a view to bringing an amended version forward for another vote at the 2022 AGM. Until it can be amended at that time, the existing policy would remain in force.

I say every year that getting the balance right is never easy and this year we have had to make some particularly difficult choices. I'd like to offer my thanks in advance for your vote in favour of the motions.

Stevie Spring

Chairman, the Remuneration Committee

Pay at a glance

This section provides an overview of our Executive Pay Policy and summarises the framework that will apply for our executives in 2022. Further details are set out on page 87.

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

The table below sets out the annual base salary and maximum amount each Executive member can receive under the Bonus Plan.

Executive member	2021 £'000	2022 £'000	Maximum BP opportunity as a % of bonusable pay
Steve Murrells ¹	750	750	250%
Shirine Khoury-Haq ²	650	650	180%
Jo Whitfield	650	650	150%
Helen Webb	450	450	150%
Helen Grantham	350	350	150%

Notes to table

1. As a result of stepping down from our Chief Executive role Steve Murrells will not be eligible to participate in our 2022 Bonus Plan.
2. On appointment as our Interim Chief Executive Shirine Khoury Haq's salary increased to £750k, and her maximum bonus opportunity increased to 250%.

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.

Operating 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 that 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 members, customers and communities.

2021 pay outcomes

The chart below shows the pay which our executives received in 2021 and full details can be found in the Annual Report on Remuneration which starts on page 91.



Notes to chart

1. Matt Atkinson stepped down from the Executive on 30 June 2021.
2. The bonus paid is the second half of the 2019 BP Award.

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 Co-op 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, 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	<p>The maximum possible bonus opportunity under the BP is 250% of salary for the Chief Executive and between 150% and 180% for the remaining members of our Executive.</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>

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.

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

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 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 executives' 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 97.

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 2021 financial year.

Table 1a – 2021 pay for our executives in post at 1 January 2022

		Steve Murrells £'000		Shirine Khoury-Haq £'000		Jo Whitfield £'000		Helen Webb £'000		Helen Grantham £'000	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fixed Pay	Basic Salary	750	750	650	624	650	650	450	450	350	350
	Taxable Benefits (1)	29	39	4	9	14	15	10	13	13	13
	Pension Benefits (2)	75	75	65	62	65	65	45	45	35	35
Performance-related pay	Bonus Plan (3)	0	660	0	394	0	343	0	238	0	172
	Deferred Bonus Plan (4)	615	696	117	0	283	306	181	182	152	182
Other	Other	0	0	0	0	0	0	0	0	0	0
Total		£1,469	£2,220	£836	£1,089	£1,012	£1,379	£686	£928	£550	£752

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. No payment was made under the 2021 BP as the Committee determined that the net debt/EBITDA ratio underpin was not met.
4. Deferred Bonus Awards relate to the 2019 BP. Half of the award was paid in May 2020 and the other half will be paid in May 2022, subject to still being employed and not under notice.

Table 1b – 2021 pay for executives who left our Executive during the 2021 financial year

		Matt Atkinson £'000	
		2021	2020
Fixed Pay	Basic Salary (1)	247	450
	Taxable Benefits (2)	7	15
	Pension Benefits (3)	22	45
Performance-related pay	Bonus Plan (4)	0	221
	Deferred Bonus Plan (5)	0	227
Other	Other (6)	1	44
Total		£277	£1,002

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 2021 BP payment has been made to Matt Atkinson.
5. No 2019 Deferred Bonus Award has been paid to Matt Atkinson in line with the scheme rules.
6. Matt Atkinson received £1k under the relocation policy to assist in staying close to the workplace during the working week.

Matt Atkinson stepped down from the Executive on 30 June 2021.

2021 BP outturn

Managing our debt level is an important performance measure within our Bonus Plan. The Plan rules have a 'gateway' that requires our Net debt/EBITDA ratio to be within 10% of our budget throughout the year in order for any payments to be made.

For 2021, there were times during the year this was not the case and after a great deal of deliberation, the Committee made the difficult decision to determine that the gateway test had not been met. Consequently, no payments will be made under the 2021 Bonus Plan to our Executive or Co-op Leaders.

However, in line with our reward philosophy, members of the Committee determined that they would use their discretion to pay a bonus for all of our other colleagues (which includes our Food Store Managers) who participate in the Plan. The money held for Executive and Co-op Leader bonuses was also used to bolster this discretionary bonus payment.

The following table shows our performance for each section of the 2021 balanced scorecard.

2021 Balanced scorecard measures		Weighting	Performance	
Stronger Co-op	% of maximum weighting	Outturn	Summary	
Co-op Operating Profit	50%	Threshold	<ul style="list-style-type: none"> We had to significantly invest in price to ensure we remained competitive. This, coupled with the well documented supply chain issues, put pressure on our financial performance. Our Co-op's operating profit was just ahead of threshold 	
Colleague – measures focused on building and maintaining colleague engagement	10%	Miss	<ul style="list-style-type: none"> Our engagement score has dropped since 2020 but remains strong despite the continuing challenges of the pandemic. Despite the challenges, our Leadership Score has improved from 72% to 74% compared to 2020. This illustrates evidence of leadership development and agility to support colleagues evolving needs Threshold was set at our 2020 engagement score. As a result of the drop 	

			in 2021, compared to 2020, we failed to hit threshold for this measure
Stronger Communities			
Member – measures focused on our membership proposition	10%	Target +	<ul style="list-style-type: none"> Despite uncertainty and volatile consumer behaviour driven by the ongoing Covid-19 pandemic and the industry wide grocery supply chain challenges, Co-op membership performed strongly against our targets in 2021 We saw an increase in member participation with more than 1m causes selected by our members. We also had strong levels of member participation in new product development, which outperformed our expectations
Community – measures focused on championing co-operation and engagement with community activities	10%	Target +	<ul style="list-style-type: none"> A strong performance against the targets set with colleagues across the business, working together to maximise the impact of our community activity. The backdrop to 2021 has undoubtedly allowed us to position our '<i>Co-operating for a Fairer World</i>' Vision at the heart of our community response, with all measures performing well
Personal performance			
Assessment of how each member of the Executive performs across the year	20%	-	<ul style="list-style-type: none"> Determined in reference to individual performance. Measures include specific objectives such as overall financial performance, cultural achievements such as inclusion and leadership, transformation programme delivery and sustainability targets.

Based solely on performance against the balanced scorecard measures, the bonus outturn would have been just ahead of 'threshold'.

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 1 January 2022.

Table 2a – deferred BP Awards held by our executives in post at 1 January 2022

Name of executive	BP Award Year	Value of BP Award Deferred £'000	BP Deferred Award due in year (Note 1) £'000
Steve Murrells	2021	0	
	2020	660	-
	2019		615
Shirine Khoury-Haq	2021	0	
	2020	394	-
	2019		117
Jo Whitfield	2021	0	
	2020	343	-
	2019		283
Helen Webb	2021	0	
	2020	238	-
	2019		181
Helen Grantham	2021	0	
	2020	172	-
	2019		152

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
Matt Atkinson	2020	221
	2019	196

Notes to Table 2b

1. In line with the BP rules, the deferred BP Awards were forfeited when Matt Atkinson 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 1 January 2022

Name of executive	Date appointed to Executive	Years of Group Service	Period	Employer Contributions to Defined Contribution Pension	Payment in lieu of Pension Benefit	Total Pensions Benefits
				£'000	£'000	£'000
Steve Murrells	16 Jul 2012	9	2021		75	75
			2020	-	75	75
Shirine Khoury-Haq	5 Aug 2019	2	2021	2	63	65
			2020	3	60	63
Jo Whitfield	1 Mar 2017	6	2021	3	62	65
			2020	4	61	65
Helen Webb	17 Apr 2017	8	2021		45	45
			2020		45	45
Helen Grantham	11 Jan 2016	5	2021		35	35
			2020		35	35

Notes to Table 3a

1. 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.
2. Defined benefit accrual ceased in October 2015 for all colleagues.

Table 3b – Pension entitlements for executives who left our Executive during the 2021 financial year

Name of executive	Date left the Executive	Years of Group Service	Period	Employer Contributions to Defined Contribution Pension	Payment in lieu of Pension Benefit	Total Pensions Benefits
				£'000	£'000	£'000
Matt Atkinson	30 June 2021	3	2021		22	22
			2020	-	45	45

What arrangements have been agreed for former executives?

Matt Atkinson stepped down from the Executive on 30 June 2021. His earnings whilst he was an executive up to 30 June 2021 are shown in Table 1b. The terms of his settlement agreement included an amount of £225,000 for contractual pay in lieu of notice and a termination payment of £240,600. No other executive left during the 2021 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
2021	Option C	76:1	71:1	64:1
2020	Option C	122:1	117:1	102:1
2019	Option C	83:1	76:1	62:1

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 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 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. The reduction in 2021's ratio vs. 2020 is due to the increase in frontline colleague pay and no payment being made in respect of the 2021 Bonus Plan.

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 2018 to 2022 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 2022	39:1	87:1
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

No changes were made to the Chief Executive's on target earnings in 2021, whereas we increased the pay of the comparator role, which is a Customer Team Member (CTM), by 4.2%.

Non-Executive Directors' remuneration

This section of the report includes details of the payments made to the Non-Executive Directors (NEDs) in office during 2021.

What are the fees for the NEDs for 2022?

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 2021. 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 2021, 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 2021 financial year.

Table 4a – Non-executive members of our Board at 1 January 2022

	Notes	Board	Risk and Audit Committee Chair	Remuneration Committee Chair	Senior Independent Director	2021 Total	2020 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Allan Leighton (Chair)	1	See note 1	-	-	-	See note 1	See note 1
Chris Kelly	2, 3	60			15	75	75
Stevie Spring	2	60		15		75	75
Simon Burke	2	60	15			75	75
Lord Victor Adebawale		60				60	60
Margaret Casely-Hayford		60				60	60
Paul Chandler		60				60	60
Sarah McCarthy-Fry		60				60	60
Rahul Powar		60				60	60
Kate Allum	5	39				39	0

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 2021 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.
5. Kate Allum was appointed on 15 May 2021.

Table 4b – Former Non-Executive members of our Board who left during the 2021 financial year

	Notes	Board	Risk and Audit Committee Chair	Remuneration Committee Chair	Senior Independent Director	2021 Total	2020 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Hazel Blears	1	23				23	60

Notes to Table 4b

1. Hazel Blears stepped down on 16 May 2021.

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 2021 are provided on page 65.

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 2021 the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £31,050 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.